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Can Social Capital Be the New Dynamics of Economic Development?

Abstract

Besides other capital types, social capital is such a kind of capital, which is revealed by the confidence level of the society and certain financial facts. This study questions whether the social capital could be new dynamics for the developments of the countries along with other types of capitals (real capital and human capital). According to the recent research it has been concluded that the social capital has some positive effects to decrease the asymmetric information; to gain trust, information sharing and competitive power; to increase the participation in political life and social organizations; to fix the distribution of income; and to accelerate the economic growth. As a result, considering the fact that the countries with high confidence level have high humanitarian growth and high income per capita, it has been concluded that social capital may create new dynamics of economic development.

Keywords: social capital, humanitarian capital, economic development

JEL Classification: E22, G02, O11, O18

1. Introduction

The change in production factors inevitably depends on the technological development and the development of production methods. In this context, while physical capital had been seen as the principal capital, which is among the production factors, in time it is observed that human capital ranks among with physical capital. However, recently in addition to these two types of capital, social capital, which can be defined as the positive effect provided with every kind of social value and relationship on the economic field, is now starting to take its place in production factors.

Social capital, which uses collective success as a base, creates added value on a high level for the subjects, e.g. the decrease of asymmetric information, share on trust and knowledge, decrease in transaction costs, gaining competitive power, increase in participation in political life and community organizations, adjustment of income distribution and acceleration of economic growth. Thanks to the social capital, which, besides the physical capital and human capital, affects the productivity in a positive way, countries have expanded the size of economic development with the development policies they revised.

The purpose of this study is to find an answer to the question whether the phenomenon of social capital can create new dynamics for a construction of the development policies of countries besides other types of capital known as the physical and human capital. In this context, firstly, the study which is carried out with a descriptive research, discusses the definition of social capital and development process. Secondly, the relation between social capital and other types of capital will be examined. In the third section, the theoretical structure of social capital will be discussed, and finally, social capital's contribution to the economic development will be reviewed. In the concluding section of the study, findings and suggestions will be shared.

2. Social capital phenomenon and development process

Social capital is a term which consists of the combination of society's confidence level and the capital, which is an economic asset.¹ It is necessary to state immediately that social capital does not have a single definition agreed on by every discipline since it contains many aspects in itself.² This concept has been referred often especially by the economic development literature and plays an important role in

¹ KOSGEB, *The Role of Social Capital in Economic Development* [Ekonomik Kalkınmada Sosyal Sermayenin Rolü], Ekonomik ve Stratejik Araştırmalar Merkez Müdürlüğü, Mart, Ankara 2005, p. 4.

² M. Karagül, S. Dündar, *Empirical Study on Social Capital and Its Determinants* [Sosyal Sermaye ve Belirleyicileri Üzerine Ampirik Bir Çalışma], "Akdeniz Üniversitesi İİBF Dergisi" 2006, Vol. 6, No. 12, pp. 1-78.

the economic development processes today.³ In this regard, the importance of education and confidence factors for economic development throughout the society have been understood better, and social capital has become a reference concept.⁴ As for the members of a society, the individuals' ability to act jointly makes the need of social capital more significant. In this sense, criteria like the ability to work together and tendency to cooperation give us some clues about the concept of social capital.⁵ It is possible to define the social capital as a skill of cooperation within the frame of confidence element and relationships.⁶

Indirectly Max Weber refers to social capital in his book *Protestant Ethic and the Spirit of Capitalism* that was published in 1905. In this work, he forms the main theme of social capital by underlining the moral motivation of humans' behaviours, which is effective in economic and social development, and by bringing out the motivation of mentality, culture and action.⁷

Hanifan is the first who introduced the term social capital in his work in 1916. Hanifan attributed meanings like individuals' daily life, good intention, fellowship and social relations to the social capital concept, and he put this term away from personal property and money.⁸ After Hanifan, in 1956 the Canadian sociologists Seely, Sim and Loosely used the term social capital in their work about urban society culture.⁹ After 1970s social capital has also become a subject of study for the economists.¹⁰ Today the term is mainly handled by sociology and economics but also partly by political scientists.¹¹ An economist Loury emphasised in his work on income distribution in 1977 that a type of capital named as 'social capital' is also needed to be analysed to make the concept of human capital gain a better understanding.¹²

³ M. Çetin, *Social Capital and Trust in Industrial Districts: The Case of the Third Italy* [Endüstriyel Bölgelerde Sosyal Sermaye ve Güven: Üçüncü İtalya Örneği], "Ege Üniversitesi, Ege Akademik Bakış" 2006, Vol. 6, No. 1, p. 75.

⁴ M. Karagül, S. Dündar, op. cit., p. 3.

⁵ B. Özcan, *Social Capital and Economic Development* [Sosyal Sermaye ve Ekonomik Kalkınma], İstanbul Üniversitesi Sosyal Bilimler Enstitüsü İktisat Anabilim Dalı, Yayınlanmamış Doktora Tezi, İstanbul 2011, p. 6.

⁶ N. Tüysüz, *The Importance of Social Capital as the Aspect of Economic Development and Creating Social Capital Index* [Sosyal Sermayenin Ekonomik Gelişme Açısından Önemi ve Sosyal Sermaye Endeksinin Hesaplanması], Kalkınma Bakanlığı Bölgesel Gelişme ve Yapısal Uyum Genel Müdürlüğü, Uzmanlık Tezi, Ankara 2011, p. 23.

⁷ Ibidem, p. 9; H. Eşki, *A Case Study on The Importance, Production and Measurement* [Sosyal Sermaye-Önemi, Üretimi ve Ölçümü-Üzerine Bir Alan Araştırması], Selçuk Üniversitesi Sosyal Bilimler Enstitüsü, Yayınlanmamış Doktora Tezi, Konya 2009, p. 7.

⁸ N. Kangal, *Social Capital Theories and Relation between Social Capital and Development: Turkey Sample* [Sosyal Sermaye Teorileri ve Sosyal Sermaye Kalkınma İlişkisi: Türkiye Örneği], Selçuk Üniversitesi Sosyal Bilimler Enstitüsü, Yüksek Lisans Tezi, Konya 2013, p. 9.

⁹ F. Sabatini, *The Empirics of Social Capital and Economic Development: A Critical Perspective*, 2006, p. 4, [www.socialcapitalgateway.org/Sabatini\(2006\)](http://www.socialcapitalgateway.org/Sabatini(2006)).

¹⁰ M. Woolcock, D. Narayan, *Social Capital: Implications for Development Theory, Research and Policy*, "The World Bank Research Observer" 2000, Vol. 15, No. 2, p. 229.

¹¹ F. Erselcan, *Social Capital as an Interdisciplinary Joint Study Area* [Disiplinler Arası Ortak Bir Çalışma Alanı Olarak Sosyal Sermaye], "Cumhuriyet Üniversitesi Sosyal Bilimler Dergisi" 2009, Vol. 35, No. 2, p. 248.

¹² H. Eşki, op. cit., p. 7.

The actual ‘golden age’ of social capital took place in the 1980s with the works of Pierre Bourdieu, James Coleman and Robert Putnam. As a sociologist, Pierce considered the term *capital* in three aspects, i.e. as economic, cultural and social, and defined the social capital as a network which works continuously.¹³

An American sociologist James Coleman carried the concept of social capital to an interdisciplinary level by explaining why individuals cooperate even though they can compete for their self-interests. He referred to both economics and sociology.¹⁴ In this context, it was underlined that social capital is productive and during the absence of social capital, it is not possible to take important steps. It was also suggested that the strong and continuous relationships achieved with the help of social capital activated and made humane operations easier. Moreover, social capital can improve the quality of social institutions.¹⁵

The concept of social capital gained the popularity that it has today with Robert Putnam’s work *Making Democracy Work*.¹⁶ Putnam underlined political, institutional and economic values within the frame of social capital, and at the same time, he drew attention to the importance of political participation along with the civil society organisations for an efficient management.¹⁷ With his social capital approach, Putnam aimed to turn the definition of ‘me,’ which points out the individualism, to ‘us,’ which rather points out the collectiveness, and thus to affect the productivity in a positive way.¹⁸

Another scientist that has an important contribution to the development of the concept of social capital is an American political scientist Francis Fukuyama. Fukuyama embraced the social capital with a ‘confidence’ perspective and viewed the social capital as an ability which comes out as a sense of confidence on society.¹⁹ With his theory, Fukuyama states that societies contribute to decreasing the cost of operation by combining the legislative regulations, social capital and confidence level, while they are fulfilling the conditions which appear in life.²⁰

¹³ M. Çetin, *The Role of Social Networks in Regional Development: The Case of “Silicon Valley”* [Bölgesel Kalkınmada Sosyal Ağların Rolü: Silikon Vadisi Örneği], “Dokuz Eylül Üniversitesi İ.İ.B.F Dergisi” 2006, Vol. 21, No.1, p. 3.

¹⁴ J. Field, *Social Capital* [Sosyal Sermaye], 2nd Edition, translated by B. Bilgen, B. Şen, İstanbul Bilgi Üniversitesi Yayınları, İstanbul 2008, pp. 28–30.

¹⁵ J. Coleman, *Social Capital in the Creation of Human Capital*, “The American Journal of Sociology” 1988, Vol. 94, p. 98.

¹⁶ J. Field, op. cit., p. 17.

¹⁷ C.S. Akın, *The Effect of Institutions and Social Capital on Economic Growth* [Kurumların ve Sosyal Sermayenin Ekonomik Büyüme Üzerine Etkisi], Çukurova Üniversitesi Sosyal Bilimler Enstitüsü İktisat Anabilim Dalı, Yayınlanmamış Doktora Tezi, Adana 2012, p. 30.

¹⁸ M.A. Aydemir, *Social Capital – A Research on Sense of Community and Social Capital* [Sosyal Sermaye – Topluluk Duygusu ve Sosyal Sermaye Araştırması], Çizgi Kitabevi, Konya 2011, p. 67.

¹⁹ F. Fukuyama, *Trust: The Social Virtues and The Creation of Prosperity* [Güven, Sosyal Erdemler ve Refahın Yaratılması], Türkiye İş Bankası Kültür Yayınları, İstanbul 2005, p. 42.

²⁰ A. Özdemir, *The Relationship Between Social Capital and Knowledge Creation with The Perspective of Social Network Features: A Field Survey on Academics* [Sosyal Ağ Özellikleri Bakışı Açısıyla Sosyal Sermaye ve Bilgi Yaratma İlişkisi: Akademisyenler Üzerinde Yapılan Bir Alan Araştırması], Anadolu Üniversitesi Sosyal Bilimler Enstitüsü, Yayınlanmamış Doktora Tez, Eskişehir 2007, p. 17; N. Tüysüz, op. cit., p. 16.

On the other hand, Douglass North, who is one of the representatives of the new institutional economics and acts according to the fact that during their decision phase the institutions would have the power to affect individuals and their decisions, defines social capital as informal institutions. While the institutions, which have been created by individuals and formed by regulations, have the characteristics of being official (formal), the institutions, which have been formed by traditions and behavioural patterns, have the characteristics of being informal.²¹ These institutions express the sum of the regulations which define the acts, standards of judgement and beliefs of individuals that construct the society. Such a relationship fulfils the duty of being binder which constructs the society and keeps it all together.²²

The contribution of international organisations to the development of social capital cannot be denied. Institutions like the World Bank and OECD have been seen as tools for development policies that construct social capital.²³ According to this, whereas World Bank expresses human relations, confidence, a consciousness of citizenships and regulations,²⁴ OECD defines the social capital and human capital as mutually complementary.²⁵

3. Is Social Capital an Alternative to the Other Types of Capital?

One of the main factors of production is capital. The most primary type of capital is the physical capital, which consists of immovable properties and substructure possibilities. However, this type of capital has been insufficient to explain the development stages of the countries. After the World War II, especially in the 1960s, human capital also took its place at the economists' agenda besides the physical capital. Human capital, which means the sum of knowledge, skills and experiences of individual that contribute to production, increases the functionality of physical capital and affects the development positively.

However, the expectation that human capital along with the physical capital would be enough to explain the development had not been satisfying, and therefore new explanations have arisen. In this context, the decade of the 1990s added certain new meanings to the term of capital in the economics literature, and the social capital phenomenon which affects the production, economic development and growth have come to the fore.²⁶

²¹ B. Özcan, op. cit., p. 23

²² A.Y. Ata, *Opportunity and Motivation of Corruption in the Framework of Institutional Economics: An Analysis of EU Countries* [Kurumsal İktisat Çerçevesinde Yolsuzluğun Fırsat ve Motivasyonları: AB Ülkeleri Üzerine Bir İnceleme], Çukurova Üniversitesi Sosyal Bilimler Enstitüsü İktisat Anabilim Dalı, Yayınlanmamış Doktora Tezi, Adana 2009, p. 18.

²³ H. Eşki, op. cit., p. 23.

²⁴ World Bank, *The Initiative on Defining, Mentoring and Measuring Social Capital: Overview and Program Description*, Social Capital Initiative, Working Paper No.1, 1998, p. 1.

²⁵ J. Field, op. cit., p. 12.

²⁶ *Ibidem*, p. 72.

Since the date that the social capital became the main topic, it has been through different stages. In this regard, while ‘what individuals have’ became the content of the term capital, in time it turned into ‘what individuals know.’ The last stage of this argument today is ‘whom individuals know.’ When all these stages are observed, it is obvious that the first stage defines the physical capital, the second stage defines the human capital and the third stage defines the social capital. In this context, as the answer to the question that we asked in the title we can say that the social capital has a complementary specification for other capital types rather than being an alternative for them.

On the other hand, social capital has specifications that make it differ from the other capital types. Unlike the others, this capital type has a feature, which does not decrease with use and is not subject to competition because of that. Besides, this capital type is not subject to ownership unlike the other capital types and it has the characteristics of being public property.²⁷ In this context, Putnam states that social capital increases the profitability of the incomes of physical and human capitals.²⁸ Sociological and cultural structure and religious beliefs of a society play important roles in economic development. These values construct the main elements of social capital. Such a case gives clues about social capital’s positive effect on economic development.²⁹ Social capital cannot be achieved by individuals’ own efforts because the production for this capital is harder comparing the other capitals, since it’s based on relations, not individuals. Besides, the production, elimination or alteration of the social capital takes a long time. A non-dynamic social capital structure would lose its complementary feature for development in time.³⁰

What constructs the basic foundation for achieving economic targets is being able to use the capital types profitable. Although this situation makes the combination of physical and human capitals primary, during the beginning and construction phases it provides an intensive social capital and a complementary human capital. The presence of these two capital types makes reaching the physical and economic capital easier in the name of development with a higher actualization possibility.³¹ In this regard, Coleman states that the social capital prepares a substructure of achieving the human capital for the posterity. Coleman gives the education level of children of families with strong relationships as an example for a transition from social capital to human capital. According to that, the education level of the children of families with weaker family ties is lower than the ones that have families with

²⁷ A. Paşamehmetoğlu, *The Effects of Cultural Variables in Social Capital: A Study on Ankara Furniture Dealers’ Site (Sitelere) and Middle East Industry and Trade Center (OSTİM)* [Kültürel Değerlerde Farklılar Farklılaşmanın Sosyal Sermayeye Etkileri: Ankara Mobilyacılar Sitesi (Sitelere) ve Ortadoğu Sanayi ve Ticaret Merkezi (OSTİM) Üzerine Bir Araştırma], Başkent Üniversitesi Sosyal Bilimler Enstitüsü, Doktora Tezi, Ankara 2010, p. 4; F. Erselcan, op. cit., p. 249.

²⁸ KOSGEB, op. cit., p. 14.

²⁹ M. Karagül, op. cit., p. 26.

³⁰ F. Fukuyama, op. cit, p. 42; N. Saygılıoğlu, S. Arı, *Effective State: An Institutional Plan and Politics Proposal* [Etkin Devlet Kurumsal Bir Tasarı ve Politika Önerisi], Sabancı Üniversitesi Yayınları, İstanbul 2003, pp. 176–177.

³¹ M. Karagül, op. cit., p. 135.

stronger family ties.³² In this case, it can be expressed that a high level of social capital causes first a higher educational level, then the construction of human capital and higher economic returns.

4. Theoretical Substructure of Social Capital

The concept of social capital, which has been a subject of research for different types of sciences like sociology, economics, political sciences and educational sociology and management sciences which are newly included in this list, is handled as a source that eases individual's activities, and it's defined as norms and networks, which provides contribution along with an important factor like confidence.³³

Coleman bases the term social capital on the rational choice theory.³⁴ Coleman, who developed a 'Coleman-ish' approach by using the economy and sociology together,³⁵ based the social capital on the idea which includes a humane act in a social scope with a neoclassical individual principle of rationality. Coleman not only took the individuals into consideration like economists do, but also social organizations like sociologists.³⁶ Coleman states that economic sociology sees the social capital as steps to take in order to make the actions, which are caused by social relations, easier.³⁷ Thus, the social capital became a concept being interested in other disciplines. According to Coleman, social capital explains why people can cooperate even in competitions with the best benefits and how they can achieve working together. This approach puts the social capital to the centre of the famous 'invisible hand' principle of the classical economics.³⁸

With his social capital theory, where he defends to move collectively instead of trying to reach individual goals, Putnam states that the continuous social relations affect individuals' cooperation and their solidarity level positively by using existing resources. In this regard, in the societies that are able to turn 'me' to 'us'³⁹ social capital will be an essential factor to achieve the 'common good.' Social capital plays an important role in creating the feeling of belonging to a society, to a group, and for bringing out the capacity that a person has but does not use enough. Putnam has searched for the source of strong country, strong society and strong economy in his social capital theory.⁴⁰ While Putnam evaluates the social capital at the macro level

³² J. Coleman, op. cit., p. 100.

³³ N. Kargal, op. cit., p. 2.

³⁴ J. Field, op. cit., p. 29.

³⁵ B. Fine, *Social Capital versus Social Theory: Political Economy and Social Science at the Turn of the Millennium* [Sosyal Sermaye Sosyal Bilime Karşı], translated by A. Kars, Yordam Kitabevi, İstanbul 2011, p. 127.

³⁶ B. Özcan, op. cit., p. 15.

³⁷ A. Paşamehmetoğlu, op. cit., p. 4.

³⁸ J. Field, op. cit., p. 30.

³⁹ M.A. Aydemir, op. cit., p. 67.

⁴⁰ KOSGEB, op. cit., p. 7; H. Ekşi, op. cit., p. 18.

to reveal the social tendencies, Coleman similarly observes the social capital as public property. Bourdieu, on the other hand, studies the social capital in the micro level within the frame of family, social environment and influence.⁴¹

The level of economic performance of the countries has differences according to the country. This situation has become a problem mostly for the economists and the politicians for many years. The prominent concept to solve this problem is *institutions*. The new institutional economists stated that the success of institutions at a national level is important to increase economic productivity. The new institutional economists have evaluated the institutions as the spine of social capital and developed ideas within the scope of institutional confidence.⁴² The prominent member of this group Nobel-winning Douglass North attributes an important meaning to the institutions. According to him, the institutions keep the society together and set the necessary path to the common target. Besides, over the time the institutions create their own supervision mechanism within themselves and define the rules of the game. They inform the players about the possible consequences if they do not play according to the rules. As a result of these supervisory and regulatory contributions, the individuals, who trust each other and are in an effort to reach the 'common good' with a game played by the book, will be able to achieve a higher level of good. North expresses that institutions give acceleration to the economic development by promoting the savings, investments, production and trade. To him, social capital has the feature of being an informal institution, and thus it is possible to track work specialization, a division of labour and technological developments better. The positive acquisitions that have been achieved by this mean enable the economic growth.⁴³

5. Social Capital as the New Dynamics of Economic Development

Economic development means the improvement of quantitative measures like the increase in the income per capita at the first stage with the change in the production structure of a country, and then the elimination of poverty, unemployment and income injustice. Besides that, it also means the positive structural changes for social, cultural and national institutions. Starting from this point of view, countries desire to reach the industrialization period at the first stage of development, and then to increase the educational opportunities to an equal and a modern level, to make the art and humane values more important, and to reach their social development target

⁴¹ G.L.H. Svendsen, G.T. Svendsen, *On the Wealth of Nations: Bourdieconomics and Social Capital*, "Theory and Society" 2003 (Special Issue on The Sociology of Symbolic Power: A Special Issue in Memory of Pierre Bourdieu), Vol. 32, No. 5/6, p. 620, <http://links.jstor.org/sici?sici=0304-2421%28200312%2932%3A5%2F6%3C607%3AOTWO%3E2.0.CO%3B2-3>; M.A. Aydemir, op. cit., p. 63.

⁴² B. Özcan, op. cit., p.21.

⁴³ C.S. Akın, op. cit., p. 7; N. Kangal, op. cit., p. 28.

by extending the social options.⁴⁴ The studies about economic development point out two dimensions of the development as humane and social. In this context, social capital represents the social dimension of the development.

According to the classical economics, the main factors of production were land, labour and capital. Alfred Marshall, a ‘father’ of neoclassical economists, added organization to that triad. They started to regard labour as human capital. Human capital came to the fore with its gains like knowledge and specializing with the help of the investment for individuals. Later on, the subject of development has been observed wider and more different after the economists added the social capital to the list, as well.⁴⁵

By the time with the social phase of the economic development becoming more important pioneer institutions like OECD and World Bank started to evaluate the social capital as an instrument of their development policies. Moreover, the World Bank described the social capital as the ‘missing link’ and made it the subject of its research. The studies after this it’s been often stated that the quantity of the social capital is important for developing countries or for the economically disadvantaged regions of a country.⁴⁶ In countries, which have high social capital stock that helps physical and human capitals to expand their influence areas, the transition from individualism to a collective structure would be faster and reaching the economic targets would be easier and with lower costs. Thus, the individuals, corporates and even institutions would be able to increase their successes, and at the same time, it will create an economic development.⁴⁷ Although the amount of natural resources that developing countries have is enough, not having a social capital stock at the desired level would be a handicap for using the existing resources profitably.⁴⁸

Especially in the studies, which are for the effects of social capital on economic performance, the direct and indirect effects have been mentioned. With the direct affecting, it has been pointed out that the positive externalities, which have been created by the social capital that countries or societies have, caused these countries to be in a superior position in terms of competition. Among these, the decrease in the transaction costs, which are obtained by the positive externalities created with

⁴⁴ M. Berber, *Financial Growth and Development* [İktisadi Büyüme ve Kalkınma], Derya Kitabevi, Trabzon 2006, pp. 9–11; B. Özcan, op. cit., pp. 57–58; M. Kaynak, *Kalkınma İktisadi*, 4th Edition, Gazi Kitabevi, Ankara 2011, p. 67.

⁴⁵ Ş. Tüylüoğlu, *Social Capital, Economic Performance and Development: A Literature Survey* [Sosyal Sermaye İktisadi Performans ve Kalkınma: Bir Yazın Taraması], “Akdeniz İ.İ.B.F. Dergisi” 2006, Vol. 12, pp. 22–23.

⁴⁶ B. Özcan, op. cit., p. 24.

⁴⁷ R.D. Putnam, *The Prosperous Community: Social Capital and Public Life*, “The American Prospect” 1993, No. 13, <http://xroads.virginia.edu/~HYPER/DETOC/assoc/13putn.html>; T.V. Schaik, *Social Capital in The European Values Study Surveys*, International Conference on Social Capital Measurement London, September 25–27, 2002, <https://www.google.com.tr/webhp?sourceid=chrome-instant&ion=1&espv=2&ie=UTF-8#q=Social+Capital+in+The+European+Values+Study+Surveys>.

⁴⁸ A. Şenkal, *Civil Society and Social Capital: The Search for Alternative Development Models Based on Social Policy* [Sivil Toplum ve Sosyal Sermaye: Sosyal Politikaya Dayalı Alternatif Kalkınma Modeli Arayışları], “İstanbul Üniversitesi İktisat Fakültesi Mecmuası, Prof Dr. Toker Dereli’ye Armağan Özel Sayısı” 2005, Vol. 55, No. 1, p. 794.

the help of confidential relations, has a particular place. It also provides a basis for using the existing production factors efficiently as an indirect effect. And this contributes to the performance and then to the development positively.⁴⁹

While the existence of social capital, which is a supplementary factor in terms of the effectiveness of economic and social activities, make contributions positively, it is inevitable that its absence has a negative effect.⁵⁰ It is a very new development that social capital is having its place among the production factor. Today in the growth equation capital consists of natural capital, physical capital, human capital and social capital.⁵¹ Depending on the confidence we can sort the contributions of social capital to the economic development as stated below:⁵²

- (1) lowering the transaction costs depending on the increase in the confidence level,
- (2) application of economic policies based on the confidence factor,
- (3) more sensitive individuals, societies and governments about fighting against the poverty,
- (4) increasing the production and lowering the cost with information sharing,
- (5) achieving the targets, which can be done individually, with the society by acting collectively,
- (6) solving the possible crisis fast,
- (7) the decrease in violations caused by management inputs and contracts,
- (8) management scale's reach to the optimum level,
- (9) a decrease in loan interests,
- (10) adjusting the income distribution,
- (11) acceleration of economic growth,
- (12) an increase of productiveness for employment,
- (13) having investments with better quality,
- (14) the positive effects of social capital on the society,
- (15) increasing the success in education,
- (16) developing the governance with social sensitivity and political participation,
- (17) solving the social problems with confidential relations,
- (18) a decrease in the crime rates, etc.

Having information about each other and trust is quite important for people to achieve their goals. Because according to Arrow there is a confidence factor in almost every economic activity.⁵³ By underlining the confidence level which is an

⁴⁹ Ş. Tüylüoğlu, op. cit., pp. 40–41; M. Karagül, M. Masca, *A Literature Review on Social Capital* [Sosyal Sermaye Üzerine Bir İnceleme], "Abant İzzet Baysal Üniversitesi Ekonomik ve Sosyal Araştırmalar Dergisi" 2005, Vol. 1, pp. 37–52.

⁵⁰ M. Karagül, op. cit., p. 135.

⁵¹ B. Özcan, op. cit., p. 115.

⁵² M. Fafchamps, B. Minten, *Returns to Social Network Capital Among Traders*, "Oxford Economic Papers" 2002, Vol. 54, No. 2, pp. 173–206 http://www.jstor.org/stable/3488776?seq=1#page_scan_tab_contents, p. 175; M. Karagül, op. cit., p. 124; M. Karagül, M. Masca, op. cit., pp. 40–41; N. Kangal, op. cit., p. 81.

⁵³ C.S. Akın, op. cit., p. 55.

important element of social capital in the 2000s, Putnam states that economic performance in countries with a higher confidence level would be better than the ones with lower confidence level. The reason for this is that the confidence makes the economic and social processes easier and avoids the time loss by decreasing the transaction costs.⁵⁴ In their studies on 47 countries Zak and Knack state that the reason that the countries with good social indicators are the ones with higher levels of economic welfare is because of the higher trust level.⁵⁵

Social capital is a kind of capital, which supports economic activities just like the other capital types but is hard to be measured comparing those.⁵⁶ In Table 1 the social capital and economic development indicators for 20 developed and developing countries in 2014 are listed. While confidence level is used as the indicator of social capital, income per capita and human development index – which consist of average life, a rate of literacy for adults, schooling rate and GNP per capita according to the purchasing power – are used as development indicators. As it is clear in Table 1, the countries with high confidence level have also human development with a higher rate and higher income per capita. While the countries like Holland, Sweden and Finland have higher human development index and confidence levels, Turkey's and Brazil's confidence level, human development index and income per capita take attention, since they are significantly lower than other listed countries. The average of the confidence level of the countries listed in Table 1 is 31.24%, but Turkey's confidence level remains much lower than the average with the percentage of 11.6. This fact expresses that the social capital level of Turkey is not at the desired level yet.

The relation between economic development and social capital has always been an object of curiosity. The studies carried out in this field draw attention to the fact that the social capital affects economic development process positively when all the other variables are constant.⁵⁷ The studies in this field draw attention to the point that the social capital affects the process of economic development positively. In this context, Table 2 shows the relation between the elements of social capital and economic development. According to Table 2, the role that social capital plays during the economic development reflects a positive condition. As the confidence level, which is an indicator of social capital, increases GNP per capita (according to purchasing power parity) and human development index, which are accepted as the indicators of development, increase accordingly. Another point which draws attention in Table 2 is that in the countries, where are the other factors of social capital like the Rate of Educational Expenses, the Rate of Participation to Educational, Art and Cultural Societies and the Rate of Participation to Local Political Activities are higher, the confidence level is also high.

⁵⁴ J. Field, op. cit., pp. 71–89.

⁵⁵ P.J. Zak, S. Knack, *Trust and Growth*, "The Economic Journal" 2001, Vol. 111, No. 470, p. 318.

⁵⁶ M. Çetin, op. cit., p. 76.

⁵⁷ S. Knack, P. Keeper, *Does Social Capital Have an Economic Pay Off*, "Quarterly Journal of Economics" 1997, Vol. 112, No. 4, p. 1286.

Table 1. Trust Levels of Countries and Their Development Indicators (2014)

Country	Trust Level*	Income Per Capita** (in thousands of USD)	Human Development Index ***
Holland	66.1	52.248	0.915
Sweden	60.1	57.556	0.898
Finland	58.9	50.450	0.879
Switzerland	53.9	53.762	0.917
Canada	42.8	50.577	0.902
Germany	36.8	47.200	0.911
Japan	35.9	37.539	0.890
USA	34.8	54.450	0.914
England	30.5	44.141	0.892
Italy	29.2	35.511	0.872
Russia	27.8	14.316	0.778
South Africa	23.3	6.354	0.658
Mexico	19.2	10.836	0.756
Spain	19.0	30.113	0.869
Poland	19.0	14.329	0.834
France	18.8	45.383	0.884
Argentina	17.6	12.777	0.808
Chile	12.4	14.911	0.822
Turkey	11.6	10.518	0.759
Brasil	7.1	11.067	0.744

Note: *World Values Survey, **World Bank: World Development Indicators, ***UNDP

Source: G. Özaltaş Serçek, S. Serçek, *New Approaches to Sustainable Development: The Increasing Role of Social Capital and the Local Community* [Sürdürülebilir Kalkınmaya Yeni Yaklaşımlar: Sosyal Sermayenin ve Yerel Halkın Artan Rolü], ed. A. Diken, 1st International Congress on Applied Sciences: Social Capital Konya/Turkey, October 23–24, 2015, p. 803.

Table 2. Social Capital Indicators in Some EU Countries and Turkey

Countries	Trust Level (1990-2002)	Education Expenses (GSMH-2001)	Participation in Educational, Art and Cultural Communities	Participation in Local Political Events
Sweden	64.0	7.3	19.4	5.8
Denmark	62.1	8.5	14.6	5.6
Holland	56.5	5.0	39.9	5.9
Finland	55.5	6.2	16.4	2.9
England	35.9	4.7	9.9	3.6
Spain	34.2	4.4	5.7	1.5
Germany	33.9	4.6	9.2	1.6
Italy	33.4	5.0	7.2	2.2
Austria	32.8	5.8	10.9	2.5
Belgium	32.2	6.1	18.5	4.8
Czech Rep.	26.5	4.4	7.8	2.3
Poland	24.3	5.6	1.9	2.1
Hungary	23.1	5.1	3.0	1.2
France	22.4	5.7	8.2	2.7
Slovakia	21.3	4.0	6.4	5.7
Latvia	20.6	5.5	5.1	0.9
Portugal	16.2	5.9	5.5	1.3
Turkey	12.6	3.7	1.1	0.2

Source: M. Karagül, *Social Capital: The Blind Spot of Capitalism* [Sosyal Sermaye: Kapitalizmin Kör Noktası], 1st Edition, Nobel Publications, Ankara 2012, pp. 145–149.

6. Conclusion

For the last few years, the relation between the economic development and social capital has been quite interesting for intellectuals, academics and policy makers. This study aims to put the role of social capital during the development process forth, and it looks for the answer to the question whether social capital can be the new dynamics of development.

Economic development can be defined as the development of economics quantitatively like the increase in income per capita of countries, eliminating the poverty, unemployment and income injustice, but it can be also defined as the sum of positive structural changes in terms of social, cultural and national institutions. On the other hand, based on the criteria like an ability to work cooperatively and tendency to cooperate to reach a common goal it is also possible to define the social capital as the society's skill of working together within the frame of confidence factors and relations.

In the countries with high social capital stocks, it is observed that social capital adds values to social, political, cultural and economic life. Especially it has been seen that it has contributions to decrease the transaction costs, to minimize the bureaucracy, poverty, corruption, economic crises and about the subjects like democracy, knowledge, labour markets and investment.

The researches so far shows that as educational expenses, participation to educational, art and cultural societies and participation in the local political activities, which are the main factors of the social capital, increase, the confidence level of countries increases accordingly; in this context, it can be stated that GNP per capita and Human Development Index moves in the same direction with social capital.

In fact, according to the data for 2014, the income per capita as the development measure of the countries (e.g. Holland, Sweden and Finland) with higher human development index and confidence levels seems also to be higher. On the contrary, the income per capita of the countries (e.g. Chile, Turkey and Brazil) with lower human development index and confidence levels is also low. While the average of the confidence levels of the countries in the research is 31.24%, the fact that Turkey's average of confidence level is much lower with 11.6% gives a clue about the social capital level that Turkey has and shows that it's not at the desired level yet.

As a result of the research, with the fact that the countries with higher confidence level have also higher income per capita it has been concluded that the social capital will create new dynamics for financing the economic development as of its place in the capital and because of the profits that it provides at an economic and social level.

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