SOCIAL CAPITAL AND TRUST IN GLOBAL ECONOMIC SYSTEM

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Abstract. The approaches to determining the nature of social capital and trust as its basis are systematized, forms of manifestation of the functioning of trust and social capital at different levels are considered, and the role of trust in the formation of social capital in the system of the global economy is explored.

Keywords: trust, institutional trust, social capital, global social capital.

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Introduction

At the junction of the twentieth and twenty first centuries in the global space, contradictions between social requirements and individual values are intensifying. As a result, in the local historical and cultural context, there are dysfunctions of social institutions, the differentiation of the living standards of the population is deepened, and, consequently, the social crisis intensifies. However, along with the complications of the processes taking place in society and the economy, there is an increase in the importance of human and personalized relations in the field of production. In addition, numerous studies show that trust, ability to cooperate and close communication links between market participants are today a guarantee of economic prosperity. This is caused by the fact that among forms of economic activity, the form, in which it is possible to do without social interaction does not exist. This explains the relevance of the study of social aspects of society development, in particular social capital, as well as such an informal institution as trust.

In Ukraine, despite the presence of significant natural and human resources, the social and economic gap with developed Western countries is still not overcome. In addition, the global economic crisis of 2008-2009, which led to an escalation of socio-economic disputes in the country, the emergence of a wide range of deceived depositors and victims of unscrupulous housing developers, as well as high levels of corruption in the state system, did not contribute to the formation of social capital and trust. Consequently, under these conditions, the study of the problem of trust and social capital is especially relevant.

The problem of trust has now been studied in-depth in connection with the actualization of research related to the development of the theory of social capital in the works of P. Bourdie, J. Coleman, R. Putnam, J. Turner, E. Lesser and other scientists. It should be noted that scholars who study trust very often consider the issues of social capital in their works because these categories are interrelated. The general theoretical approaches to the study of social capital and trust as its basis were initiated in the works of F. Fukuyama, L. Zacker, R. Emerson, A. Seligmen, R. Hardin, D. Gambetti, D. Halpern, V. Stone, P. Shtompka and others.
Trust as a system-forming component of social capital in the global environment

The first definition of the category of social capital was given by G. Lowry, P. Bourdieu, J. Coleman, R. Putnam. Subsequently, various concepts and approaches to the definition of the essence of social capital were formed in the scientific literature. Thus, within the framework of a neoclassical concept, social capital is considered as the individual resource of a particular individual. However, it can be converted into other types of capital. In the neo-liberal conception, social capital is interpreted as trust, awareness of one’s security, social and political participation, civic-mindedness of the individual with an emphasis facilitation of individual and collective action (Dementiev, 2011).

Analyzing the definitions of social capital proposed by different authors, it is possible to observe how the development of the theory of social capital occurred in the historical retrospect. Initially, researchers considered social capital as spontaneous and self-formative, emphasizing its natural principles. In the following definitions of social capital, there is already a statement that it is purpose-shaped, implying another socio-economic nature of the phenomenon, which is expressed by the nature of "social capital" (Yatsenko, 2007).

The generalization of the results of scientific research of social capital allows us to distinguish several approaches to its definition.

**Systematization of approaches to the definition of the nature of social capital**

| The essence of the category "social capital" (author) | Approach name |
|-----------------------------------------------------|--------------|
| Social capital is defined as a set of actual or potential resources associated with the possession of a stable network of more or less institutionalized relationships of mutual acquaintance or recognition (Bourdieu) | Network approach |
| Social capital is defined through social networks and relationships built between individuals on the basis of mutual trust (Bert) | |
| Social capital is defined as a particular network-based potential with an emphasis on the cultural dimension, which is associated with trust, norms and values (Coleman) | |
| Social capital is defined through networks of public engagement, collective actions filled with the "spirit of the community", which arises as a result of participation in voluntary associations; therefore, social capital is considered in terms of the effectiveness of the functioning of civil society institutions (Putnam) | Institutional approach |
| Social capital is defined as informal norms that promote cooperation between individuals, are culturally determined and operate at the meso- and macro levels of a social organization; therefore, attention focuses on value orientations and cultural traditions as prerequisites for the formation of an effective political system (Fukuyama) | Value approach |
| Social capital is defined as a resource that increases social efficiency (Radayev) | Resource approach |
| Social capital is defined as the capital of trust and capital of reliability, as a resource owned by the individual (Shtompka) | |

*Source:* (Bourdieu, 2001; Coleman, 1988; Putnam, 1995; Radayev, 2002; Fukuyama, 2004; Shtompka, 2012)
Based on the systematization of these approaches, social capital can be defined as the resource possessed by the individual, and the conscious use of the individual or social group of social networks, which, due to trust, common norms and rules contribute to the achievement of the goals. It is proved that the formation of social capital takes place on the basis of a combination of three components: social networks, common norms, as well as rules and trust.

Social networks form the institutional basis of social capital - belonging to a particular social group, or membership in a group. According to V. Radayev, the network of social connections that are used for information transmission, resource saving, mutual learning of the rules of conduct, the formation of reputation, forms the objectified structural basis of social capital (Radayev, 2002). Meanwhile, P. Bourdie points out that social capital is somewhat more than a network of group ties. His nature involves the transformation of stable group relationships into those that are necessary and selected, leading to long-term subjective-emotional responsibilities (Bourdie, 2001).

Institutes, common norms and rules provide qualitative and quantitative social interaction in society. Norms and rules can be qualified as a stock of social capital (static), and social interaction - as its flow (dynamics). In terms of stock, social capital is productive, since it allows individuals to achieve their goals.

It is trust that manifests itself both at the individual and at the social level, and which F. Fukuyama sees as a key characteristic of a developed human society, is the basis of social capital. Trust itself is an indicator of the social health of society, the harmony of the interests of its members, the level of democracy and openness, the recognition by all parties of the relationship of different nature of certain established standards of conduct. "Trust is the expectation that members of the public expect from other members to behave more or less predictably, honestly and with the understanding of the needs of others, in accordance with certain general rules" (Fukuyama, 2004:52).

Leading scholars have formulated a number of functional definitions of trust, important for understanding social capital issues. Their systematization is shown in Table 2.

### Systematizing of approaches to studying the nature of trust

| Authors | Definition of the nature of trust |
|---------|----------------------------------|
| A. Seligman, N. Luman, R. Mayer | Trust is mainly considered in an institutional context, linking with the confidence and reliability of the functioning of social systems |
| J. Coleman, P. Shtompka | Trust is considered as a bet on future actions of others, based on the mandatory presence of risk in trust relationships. |
| F. Fukuyama, B. Rutkovsky, Y. Yanychev | Trust is considered in the ethical context, linking with the expectation of the effectiveness of moral norms and the presence of the participants in the interaction of such qualities as respectability, honesty, truthfulness, goodwill |
| L. Sacker, R. Emerson, C. Cook | Trust is considered in the context of the analysis of the volume of mutual transactions on the basis of their responsibilities and mutual expectations |

*Source: (Alieva, 2014)*
Based on the above systematization, and also taking into account the fact that in the new institutional theory, "trust" is considered in terms of transaction costs, the specification of property rights and the asymmetry of information, trust can be considered as an expectation of behavior that:

first, meets the norms, rules and restrictions regulated by formal and informal institutions (in terms of the theory of institutions);
second, is no-opportunistic, that is, non-invasive (in terms of the theory of transaction costs);
third, is caused by restrictions that meet the conditions of formal or informal contracts (in terms of the theory of contracts).

Based on this assumption, social capital can also be defined as a certain potential of a society based on trust and manifested at all four levels: micro, meso, macro, meta-level. Research of social capital in the interaction with trust at all these levels can be carried out within the framework of a structural and functional approach.

**Forms of manifestation of trust and social capital functioning on different levels**

| Level      | Forms of manifestation of trust and social capital functioning                                                                 |
|------------|-----------------------------------------------------------------------------------------------------------------------------|
| Micro-level| It manifests itself in the form of family values, friendly relations, built on trust, professional relationships with colleagues, in the form of communication tolerance. |
| Meso-level | Appears in the form of involvement in professional, human rights, corporate, environmental, student, municipality and other public organizations where relations are built on trust. |
| Macro-level| It manifests itself in the form of strengthening of the foundations of civil society, the functioning of an electoral system with the ability of voters to control their government structures, in the form of involving citizens in mass movements based on the trust of the individuals involved in them. |
| Meta-level | It manifests itself in the form of interstate cooperation, the emergence of international structures such as the UN, EU, WTO, Interpol, non-governmental organizations, international environmental and human rights movements built on trust in the judicial system, the general recognition of principles and norms of international law, etc. |

*Source: (Bondar, 2012)*

In developed countries, trust at all of these levels is the basis for the formation and functioning of social capital. Instead, in Ukraine, as well as practically throughout the post-Soviet region, today, there is a deformation of social capital and trust as its base. This is caused to the fact that the entire system of social relations has long been controlled by the authorities, and in the process of transformation, the structural and institutional preconditions for social capital have only been declared, but they have not been manifested in the system of social trust; therefore, civil society is not was formed. Consequently, the disunity of citizens, together with distrust of social institutions, today is a major inhibiting factor for the functioning of social capital at all levels. This is especially true at the level of institutional trust, which is of particular importance in the context of globalization. Institutional mistrust
between the citizens and such institutions as the state, banks, police, etc. arises in the same way as it occurs between individuals – in case of violation of the parties' obligations.

The formation of global social capital has become one of the phenomena of globalization, which affects the efficiency of world economic relations, the level of stability of the world economy due to increased confidence in the system of global institutions, a decrease in perceived risk in the implementation of transactions, and, at the same time, reducing transaction costs within a globalized economy. Global social capital serves as a system of rules for the reproduction of economic relations, historically and spatially balanced, generating a synergistic effect in the process of implementing the stabilization and transformation function of social capital. Undeniable confirmation of the role of global social capital is the fact of significant strengthening of economic ties between countries, the growth of volumes of exchange of goods and services, a significant increase in international financial transactions carried out by developed and secured global rules and traditions.

The process of the formation of global social capital has a long history and is part of the overall evolution of social capital as a multi-level phenomenon and social resource, the deployment of globalization processes, primarily their socio-cultural component, the result of contradictory co-ordination and coexistence with the national social capital. Already at the beginning of the 20th century, social capital was one of the indicators of the development of states, and with the formation of a globalized information society - a determining factor of stability, sustainable development on a global level. This was facilitated by the creation of international institutions and the strengthening of their regulatory influence on global economic development, the emergence of a transnational elite, oriented towards a global system of values and norms, an increase of the role of trust, in particular, institutional trust.

The formation of global social capital occurs on the basis of national one and, therefore, in the conditions of globalization social capital of the macroeconomic level acquires significant importance, as it is accumulated and used within individual countries competing in the world economic arena and mobilizing all internal reserves to maintain or strengthen their positions. The research has proven that social capital and level of trust positively affect economic growth, social and political stability of countries. In the developed countries of the world, intangible capital (which includes social capital) plays a key role in economic development, as evidenced by its share in the structure of national wealth (80%), while in the poor countries, the shares of natural and physical capital are significant (25 and 16%, respectively) (Dlugol'skiy, 2013). According to estimates of Professor of Aarhus University C. Bjørnskov, the growth of trust by 10% provides an economic growth of about 0.5% (Bjørnskov, 2009). Researchers P. Zak and S. Knack conclude that trust itself is positive and significantly influences economic growth. They prove that increased confidence leads to a stronger role for investment in economic growth, a fair distribution of income stimulates trust and, accordingly, investment and economic growth. Various forms of discrimination, on the contrary, reduce confidence and thus reduce investment and economic growth (Zak, Knack, 2001). The countries with a high level of social capital and trust have much higher indices of happiness, social prosperity and social progress. Some studies prove the correlation between trust and innovation, namely: how high is willingness to risk, think differently, create.

Large-scale research of social capital at the macro level confirms the dependence of its level on a number of factors, in particular, the level of socio-economic development of the country, culture, traditions, dominant values, the level of democracy, political freedom. It is worth noting that social capital in modern society is undeveloped and, moreover, there is a significant gap between countries and regions according to the level of its development.
According to calculations of the Generalized Trust Index, there are not many countries in the world where people trust each other. In 2018, there were only 5 countries (Norway, Sweden, Finland, China and Austria), where almost the same number of people trust and distrust each other. Two countries are approaching this level: Japan and the USA. Leadership in social capital has steadily settled in Scandinavian countries. In addition, they are not only world leaders, but also significantly outperform other European countries. The level of social trust in 2014 was 6.90 in Denmark, 6.74 in Finland, 6.62 in Norway, and 6.62 in Norway, and in Portugal, which occupies the lowest level among Western European countries, it was only 3.63 (Andreasson, 2017). The experience of the northern countries shows that trust is not a natural resource, but is has been formed over a long period of time as a result of the interaction of various social processes. In particular, for this group of countries, two aspects are considered key: the first one is the activity of voluntary associations that arose in the nineteenth century (so-called "popular movements") and represented voluntary local associations with a democratic model of governance; the second is the role of the state, which ensures fair and just work of social institutions, low corruption. Protestantism, a kind of religious culture based on values that are not related to socio-economic well-being, also played an important role in shaping the Scandinavian phenomenon of social capital.

The comparison of the regions of the world with the level of social capital shows that North America and Western Europe occupy the first and second positions, respectively, while the latest is occupied by the countries of Eastern Europe. The reasons for the decline in the level of social capital in the post-socialist space are its discredit in the context of totalitarian governance, society's distrust towards formal institutions, the level of corruption, bureaucracy, the absolute unwillingness of the majority of the population to participate in public organizations and movements, and lack of skills in solving social problems.

The logic of the formation of social capital can be explained both by the state of economic growth and the emergence of crisis phenomena. Crises of economic systems as derivative structures of social capital are interruptions of its functioning. A decisive role in these violations is played by the main integral function of social capital, which manifests itself in the established interaction between formal and informal institutions. This shows that social capital, in addition to positive functions, can carry a dysfunction, which may result in disintegration, destabilization and stagnation. During the crisis stages, revolutions, armed conflicts, inferior transformations of institutions, social capital can be ruined. Thus, in particular, the global financial crisis of 2008-2009 undermined confidence not only in state and financial institutions, but also in charity motivation and mutual support. As a result, in developed countries in the period of 2009-2011, there was a decrease in the level of social capital: in the USA - by 0,12 points, in Italy - by 0,36, in Austria - by 0,44, in Hungary - by 0,58, in Switzerland - 0.73 (The Legatum Prosperity Index, 2011).

The end of the twentieth century - the beginning of the twenty-first century was characterized by complications of processes occurring in the planetary economic system, the acceleration of ambiguity of integration processes, increased uncertainty of development, the growth of the role of the state, and all-pervading communications. The world economy faces internal evolutionary and external global risks. The first is connected with the growing complexity of social systems due to the formation of the post-industrial model, the global tendencies of individualization of modern society, the expansion of network activity, and information technologies that change the hierarchy between the external (global) and the internal (national) economic space. The second occur to processes of world scale, in particular, the growing inequalities between countries, mass migration, the spread of all types
of weapons, terrorism, environmental disasters. Thus, the inequality between the richest and poorest countries from 2013 to 2018 has increased by 10%, and the death rate from military conflicts by 58%. Over the past 10 years, 4 times more people died from terrorism. The share of people who reported their struggle for food increased to 1/3 (in 2008 it was 1/4) (The Legatum Prosperity Index, 2018).

The results of recent world research have shown that humanity now lives in an era of global distrust. To confirm this conclusion, it is worthwhile to study the indicator of trust in two commonly recognized aspects: the levels of interpersonal trust and institutional trust. Interpersonal trust at the global level can be seen as the trust of people of one nation (inhabitants of one country) to representatives of another (residents of another country), trust in world political leaders. According to the annual poll conducted by The Gallup Organization, a completely new trend, indicating a sharp decline in global stability, is the decline in the popularity of all world leaders. According to the director of The Gallup Organization K. Stoychev: "The biggest problem is their inability to respond to the challenges of our time. The world order that was created after the Second World War seems insufficient. We live in a multipolar world, where it is becoming more difficult to see the whole picture."

In the ratings of trust to world leaders, the most entrusted are German Chancellor A. Merkel (52%), French President E. Macron (46%), and the least trusted is the US President D. Trump (27%). At the same time, trust level to Trump in Germany was only 10%, in France - 9%, in Spain - 7%.

In the context of globalization, institutional trust is becoming increasingly important. The main institutions supporting trust to the global economic system are international organizations (UN, IMF, WTO, etc.), regional intergovernmental organizations, the largest investment banks and funds, and the dollar as a reserve currency. And in this case, as the research confirms, the level of world community’s trust to political and economic structures has fallen sharply. According to the 2017 Report of Edelman Trust Barometer, 20 of the 28 analyzed national markets are in a "distrust zone." The level of trust in the United States, where the largest multinational corporations, banks and funds are located, reached a historic minimum of 30%, which is even lower than the world crisis of 2008, when it was 34%. Arguments to prove that are crisis with refugees, cases of mass information leakage, corruption scandals (Edelman Trust Barometer, 2017).

Trust is the basis of preservation and formation of a new world economic order. Underestimation of this civilization-cultural factor leads to diverse crisis phenomena. Thus, the crises of the 20th and 21st centuries have demonstrated that problems in the financial market occur due to the loss of trust to financial institutions and, consequently, the decrease (or total loss) of the effectiveness of most financial institutions. For example, the activity of rating agencies, in particular, "Standard and Poor" and "Mood" in the context of the deployment of the global financial crisis of 2008-2009, was the subject of lively discussion. The lack of effective public control over the validity of financial sustainability ratings calculated by these organizations and were an important information guide for the vast majority of financial market participants, is considered by many researchers as an important institutional precondition for crisis situations in the US financial system. John Keynes, assessing the consequences of the crisis of the 1930's, identified the most devastating component in its course, a crisis of confidence. He wrote: "The financial market is functioning stably until all its members are in a state of confidence, which in turn has a significant subjective component" (Lumberg, 2012).
Recent forecasts by international experts indicate the emergence of new challenges for the global economy in the short and long term: trade conflicts, financialization and liberalization of finance, geopolitics, political uncertainty, global growth of dollar exchange rate. Trade conflicts can trigger a confidence crisis to traders. It is known that the growth of the scale of trust is an important factor in the growth of the effects of international trade. The calculations carried out by L. Louise's method, based on the genetic and religious affinity between countries, as well as military history, showed that a 1% confidence increase contributes to 1/3 increase in exports (Alieva, 2014). According to calculations made by experts of the IMF, as a result of China's imposition of duties on US goods, US and developing countries will lose 0.1% of GDP. The effect of import duties will slow down global growth by 0.1% of GDP, with maximum losses of 0.4-0.5% per year. If the escalation of trade conflicts leads to a crisis of confidence, all regions will lose, as confirmed by the IMF: the GDP drop for the US will be 0.8% per year; for Asian and Latin American developing countries, respectively, 0.7% and 0.6%; for Eurozone countries - 0.3%. Political uncertainty, which primarily concerns the future of the EU, is linked, in particular, with Brexit proclamation in the UK, an increase in continental sentiment against the EU in other countries, in particular, in Italy and Greece. During 2018, the tensions between the so-called "Visegrad Four" countries grew. This is one of the factors causing slowdown in business activity in the Eurozone.

**Conclusions and suggestions**

The concept of social capital in general reflects sustainable, productive, interpersonal and generalized relationships based on trust, mutual recognition, collective identity, solidarity, etc. The depth and scale of socio-economic changes caused by globalization processes are reflected in the system of social relations, the incidence of which has become a catalyst for research on social capital, trust and cohesiveness.

The phenomenon of social capital is complicated and is investigated not only at the level of individual individuals, firms, regions of the country, but also on a global scale. The dynamics of changes in the nature of world economic relations, the strengthening of the political and economic role of regional leaders, the transition of developed countries to a new economy based on information and knowledge, the acceleration of scientific and technological revolution, the aggravation of global competition for resource markets require countries to use all kinds of resources, including social capital. The improvement of global social capital is directly related to the sustainable development of the world economy and requires the strengthening of the appropriate institutional environment.

Systemic crises of recent years have stressed the lack of development of global social capital and loss of confidence, which emphasized the need to regulate the development of economic relations at the world level. It is the global, trade, financial, legal and other rules and regulations that are formed between organizations, which encourage individual national economies to internal institutional changes, without which it is impossible to become a full-fledged participant in the world community.

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