

## Economic Freedom of the Social Capital

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**Abstract:** The article studies legal conformity of social capital - one of the least researched questions of modern economics. On the base of the numerous analytical information analyses the author hypothesizes that social capital is increasing of the economic freedom of economic agents. The author examines the reasoning conditions of social capital importance. He justifies postulate of the existence of a direct relationship of ineffective rules and the value of the absolute and relative rate of return of social capital owners.

**Key words:** Economic freedom • Social capital • Social capital returns

### INTRODUCTION

The problem of the social capital steadily shows in recent years with increasing evidence of its relevance that is confirmed by the increased flow of publications in domestic and foreign literature. Amplifying interest of researchers to this subject is caused by changes in the institutional environment, occurring in Russia and other countries. From the point of view of E.M. Avraamova [1], key aspect of these changes are growth of the importance of the social communications which are realizing in informal and even a formal field of activity of economic authors. She claims that during the period from 1995 to 1997 in consciousness of various groups of society prevailed ideas of various opportunities of achievement of success. Young people with the high education and their wealthier contemporaries were guided generally by own educational and professional resource. By the end of 2000 various social groups of the population and, especially, "groups of success" met in estimates that for achievement of success social communications are of primary importance. The last, in fact, form a basis of the social capital as valuable resource of obtaining notable benefits.

The format and structure of these communications and the social capital, level and the size of the social space covered by them, can be the most various and, even primitive, such as schoolmates or an association. But the main attractive party of their high demand is the

great opportunity of the social capital to reduce expenses of resistance of the economic environment for achievement of own purposes. One call of "the right man" and like a wave of magic wand, in Russia it is possible to solve an unlimited circle of problems, since such harmless questions as, for example, to get on reception to the highly professional doctor and finishing the decision on sale of the large industrial enterprise.

Benefits and advantages of the social capital are shown in comparison with existing legitimate norms and rules with which they compete. Where legitimate norms are effective and existing alternative ways of achievement of the objectives are less attractive, there the social capital remains not demanded as its use doesn't create significant effective economic advantages.

### RESULTS

In transitional social structures where former institutional forms of an exchange and trust are destroyed and process of formation of the new is not yet complete, application of opportunities of the social capital is in the increased demand. In this situation the difference in ratios "expenses-benefits" between actions within official system of norms and informal use of the social capital repeatedly increases.

There is an elementary competition of alternative routines where the most attractive wins, providing minimization of expenses for achievement of goals.

Owing to obvious advantages of the social capital an increasing number of economic agents resorts to its use which leads to emergence of the new informal steady norm which is promptly extending in the economic environment.

It shows the obvious aspiration of subjects of the economic relations to reach higher level of the economic freedom which containing minimization of expenses of a voluntary exchange of the property rights of economic agents.

These two directions have a single-vector focus-use of the social capital takes place for the purpose of decrease in expenses of economic agents that is manifestation of essence of economic freedom. On this basis we claim that the social capital is means of enhancement of economic freedom of economic agents.

What is specific nature of the social capital providing to it wide economic prospects? The social capital expresses communications between people, based on expectations of a certain behavior from the people involved in these communications and also-on the mutual obligations arising on this basis. Specific nature of the social capital is shown in that on the one hand, it corresponds to criteria of the capital in political and economic sense-is able to self-increase, can bring various "dividends", collect, be converted in other types of the capital and on the other-differs vastly from economic and all other earlier described forms of the capital. The relations of the social capital can't be presented by a thing even possessing high value and registration of the property rights to it is impossible as it isn't alienated from "owners".

Sphere of influence and objects of the social capital is the specific area of the rights of economic agents. The right to participate (and to win) in the tender for building on attractive ground in the downtown, the right to achieve a necessary judgment, the right to get a job to of a high position, the right for rent of 50 hectares of an arable land, for example, in the Sabinsky region of the Republic of Tatarstan, etc.

As the social relations form a basis of this capital, it can act only as the informal capital. Today there is no form of legitimization of mutual expectations and obligations the reciprocal of the processes taking place between participants of transaction of the social capital. It isn't accepted to sign contracts in this sphere though obligations are fulfilled. Low formalization of the social capital is a natural obstacle for potential recipients from unauthorized attempts to use it in their own interests.

**There Are Different Types of the Capital Corresponding to Different Spheres of Human Activity:** Economic, human, political, cultural, etc. The possession of capital provides to his owner the power not only within the capital itself because certain "converting" of the capital is possible, allowing to exchange power in one sphere for the power in another sphere more demanded at the moment, having respectively strengthened the capital.

The social capital as system of social communications allows the actors allocated with other types of the capital (or not allocated with anything, but strongly aspiring) to get access to resources which other actors own by means of the social relations. Through the social capital it is possible to get access to economic resources, it is possible to join the different institutions allocated with powers of distribution of any benefits. However, this access is far from free because, acquisition of social benefit demands investment of certain economic or other resources for providing a equality of exchange. P. Bourdieu [2] in his research convincingly proved that results of possession of the social capital lead to their transformation in the economic capital.

Membership in different social structures provides to the carrier of this social capital possibility of extraction of a rent that leads to emergence of distinctions between behavior of recipients and donors in processes of an exchange by the social capital. The desire of recipients to get access to the social capital is quite obvious and interests of donors look more difficult as they, on the one hand, possessing the social capital, act as its source and on the other-don't wish to devalue the monopoly position, entering the relations "recipient"-"donor". The carrier of the social capital as its source in every possible way aspires to that the recipients who have passed through its mediation, received only stipulated economic benefit and not in any case could have an opportunity to become carriers of this type of capital. Therefore, as well as in any monopoly, the aspiration to keep the exclusive power leads carriers of attractive social capital to protection of the exclusivity, having become some kind of "membership club". The price of penetration into such club as his full member is incredibly high as each new member is capable to increase the access offer in the market of the social capital for recipients which can lead to decrease in profitability for all owners of this type of the capital.

Examples of such "membership clubs" are authorities of various levels. They perfectly understood direct dependence between inefficiency of rules and norms existing in economic environment and a high demand of

their social capital. The more expenses are incurred by society in the daily activity-the higher absolute and relative standard of profitability of owners of the corresponding social capital of the power is. Against increasing expenses of use of legitimate ways of the objectives achievement appeal of alternative-with use of the social capital increases. The number of people wishing "to clinch the matter;" by means of social communications grows on the fast track which leads to corruption growth in the country. The researches of All-Russian Public Opinion Research Center published in the Independent newspaper on November 30, 2012 [3], testify to growing concern of society in the amount of corruption. 75% of the respondents consider high and even very high level of distribution of this phenomenon in society. The sureness of corruption of the federal authority grew today twice in comparison with 2007-with 12 to 26%.

As a result, it led to large-scale distribution of inefficient administrative barriers in society which include licensing, certification, revisions of the enterprises by inspectorates of various levels, problems at rent and purchases of rooms and so forth.

So by results of survey [4] conducted by group of researchers from Russian Presidential Academy of National Economy and Public Administration, on the example of licensing it is possible to claim about obvious aspiration of "membership clubs" to artificially increase demand for their social capital. In 2010 the share of the illegitimate licenses granted on kinds of activity which by the legislation aren't licensed, made 53%, thus 60% from them enterprise receive in regional departments of control. Divisions of federal control authorities grant illegitimate licenses in 34% of cases and regional bodies -in 64% of cases. Average period of validity of the license makes-34 months. According to the legislation period of validity of the license can't be less than 5 years, nevertheless, the most part of firms (62%) obtained for the last half a year licenses with validity period less than 5 years. Obtaining of license costs to each firm 29 thousand rubles and demands 35 days.

Comparing received results to the results of monitoring which was carried out in 2006, it is possible to conclude that in comparison with 2006 the percent of illegitimate licenses grew 47 to 53%. Regional bodies began to grant illegitimate licenses more often (57% in 2006 and 64% in 2009).

The monetary expenses connected with licensing, increased; average expenses from the level of 5 thousand rubles rose to 10 thousand. Taking into account the

amendment by inflation, in real terms average expenses grew by 1,5 times. If lead the sum of 10 thousand rubles to 2006, it will make 7450 rub that exceeds 5 thousand rubles for 50%.

This tactics is a lot of carriers of the social capital-officials far from the highest level which don't connect the ambitions with creation of own large business. The process of converting social capital in the power and property is characteristic for the social capital of higher levels. If take a closer look at present oligarchs and large businessmen, one way or another they were in due time members of the highest "membership club" the government of the Russian Federation. For example, Potanin Vladimir Olegovich [5]-the former first Deputy Prime Minister of the government of the Russian Federation (1996-1997), the author of idea of carrying out notorious mortgage auctions in Russia in the mid-nineties. Now-the president of the Interros company (which total assets make more than 15 bln. dollars), the member of Civic chamber. One of the richest people of a planet: in March, 2008 I took the 25th position in the rating of billionaires made by the Forbes magazine.

Sechin Igor Ivanovich [6]-held from May 12, 2008 to May 21, 2012 a post of the Deputy Prime Minister of Russia.

At the same time (2004-2011) he was the Chairman of the board of directors of JSC kompanii «Rosneft". Since May 23, 2012 the president of Rosneft company.

Miller Alexey Borisovich in 2000-2001 was the Deputy Minister of Energy of the Russian Federation. Now-the chairman of the board and the vice-chairman of board of directors of JSC Gazprom.

Aven Pyotr Olegovich [7] since 1992 the minister of external economic relations of the Russian Federation, since November, 1998 the chairman of the board of directors of JSC Set televizionnykh stantsiy (STS), now- the president of JSC Alfa Bank with a fortune of 4,3 bln. dollars takes the 27<sup>th</sup> place in a rating of the richest businessmen of Russia according to Forbes.

His career and success can be given as an example of taking advantages of the social capital. Thanks to the social capital P. Aven managed to climb career ladder rather high. However this capital was so fertile that its use subsequently brought to P. Aven generous dividends.

These examples can be given further, considering as the social capital "membership club" Komsomol leaders of various level. For example, Kiriienko Sergey Vladilenovich [8] director general of the State corporation on atomic energy "Rosatom", in the nineties held a position of the 2nd secretary of Gorky regional committee

of All-Union Leninist Young Communist League. Subsequently Kiriyeiko S. V. became the head of Garantiya bank, - one of the largest banks in Nizhny Novgorod.

### CONCLUSIONS

In opinion PHD of economics, vice-chairman of scientific council of the All-Russian center of studying of public opinion Diskin I. E. in modern Russia process of converting of the social capital in the power and property actively proceeds. This perspective considered, first of all through a prism of corrupt use of a personal contact, formations of political and commercial or criminal groups, still actively influences the processes happening in economy of Russia.

It results in cardinal distinctions between ethical standards by which main groups of population are guided and ideas of norms by which representatives of various authorities are guided. These distinctions undermine the very basis of trust of society to the power. Low level of trust of people to the main state institutes-indirect confirmation of this hypothesis.

The polling data published by Levada Center [3], recorded falling of popularity of the main state institutes of the power.

To the government as a whole don't trust 59% of citizens-against 49% in October, 2012. Don't trust none of the Russian politicians of 24% of respondents of Levada Center.

And, at last, the number of the Russians assured that things in the country go the wrong way vastly increased , -from 33% in May, 2012 to 44% in November. 40% of respondents are happy with situation in the country now against 49% seven months ago.

At the same time "the mistrust gap", separating population from the authorities, in a certain degree interferes with social activity of people which by its "pressure" and social insistence could essentially promote improvement of functioning of social institutes. This trap blocks process of formation of effective social institutes, but ways of its overcoming are thus absolutely not obvious. Theoretical study of the factors causing maintenance of "trap" and also exit possibilities are in this connection extremely important. Necessary condition for such study-empirical studying of all complex of conditions under which decrease in level of mistrust to public authorities is possible.

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