



*ENGIME*

*Economic Growth and Innovation in Multicultural Environments*

## **D24/D28 Trust and Social Capital in Multicultural Cities**

*Purpose - Overview - Insights of Workshop V*

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## **1. Objective**

The main objective of the ENGIME network is the analysis, through a multidisciplinary approach, of the special conditions that are developed in urban areas due to the process of globalization and more specifically due to the European integration. In this new era urban areas are characterized by a continuously growing diversity of the citizens in all aspects, economic, sociological and political. As a consequence it appears that there is the necessity of an efficient way of managing all these aspects of diversity. Under such circumstances the term “Social Capital” becomes central in the political and in social sciences analysis, not only because this term could explain the differentiation in the level of economic development, but also because it could suggest alternative ways for different groups to succeed in managing their economic and social life.

The main goal of this multidisciplinary workshop was to shed light on the role of social capital and its main components, such as trust and networks, in all the dimensions of social life in the modern multicultural cities. We could summarize the two days workshop, considering that it tried in general to deal with two different issues: Firstly, “what social capital is consisted of and how social capital affects economic growth” and secondly, “how social capital might contribute to the integration of the immigrants in local communities”.

This summary report provides firstly an overview of Workshop 5. The program with the different contributions and their abstracts is included as well as the list of all participants. Secondly, the main lessons and insights based on the contributions and discussions throughout the 2-day workshop are being presented followed by reflections on interdisciplinary research and future research questions that are pertinent to understanding diversity in multicultural cities.

## **2. Overview of the workshop**

### **2.1. Program of the workshop**

#### **Day One**

##### **9.00-9.20: WELCOME WITH COFFEE**

9.20-9.30: Introduction by **Y. Katsoulakos** and **Carole Maignan**.

9.30-10.00: Paper 1: “*Social Capital and Immigrant Entrepreneurship in a Central Athens Area*”, by **Nikolaos Kolios**

10.00-10.30: Paper 2: “*On the Determinants of Social Capital in Greece Compared to Countries of the European Union*”, by **Asimina Christoforou**

10.30-11.00: Paper 3: “*EQUAL-project PARADOX*”, by **Dafne Reymen**

##### **11.00-11.30: COFFEE BREAK**

11.30-12.00: Discussion of morning papers in small groups

12.00-12.45: Plenary discussion

##### **12.45-14.00: LUNCH**

14.00-14.45: Keynote speaker1: “*Varieties of Trust*”, by **Eric M. Uslaner**

14.45-15.30: Keynote speaker2: “*Corruption, Rent-seeking, “Bad” Human Capital and Growth*”, by **Tryfon Kollintzas**

##### **15.30-15.45: COFFEE BREAK**

15.45-16.30: Panel discussion

#### **Day Two**

##### **9.00-9.30: WELCOME WITH COFFEE**

9.30-10.00: Paper 4: “*The role of identity-based trust in immigrant associations*”, by **Kiflemariam Hamde**

10.00-10.30: Presentation of Global Chicago Project, by **Ernest M. Mahaffey**

10.30-11.00: Paper 6: “*Immigrant Integration and the Role of Social Capital*”, by **David May**

##### **11.00-11.30: COFFEE BREAK**

11.30-12.15: Discussion of morning papers in small groups

12.15-13.00: Plenary discussion

##### **13.00-14.15: LUNCH**

14.15-14.45: Paper 7: “*Making Capitalism Work: Social Capital and Economic Growth in Italy, 1970-1995*”, by **Thomas P. Lyon**

14.45-15.30: Paper 8: “*Network Capital and Social Trust: pre-conditions for ‘good’ diversity?*”, by **Sandra Wallman**

**15.30-16.00: COFFEE BREAK**

16.00-17.15: Plenary discussion

17.15-17.30: Conclusive words by **Dino Pinelli**

## **2.2. Summary of invited Speakers**

**“Varieties of trust” by prof. Eric Uslaner Department of Government and Politics**

**University of Maryland–College Park**

A bond of trust lets us put greater confidence in other people’s promises that they mean what they say when they promise to cooperate. The “standard” account of trust presumes that trust depends on information and experience. If Jane trusts Bill to keep his word and if Bill trusts Jane to keep her word, they can reach an agreement to cooperate and thus make both of them better off.

If Jane and Bill did not know each other, they would have no basis for trusting each other. Moreover, a single encounter will not suffice to develop trust. Even when they get to know each other better, their mutual trust will be limited to what they know about each other. Jane and Bill may feel comfortable loaning each other a modest amount of money. But Bill won’t trust Jane to paint his house and Jane will not trust Bill to repair her roof since neither has any knowledge of the others’ talents in this area.

The decision to trust another person is essentially *strategic*. Strategic (or knowledge based) trust presupposes risk. Jane is at risk if she does not know whether Bill will pay her back. Trust helps us solve collective action problems by reducing transaction costs—the price of gaining the requisite information that Bill and Jane need to place

confidence in each other. It is a recipe for telling us *when* we can tell whether other people are trustworthy

Beyond the strategic view of trust is another perspective. Moralistic trust is a moral commandment to treat people *as if* they were trustworthy. The central idea behind moralistic trust is the belief that most people share your fundamental moral values. Moralistic trust is based upon “some sort of belief in the goodwill of the other”.

Strategic trust cannot answer why people get involved in their communities. The linkage with moralistic trust is much more straightforward. Strategic trust can only lead to cooperation among people you have gotten to know, so it can only resolve problems of trust among small numbers of people. We need moralistic trust to get to civic engagement.

**“Corruption, Rent-seeking, “Bad” Human Capital and Growth” by Tryphon Kollintzas (with George- Marios Aggeletos), Department of Economics of Athens University of Economics and Business**

The goal of this paper is to propose a simple paradigm for understanding rent seeking and corruption in the growth context. We develop an endogenous growth model where entrepreneurs, as intermediate-good producers, may engage in rent-seeking activities. The latter are defined by the following properties: (i) their internal effect is positive; (ii) their external effect is negative; and (iii) they use real resources. Our formulation may be viewed as a parable for theft and fraud; organized crime; industrial espionage; lobbying and policy influence; misgovernance, institutional inefficiency, tax evasion, etc. The economy is shown to fall into a trap of high rent seeking/corruption and low growth. Agents' perceptions about the external effects of rent seeking, and the complementarity or substitutability of intermediate inputs, are crucial. Contrary to conventional wisdom, higher returns to capital and more competition can be detrimental for welfare and growth, as they induce more rent seeking/corruption. Finally, our paradigm yields insights into the relationship of R&D, politicoeconomic equilibrium, income distribution, and growth, as well as the design of tax/growth policies in presence of rent seeking/corruption.

### **2.3. Abstract of the papers**

#### **“Social Capital and Immigrant Entrepreneurship in a Central Athens Area” by Nickolaos Kollios, University of the Aegean**

Migration in Greece was characterised by its transition from a source country to a migration destination. The shift started taking place in the early 1970s, at the same time as the appearance of the “New Migration” phenomenon as well as other global economic changes. The whole procedure became more intensified and broadly perceived during the 1990-2000 decade.

The majority of immigrants in Greece are located in the broader area of Attiki prefecture and especially in the metropolitan area of Athens. The latter features intense social segregation and polarisation, taking after most of the largest European cities. The housing embeddedness of the migration population in the city has not been characterised by the formation of “ghettos” but tended to produce areas in the centre with high concentration of immigrants of different ethnic and national origin.

Immigrants self-employment pattern in the centre of Athens as well as in other big cities tends to be characterised by the existence of small size businesses mainly activating in the retail and service sectors.

International literature highlights the way in which immigrant entrepreneurs tend to benefit from the exploitation of a series of informal resources connected with cultural aspects, trust and solidarity relationships, resources embedded in the structure of relationships between individuals, especially in distinct groups such as the immigrants. All these resources are part of what is generally defined Social Capital. Immigrant entrepreneurs can capitalise on such informal resources and operate within entrepreneurial niches that offer security and advantages compared to the mainstream economy.

That can be taking place at several levels. One is connected to the ability to obtain cheap entrepreneurial capital from the family and the community. The importance of this kind of funding results from the fact that immigrant entrepreneurs tend to be excluded from access to the mainstream funding resources such as banks and other commercial institutions. Additionally self-employed immigrants can benefit from their participation in national and international entrepreneurial and information networks consisting of co-ethnic entrepreneurs. Another advantageous field is that of the employment of cheap and flexible labour from the community and the family. Finally, one should highlight the importance of the access to the certain community clientele especially in the first stages of an enterprise.

The case study presented here is based on an unpublished dissertation that was supported in September 2003 and included theoretical investigation as well as field research. The information that came up during the latter define realities and procedures concerning the use of Social Capital resources on behalf of the immigrant entrepreneurs in an inner area of Athens.

The illustration of social capital use was attempted in the fields of the use of entrepreneurial funding coming from informal sources such as the family or the community, of entrepreneurial networking with co-ethnics at the national and international level, as well as of the entrepreneurs' access in the favoured community consumption and labour market.

The methodological tools used were basically qualitative. They included semi-structured interviews with immigrant entrepreneurs. Additionally, a series of interviews with spokespeople from migration organisations and NGOs as well as migration researchers was conducted. Moreover, data that were obtained through participating observation methods as well as published data were analysed. The immigrants interviewed came from five countries: Bangladesh, Egypt, Nigeria, Pakistan and Sudan.

Social capital refers to the stock of social relations, based on norms and networks of cooperation and trust, that spillover to the market and state to enhance collective action between actors and achieve improved social efficiency and economic growth.

The aim of the present paper is to discuss the implications of contemporary literature and empirical findings on social capital for the growth prospects of Greece, compared to the member-states of the European Union. In order to examine the potential of social capital to enhance growth, we must look into the factors that determine the nature and context of trust, norms and networks that have emerged in our multinational, multiethnic and multicultural Europe.

**“On the Determinants of Social Capital in Greece  
Compared to Countries of the European Union” by Asimina Christoforou,  
Athens University of Economics and Business**

The contribution of this paper is to offer insight into the determinants of social capital in Greece, compared to the European Union (EU – former 15 member-states). For this purpose, we regress an index of individual group membership, derived from the European Community Household Panel (ECHP), on a set of individual as well as aggregate factors of social capital. Regression results provide evidence of the impact of both individual and institutional characteristics on group membership. Differences in the extent of group membership between countries might be indicative of the historical and cultural differences that have affected the evolution of social capital across Europe. Particularly in Greece, the relatively low level of group membership compared to the other EU countries, might provide further evidence of its low levels of civicness. Historically, its weak civil society has been a result of a prior civic tradition of clientelism under arbitrary rule, the interference of special-interest groups and the lack of credibility and impartiality from the part of the state. And these factors might be responsible for the slow pace in reform and growth observed compared to the rest of the EU. Nevertheless, the findings on the determinants of social capital may direct us to possible means of rebuilding patterns of participatory and cooperative behavior, especially in countries with low levels of trust and civicness, such as Greece.



## **“EQUAL-project PARADOX”, presentation by Dafne Reymen, IDEA**

The main objective of the project is to increase the employment rate of non-native and older persons by means of placement of non-native and over 45 jobseekers in SMEs during the project period. That objective has been realized by using a demand-oriented approach for the labor market integration.

In order to realize the main objective four operational objectives have been determined in the project, namely:

- (1) Sensibilisation of SMEs related to the employment of non-natives and over 45 persons. The demand-oriented approach consists of several steps: first, they investigate what kind of vacancies and profiles are needed by the companies. Then, intense contacts with SMEs will reveal what type of vacancies can be interesting for employing non-natives and older persons. Thereafter, SMEs need to be motivated and convinced through several actions in order to fill their vacancies with persons from the target groups.
- (2) Development of methodology with respect to the awareness of SMEs and how to approach the target groups of older or allochtonous jobseekers. This is related to the method and the instruments used for approaching and motivating SMEs and to the approach focused on the target groups.
- (3) Inducement, matching and guidance of jobseekers and employers in order to create permanent employment. The aim is permanent employment with temporary work as a first step. In this way the project substantially contributes to the integration opportunities of the target groups in the labour market.
- (4) Dissemination/communication of results and methodology to labor market stakeholders and the government institutions. Eventually, they will transfer the developed methodology to other regions and to other stakeholders involved in the (re)integration of non-natives and over 45. Moreover, the methodology and the demand-oriented approach is transferable to other target groups (e.g. persons incapacitated for work, women returning to the labor market etc.).

**“The Role of Identity-Based Trust In immigrant Associations”, by Kiflemariam Hamde, Department of Business Administration, Umeå University**

Studies of social capital and trust tackled the problem of the source of trust: on what basis do individuals predicate trust in other organisational members? (Kramer, 2001). Research also noted a closer link between social capital and the concepts of trust and network. Zucker points to the role of various *institutionalization* mechanisms in the production of trust within organisations (1986), including structural arrangements and government regimes. Burt and Knez (1995) focused on the role of *social structures*, such as network ties, as contributors to the development and diffusion of trust among organisational members. Kramer (2001) argues that individual’s identification with an organisation and its members enhance both their propensity to trust others in the organisation and their willingness to engage in acts of trust when interacting with members. He holds that individual’s awareness of a shared organisational identity fosters a form of presumptive trust in other organisational members, called *identity-based trust*. Thus, doing one’s duty or fulfilling one’s moral obligations in trust dilemma situations can lead to feelings of satisfaction and pleasure (Kramer 2001: 171).

Consistent with Kramer’s view, this paper describes the concept of trust in terms of individual identification with an organization. It extends ideas of identity-based forms of trust associated with perceived hedonic consequences in the context of immigrant associations in Sweden. Specifically, the paper closely looks for answers to the question of why people join immigrant associations while the latter do not apparently provide much functional advantages, which the members may easily get from the existing ‘social capital’ in the society. Empirically, it has been observed that members of immigrant associations, under certain conditions, may take trust for granted, and associations readily provide arenas for socialisation outside of the labour market (Hamde 2002a, b). Members of immigrant associations assume trustworthy relationship with in-group members depending on the degree to which they identify positively to them (Coleman 1990). Although individuals usually have multiple social identities as they organize in multiple ways with different sectors of the society, identity-based trust may sometimes make it difficult to socialise with ‘other’ people at another level if they don’t feel secure in them (Edmondson 1998). Under such

circumstances, ethnic associations may provide security for individuals' in-group interactions, i.e., immigrant associations provide secure identities and trust is taken for granted in in-group interactions. However, such associations may also pose a certain form of marginalization with out-group members. When ethnicity is the salient form for socialisation and identification, the degree to which in-group members trust out-groups may be minimized (Hamde 2002a). Instead, people may base their judgements about the out-groups on untenable mutual stereotyping (Widell, 2002) that reinforce decreased trust between in-groups and out-groups. The out-groups may be seen as providing uncertainty and thus avoided.

The methodology for this paper is based partly on the author's personal observation as a member in several immigrant associations in Sweden, particularly in the Stockholm area and Umeå. Interviews with some association members and leaders have also complemented the observations. The paper is an exploratory one. It is an ongoing on study (Hamde, 2002a, b, 2003) of immigrant associations and the role played by social capital for maintaining and developing national identity through immigrant associations. A second aim is to study the extent to which immigrant associations encourage or discourage members to participate in the social capital existent within the larger society in which they find.

**“Immigrant Integration and the Role of Social Capital”, by David May, Academy for Migration Studies in Denmark, Aalborg Universitet**

Social capital is in its widest sense the resources a person has access to through her/his contact to other people. Different forms of social capital require different forms of contact and give access to different forms of resources.

In the process of integrating immigrants, social capital plays a crucial role. In this context, the term integration does only refer to the fact that an individual or a group is part of a society, interacts with other members of that society, and takes part in the systems of that society. Here, integration does not refer to the desirability or fairness of a current state of integration from any point of view.

The paper starts out by presenting a typology of forms of social capital largely inspired by COLEMAN (1990: 304ff), but also BOURDIEU (1986, 1990) and PORTES (1998). These forms are in short:

- exchange of good turns – social help capital,
- information channels – social information capital,
- institutions of civil society – social organisation capital,
- delegation and status – social authority capital, and
- norms and effective sanctions – social norms capital.

Immigrants can in principle build up social capital by establishing contact to both other immigrants and natives. The nature and quality of the social capital will differ accordingly. Likewise, immigrants can build up social capital in different settings such as

- their kinship network or their friendship network,
- their neighbourhood,
- their workplace or place of education, or
- institutions of civil society where immigrants become involved.

Generally speaking, those immigrants that have access to a lot of social capital have access to a wide range of resources. They are thus more able to defend their interests and to control their own lives. As a consequence they are more likely to be satisfied with their position in society and their choice of lifestyle. In this respect social capital built up within an ethnic community and social capital built up in the contact with immigrants fulfil different tasks. On the one hand, the bounded solidarity (PORTES 1998) of immigrant communities allows for the strong ties necessary for significant social help capital. On the other hand, relations to natives, which are often weak ties, give immigrants direct access to relevant social information capital. Furthermore, should immigrants become elected to any kind of post (social authority capital) in an organisation of the majority society, this is connected with a significant recognition of the immigrant as part of this society. Often the role of weak and strong ties (GRANOVETTER 1973) is depicted as that of helping a person with either getting by or getting ahead (e.g. PUTNAM 2000: 23). Generally speaking one could say that the stronger ties within ethnic communities, not always but frequently, help immigrants in making themselves comfortable and adapting to the new society. Correspondingly, the usually weaker ties of immigrants to natives are important for advancing into the more desirable positions of society and for learning how to deal with natives. This

distinction between social capital through contact with natives or with immigrants is not to suggest that integration of immigrants who are firmly embedded in an ethnic community is worse than the integration of immigrants with a wide range of contacts to natives.

Because of the positive effects of social capital from the contact with natives, the second part of the paper will focus on the ways immigrants can establish contact to natives. The empirical basis is mainly taken from qualitative interviews with immigrants from two studies, one focusing on neighbourhoods and the other on immigrant participation in civil society.

The analysis of the immigrants' life courses however contradicts the above stated effect with respect to getting by and getting ahead. Especially immigrants that lack ethnic communities and that actively seek to establish contact to natives are willing to overcome the scepticism of the natives and to establish contact with some of them. Among neighbours it is comparatively easy to establish some kind of contact especially on the basis of help with household work and repairs. The effect of this kind of social help capital can be better compared to the benefits of strong ties even though these ties across ethnic boundaries are rather weak. The hurdle to become active in an association or other body of civil society is considerably higher. However the rewards can also be considerably higher. They are however confined to recognition. Recognition is important to immigrants although its reward with respect to access to resources is limited. The most significant effects of social capital with respect to running a business or finding employment that were reported by the immigrants came from the strong ties within kinship networks and ethnic communities.

**“Making Capitalism Work: Social Capital and Economic Growth in Italy, 1970-1995” by Thomas P. Lyon, Indiana University**

Using data on the 20 Italian regions for the period 1970-1995, I examine whether the presence of social capital, as reflected in a number of different measures collected by Putnam (1993), affects economic productivity. I find three types of effects. First,

social capital, when treated as an input to regional production, has a positive and significant effect in the South, but a much weaker effect in the North. Second, some forms of social capital can significantly increase regions' propensity to make physical capital investments; however, dense networks of association reduce capital investment in both the North and the South. Instrumental variables estimates show that social capital affects growth both directly and through affecting investment in physical capital. Third, social capital contributes positively to the rate of total factor productivity growth in the Italian regions.

**“Network Capital and Social Trust: pre-conditions for ‘good<sup>1</sup> diversity?’”, by Sandra Wallman**

This paper unpicks the assumption that because social networks underpin social capital, they directly create it more of one inevitably making more of the other. If it were that simple, the sheer quantity of networks criss-crossing a defined urban space would be a proxy measure for the local stock of social capital.

Of course the interrelationships are more complex. Two kinds of complication stand out. The first is specific: networks have both quantitative and qualitative dimensions, but the two elements have no necessary bearing on each other. The shape and extent of a network says nothing about the content of the links between its nodes. Certainly the line we draw between any two of them indicates contact and potential connection, but what kind of contact, how often, how trusting, in what circumstances, to what ends? Reliable answers to these questions need more than surface maps or bird's eye accounts of who goes where, who speaks to whom.

The second complication is a general, not to say universal, difficulty. We are stuck with the fact that sociological concepts - networks, social capital and trust included - are only abstractions. They are ways of thinking about the apparent chaos of people behaving all over the place here, to make it worse, in multi-cultural urban environments - but none of them is visible to be measured, weighed or quantified.

This does not make the concepts untrue, and it should not stop them being useful. My hope is that we can find a nuanced perspective, which will at least make the complications intelligible. At best, a multi-layered model will account for diversity in the nature of trust; and for variations in the way social capital is hoarded or distributed within and across ethnic boundaries. It would be contribution enough if we were able to specify the conditions, which cause social capital, as Putnam formulates it, to be exclusionary or inclusionary in its effect.

The paper begins by summarising the development of the network idea as social anthropologists pioneered it in Africa in the 1950s. They, like us now, were trying to make sense of multi-cultural [in their time “inter-tribal”] urban encounters brought about by labour migration; to know why diversity was sometimes good, sometimes not; and to put themselves in a position to make recommendations that could bring local economic benefit. Although they did not look for social capital as such [it did not exist in the lexicon of the time] they knew the importance of “voluntary associations” which could be said to have similar functions. Like us too, they were committed to multi-layered analysis, as much concerned to interpret the strategies of individuals, as they were to compare and explain the migrant styles of different tribes or categories of people. And they designed network models to suit. Their work is brought forward with reference to my own effort to create a typology of urban systems, focusing on Europe, which would reflect and account for different styles of diversity in different cities or part of cities. A report of work-in-progress was given at ENGIME Workshop 2, [the Hague, November 2002] and is available on the FEEM website [Nota di Lavoro 76. 2003]. This next step version raises questions about the interpenetration of network, trust and social capital as conditions of [good] diversity, and suggests ways that they and it could be monitored in the field.

## 2.4. List of Participants

	<b>Name</b>	<b>Surname</b>	<b>Institution</b>	<b>e-mail adress</b>
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### 3. Main lessons and insights

During the workshop four broader problematic categories came up. Starting from the components of social capital, the first problematic category involves the various dimensions of the concept of trust, how trust is achieved and what are the consequences of its absence. The second problematic category involves the different forms of social capital, and the way that they are shaped up. The third category involves the detailed clarification of the concept of social capital with regard to the immigrants and the characteristic way in which social capital is built among them.

The fourth category involves the effectiveness of the above on the economic growth and development. Besides these four topics, reflections on how to conduct interdisciplinary research as well as future research questions emerged. These six issues will now be discussed in depth.

### **3.1. Types of “trust”**

The title of this section coincides with the title of Eric Uslaner’s, the keynote speaker’s paper, since a common aspect in a number of papers is the complexity of defining “trust”. Generally speaking, we can distinguish between two types of trust to start with, the “strategic trust” and the “moralistic trust”. Strategic trust takes its name from the fact that it consists of a choice that contains risk and leads to benefits, while resulting from and attempting to deal with “uncertainty”. Moralistic trust has to do with the *a priori* acceptance of the “value” of trust; we trust others because we are “required to behave like that”.

It becomes evident that the cause for every different type of trust is different. While strategic trust is the outcome of our experience, since it comes from the socially shaped ability to predict others’ behaviour, moralistic trust is not shaped that much from our social life. That does not mean that social life has no effect on “who” we trust, but rather it means that it is not the main factor that shapes this kind of trust.

We can also distinguish between two more types of trust, “generalized” and “particularized” trust. Generalized trust is similar to the moralistic trust, since it essentially involves a stance to life that spins around the identification that most of the people constitute members of a moral community, but it is distinct in the sense that it expresses more the extent (how many people do we trust) to which moral trust corresponds. Particularized trust involves people of similar background or proximal environment, and as a consequence that may cause (due to the limited extent) only limited benefits at the social, as well as at the individual level.

Another categorization of the types of trust can be done on the basis of the process that trust is achieved. Based on that criterion we can distinguish three different kinds

of trust a) institutional based trust, b) trust based on social structure and networks and c) identity based trust. The first kind of trust has three dimensions, since it can consist of the outcome of repetitive processes that stabilize our expectations about the behaviour of others and develop trust. In addition to that, it can be the outcome of the responsibilities and cooperation that shape social commonalities (family, economic status). Finally, it can be the outcome of formal social structures that focus on specific attributes of organizations or individuals.

Trust based on social structure and networks essentially refers to forms of trust that are shaped as the outcome of the existence of specific social structures. For example, the creation of dense networks is in favour of the creation and diffusion of trust not because they permit systematic behaviours (as a result of our expectations), but because they also permit the existence of effective sanctions. Finally, identity based trust consists of that type of trust that is formed within a social organization and can be caused by two distinct factors. On the one hand, participation in a social organization and fulfilment of the responsibilities that result out of it and consequently the formation of trust offers satisfaction and prosperity to the participants. On the other hand, the existence of disagreements and conflicts within the context of a social organization creates social insecurity to the members of the organization. The expression of trust behaviours and the construction of behavioural homogeneity secure them towards that insecurity.

Finally, we can distinguish trust according to the extent to which we experience it as members of a social association. Based on that criterion, we can draw a distinction between the members of the association who gain an important amount of trust from others and consequently feel greater social security, and those who face a fragile or uneasy sort of trust.

An important issue that comes up is how trust is formed. There is the belief that trust is constructed from participation in social organizations, while at the same time participation presupposes the existence of trust, in other words there is a circular relationship of causality. However, empirical studies demonstrate that this does not happen in practice systematically, while when this happens it boosts the particularized

trust. Further, the one that is important and provides significant benefits is the generalized trust, the ability to trust people that are and think differently from us.

An important aspect of the two days workshop was to examine the consequences of the absence of trust in economic as well as in social life. The absence of trust can probably lead the participants to an individualistic behaviour, maximizing their performance, regardless of the negative externalities. Behaviours such as “rent seeking” or “lobbying” in political life for the satisfaction of individual advantages can lead the economy to a trap of low development with waste of resources for this kind of activities. In addition to that, the greater the return to investment in these forms of activities, the more probable, to the extent that trust is absent, the economy will result in this sort of trap.

### **3.2. Dimensions of social capital**

The concept of trust is part of the broader concept of social capital. An important parameter of this concept is the idea of networks, although being part of social capital does not mean that they also form it. It is the specific way a network functions that shapes those social relationships which contribute to social capital. Networks can be studied through various approaches, such as the study of social groups and the relationships that evolve among them (the unit of the analysis is the group), or the reverse study, the “ego centered” in which the analysis starts from a narrow object and proceeds to the study of the relationships of the object within its social context (the unit of the analysis is the individual). Although the latter has certain constraints, for example the depth of the study of the relationships of people (up to how many people engage with an individual), or the ability of concurrent study of different relationships, it offers the possibility for a greater understanding of the processes through which people shape their networks and of how these networks contribute to social capital.

If the person forms different networks of contact, for example people at work are different from neighbours or people of the same nation, then flexible networks are formed, more open to new participants, and better prepared to adapt to new conditions. On the contrary, if a person’s contacts are limited (the people one works

with are his/her neighbours, fellow countrymen and friends), then the networks become closed for everyone and impermeable. Essentially, we can talk about open and closed systems of relationships that facilitate or eliminate the development of relationships based on trust with people outside the system.

Social capital as opposed to other forms of capital does not have a physical substance, like the classical capital, and cannot be identified in physical existences, like for example the human capital. It consists of a “sources” form, in the sense that these sources contribute to the productive and developmental activity, but can be detected in the social relationships. At the same time, it increases the productivity of the rest of the productive factors, so it corresponds to both natures of the classical concept of capital (as a factor of increase of productivity and as a distinct source of productive activity). Specific social relationships, rules, formal or informal networks advance trust and cooperation among people, increasing in this way the effectiveness of society.

The state is an important factor in this context, since it can promote what we have named generalized trust, shaping the appropriate institutional framework, and acting with fairness and credibility. Also in this way, the effect of organizations of limited interests, whose negative role has been referred to the bibliography from Olson, can be decreased.

We can analyse the concept of social capital as a “resource” in the production process even further, by breaking it into its constituting components. So we can distinguish first of all the social help capital. Essentially, this consists of the sum of the resources which are indirectly available to every person as a result of the help of other people. Obviously, the sum of the resources depends positively on the number of personal contacts each person has, on the depth of his/her contacts, on the resources that the others possess, on his social context. This is important, since societies with generalized trust, with rules and traditions of behaviour that enhance cooperation and solidarity facilitate the development of social help capital.

We can also consider another form of social capital that is the social information capital, as it is defined by exchange of information in everyday interaction. Another

form of social capital is the social reputation capital, that basically consists of the ability to access sources due to the reputation that a person has and is not only function of the trust that a person gives off but also of other factors such as social status, personality etc. Finally, as a distinct category of social capital we can consider that form that can transform from an initial form to another that we call converting social capital.

Since we have made clear the different dimensions of social capital and its components, such as trust and networks, we can further study the way that it is shaped, especially in the case of immigrants, and its impact on economic development.

### **3.3. Social Capital in the case of immigrants.**

In Europe, economic development has gone hand in hand with an increase of economic immigrants. The increase of immigrants has created a lot of discussions about the way that they will be embedded into local communities in order to confront the complicated problems that isolation and exclusion create. There are two important issues, on the one hand how networks of contacts are formed and consequently networks of trust, that is “social capital” broadly defined between communities of fellow countrymen, and on the other hand how the respective concepts are shaped between communities of different nationalities. Each of these questions gives important information on the ways of embedding immigrants.

Important also with regard to trust in the case of immigrants is the identity-based trust. A central point in the analysis is without doubt the way that identity is formed. Generally speaking, there are two theoretical approaches, the system-control view of the individual and the process-relational view of the individual. The first approach considers that identity for the individual is more or less constant, while personality is taken for granted. Considering the above the individual acts with the aim to take advantage of the chances of the environment and their impact on his condition of life. The second theoretical approach on the other side considers that identity is a characteristic that changes all the time through the interactions of the external

environment. The individual forms his/her behaviour and consequently his/her identity in order to adapt to a complex and ever changing environment. His/her identity is never perfectly shaped.

As a result of these different approaches as to what identity consists of and how it is formed respectively the approaches with regards to “who” we trust are formed. According to the first theoretical approach, the immigrants trust their fellow countrymen that interact with them. They collect information selectively, while information comes from “in-group” and is always trustworthy. On the contrary, according to the process-relational approach, trust being a continual process cannot be determined from traditions and homogeneity of characteristics. It is determined from the continuous interaction between people and obviously cannot be once and for all for an individual. It seems that the organizations of immigrants often have a fixed perception of what consists of “national” and emphasize language, customs and traditions and diachronic transmission of these constant principles.

If this were the case, it could reduce the number and depth of social contact of immigrants: who will interact with the same people at work, school and in the neighbourhood. The more limited the scope of contacts the more limited the scope of people that immigrants trust (the same applies to natives), and consequently the possibilities for isolation instances and social exclusion and other social pathogenesis. In order to embed immigrants and shape the conditions of mutual trust, leading to the formation of social capital, a multiple scope is required as well as contacts of the immigrants.

We can distinguish two different dimensions of the relationships of the immigrants: On the one hand in terms of their interactions and on the other hand in terms of their relationships with the natives. Empirical studies demonstrate that within the context of interaction of immigrants, especially through their organizations, all forms of social-help capital are used, the social information capital, or the social reputation capital, either through weak ties, or strong ties. However the result of the function of these contacts is highly dependent on the distinct conditions. If the original core of immigrants has not laid the foundations of its relationships with the natives, then it will not be able to contribute essentially to any of the above forms of social capital.



Relationships among fellow countrymen are very important for the business dexterity shaped by immigrants. Networks of contacts between immigrants of the same nationality help to a great degree and in various ways the creation of business by them. This help involves for example the financing of investors from the family and the community, the formation of networks among fellow countrymen, at the national and international level, business networks that increase effectiveness of participating companies. Even further, help involves ensuring a constant base of consumers for the products of these companies that consists of fellow countrymen, and also ensuring supply of cheap labour.

With regard to the relationships between immigrants and the natives things are less promising. We can identify three types of social capital, according to the kind and place in which these relationships are formed. The first type is the social capital at workplaces, social capital that is formed by the social contacts in the workplace. The automatization of production resulted in labour as well as in the individual being more individualistic, and consequently in the decrease of the formation of social capital (as we assume it takes place by the developing contacts) in the workplace. Something similar happens with the contacts within a neighbourhood, contacts that form the social capital in the neighborhood. Contacts are also restricted since immigrants do not develop contacts with the indigenous, while others develop limited ones. The last source of formation of contacts and consequently of social capital between the indigenous and the immigrants are the contacts in the context of participation in social events and groups, that is the social capital in institutions of civil society. In that case too, contacts are limited, since mainly immigrants participate in organizations of immigrants and a limited number participates in broader events.

### **3.4. The effect of Social Capital on economic growth.**

An interesting topic in the workshop has been the effect of social capital on economic growth. Undoubtedly, and because social capital is a particularly broad concept, the way that affects economic growth is not clear yet. We can make some hypotheses though with regard to its effects. How does social capital boost economic growth?

Basically there are two dimensions of the concept of social capital that are quite interesting, networks and norms of generalized reciprocity. Both dimensions make important contributions; on the one hand they form long-term relationships and on the other hand they increase trust (as a result of long-term relationships). The specific relationship between the participants of the network associations and the developed trust affect productivity and economic growth through different channels. The first channel is through the decrease of the transaction cost. Between agents that do not trust each other their participation in long-term transactional relationships and specialized investments requires detailed contracts, which because of the amount of detailed parameters that need to be considered are often incomplete contracts. Generalized trust and decrease of opportunistic behaviour decreases the negative consequences from the existence of incomplete contracts.

At the same time norms of reciprocity help the decrease of the free riding behaviors increasing at the same time the effectiveness of the action of voluntary organizations that provide collective or public goods. A last alley of effect of social capital on economic growth is through the encouragement of innovation. If we consider that innovations are a function of informal conversations then obviously the social capital and its components (association networks and norms of generalized reciprocity) contribute to their development. Obviously social capital has not only positive effects on economic growth since the existence of constant association networks is related to the development of particular contacts between their members and the government and the channelling of resources from productive activities to those of rent-seeking.

Indeed, empirical studies show that social capital with various alternative measurements affects positively economic growth, as well as total factor productivity growth, while differences in social capital can explain the differences of the levels of development between different regions and countries. That positive effect is obvious with every measure of social capital (measures for voting, measures for newspapers reading, for participations in associations etc.).

Which are the factors that form positive conditions for the participation of people into association networks? A variable that seems to affect significantly the possibility of people in social networks seems to be education, because it increases the ability of

participation in such networks, and also because it probably forms a more oriented behavior to such concepts as solidarity, reciprocity etc.. Middle-aged people seem to have increased possibility for participation in comparison to older or younger ages, so age is also a determining factor of participation in social networks. Income is also a factor that is related positively to the possibility of participation, maybe because participation in such networks is a luxury. Sex seems to play an important role as well as the marital status. Men participate more and married people have a higher possibility of participation as opposed to single people.

### **3.5. Interdisciplinary work**

As it became obvious from previous workshops the interdisciplinary work is necessary to a great extent in order to deal with the study of complex concept such as social capital and association networks, concepts that anyway are the objects of study of various different disciplines. Interdisciplinary work in such a case most probably brings important results. There are many aspects in the concept of social capital so that certain branches have a relative advantage and can provide important insights to other disciplines without spending too much time on these concepts.

Undoubtedly, in order to exploit such synergy we need to overcome “trap issues”. The most characteristic example are the discussions on methodological issues that lead to disagreements and conflicts between various disciplines. These “traps” can be overcome if the central issue is the detection of the problem and the investigation of solutions in collaboration.

### **3.6. Research Questions**

The discussion in small groups between participants of the workshop shed light on different dimensions of social capital and their content that require further analysis.

- On the one hand to approach with greater clarity what is social capital and basically how it can be defined in its different dimensions (individual, collective, national level).

- How we measure it since social capital cannot be just the “participation” to a social organization, it is not just a quantitative but also a qualitative concept.
- If participation in social groups forms conditions of trust, how will they be organized in a way that does not exclude some social groups and that makes the “positive effects” have a greater dispersion.
- If there are benefits from the communication between individuals there should be benefits from the contacts between social groups, consequently there should be an analysis of the relationships between different social organizations.
- How can the development of negative dimensions of social capital be avoided in the process of social integration.
- How analysis on social capital can consider the new conditions that are formed in the era of free international trade and globalization.