ASSESSING THE ROLE OF SOCIAL CAPITAL IN PUBLIC ADMINISTRATION REFORM: THE CASE OF DEVELOPING HOUSING ASSOCIATIONS

Some collectivities are more efficient than others in achieving common goals and one important factor that explains success is the capacity of their members to cooperate. Game theorists have studied this phenomenon under a variety of circumstances and shown that failure to cooperate for mutual benefit does not necessarily signal ignorance or irrationality. (Raub and Voss 1986) On the contrary, theory underpredicts co-operation and finds more actors who defect than empirical tests usually indicate. Recently, scholars in sociology, economics and political science have converged on the concept of social capital as a comprehensive explanation of why members of some communities cooperate and are able in that way to resolve collective problems while members of other communities choose to defect and their collective purposes are not attained.

Coleman (1990), who brought the term into wider circulation argued that social capital can be defined by its function and "it is not a single entity, but a variety of different entities having two characteristics in common: They all consist of some aspect of social structure, and they facilitate certain actions of individuals who are within the structure". (Coleman 1990)

Many scholars have worked on determining the effects of social capital over the community they characterize or, at a more general level, of the society. Others insisted more on assessing factors that affect social capital. In his study of 20 subnational governments in Italy, Putnam (1993) argued that the quality of governance is determined by the level of social capital in the region. He determined, also, an exceptional durability of social capital for the Italy case, implying that intentional acts to increase the stock of social capital in a community can have very low effects if any.

More recent works express a different view: institutional arrangements influence the level of social capital. Tarrow (1996) and Jackman and Miller (1996a, 1996b) argue that a political institutional approach that endogenizes social capital is more effective in
explaining differential political and economic development. This line of argumentation is tested empirically by Schneider, Teske, Marschall, Mintrom and Roch (1997) who studied the effects of public school choice over the creation of social capital in the United States. They show that "giving parents greater choice over the public schools their children attend creates incentives for parents as citizen/consumers to engage in activities that build social capital".

As a country enveloped in rapid changes within many types of institutions, Romania presents certain advantages in studying both the effects of social capital over the performance of newly formed institutions and the influence that institutional design has over the social capital.

The study examines the determinants and the effects of social capital in relation to a new type of institution that is going to be set up in Romania during next months, as part of the reform in public administration. Inhabitants of block flats, constituting more than one third of the country population, are requested by a new law to form HA, with the primary goal to solve common problems related to the building. These problems are diverse and numerous because both block flats and institutions, formal and informal, structuring life of those inhabiting them, is reminiscent of a centralized and authoritarian regime. Within the new HA, people will have to cooperate in order to attain common goals, and we expect that social capital at the level of block flat is an important predictor for the success of identifying problems, finding solutions and implementing them. We expect, also, that the new institution will increase the social capital of the citizens living in block flats. Our analysis of these questions is based mostly on the empirical results that were obtained in several settings: other countries than Romania and other types of institutional changes than those related to houses associations. Therefore this kind of generalizations are only tentatively. However, we have another line of argumentation based on a secondary analysis of a 1996 Romanian national survey. Taken together, the two streams of evidence will give us a clearer idea about the phenomenon we study and also will provide us with information about how to device the next steps of this inquiry.

The next section (2.) will present some of the background information about the institutional change that concerns housing associations. A recent empirical study that has relevance to our inquiry, both because of its results and of its research design, will be
presented in Section 3. How the social capital should be measured is a question that Section 4 will contain some answers. The main idea that is presented here is that the concept lends itself to a network analysis approach, in addition to the classic measures at micro and macro level.

The data that we have collected for Romania will be discussed in Section 5. What are the social capital determinants and how it affects lives of those involved and the efficiency of certain institutions, will be the subjects of Section 6 and Section 7.

1. A new institution: Housing Association

Romania suffered a fast and brutal process of modernization under the communism regime. The rural character that the country had in the inter war period was changed by collectivization of agriculture and the expansion of heavy industry. Both processes led to a rapid growth in urban population from 31 % in 1956. to 54.9% in 1995. The state offered living places in block flats to those who migrated to towns. Some of the inhabitants preferred and could buy the apartments built by the state and the rest of them lived as state tenants, paying rent. After 1989, the latter were requested to buy the apartments in favorable conditions that allowed most of them to do so, and the proportion of private ownership increased from 67% in 1990 to 92% in 1995. On the last census, in 1992, 8,702,236 inhabitants were living in buildings with more than 10 apartments, representing 39% of the total population. For them, ownership presents some peculiarities compared with the owners of the individual houses:

1. People were grouped in associations and membership was by default; each association had an administrator elected by the members and, usually but not necessarily, from the members.

2. The administrator was responsible for collecting money from the members for heating and water supply expenses. Is important the fact that heating and water consumption was not measured for each apartment: the state company that provides them measures consume at the level of many blocks and divides it according to the number of people living in the apartment and size of each dwelling.
The efficiency of these organizations varied greatly, some of the associations had no heat because just a few of the tenants did not pay, and others were forced to pay for the expressive modernization of their buildings.

The Law of Dwellings, passed on 21 October 1996, establishes that starting with 21 October 1997, the owners of block flat dwellings have all property rights. They can form associations under the same provisions as for foundations and non-governmental organizations. They can decide how many members will form an association and the rules of taking decisions. The new framework will enable HA with more rights and more flexibility in their relations with local authorities and with companies that provide services. Also, HA will be able to receive donations.

The process of forming and registering HA-s has just begun and it will take probably several months until it will be completed.

2. Public school choice and the creation of social capital

The effects of reforming some aspects in the work of local administration in a way that imitates private markets by allowing its "clients" to choose between many suppliers have been assessed recently in the United States for the public education domain. Schneider & all (1997) tried to estimate not only the results of expanding the right of parents to choose the school for their children, in terms of educational performance, but also they hypothesized that people exposed to the new policy tend to become better citizens. The idea of putting into relation parents activism and some general attributes concerning civic involvement and activism has originated in Putnam's works (1993, 1995a) where he uses declining participation in PTAs as one of his indicators of the erosion of social capital.

The five authors analyzed the effects of choice on the formation of social capital in a matched pair of inner-city school districts, one with a long history of extensive choice and one without choice. Then the quasi-experimental design was extended by replicating the analysis in two suburban school districts. From each of the four districts the respondents were selected randomly and interviewed by phone. Each of the four samples had 400 persons.

Their results were consistent with Berry, Portney, and Thomson's (1993) claim that "increased participation does lead to greater sense of community, increased governmental
legitimacy, and enhanced status of governmental institutions". Even more, the authors argues that the effect of institutional change can increased the social capital and that result in building a "virtuous circle" where an increased quality in education breeds participation in community and that, in turn, raise the quality of education.

The conclusion is that despite of the fact that government plays a limited role in nurturing the social capital, governmental policies can and do affect its level. Through the careful institutional design there is possible to change a fundamental traits of communities that serves as a predictor for their success in solving problems.

Their study has brought important evidence against Putnam' s thesis, which argues that social capital is rather immutable. Also, their research design can serve as a model for similar tests to other cases where through the institutional design the citizen's choice is expanded.

3. Measuring social capital

We operationalize social capital both at an aggregated level and an individual one. We use the individual measures that Brehm and Rahn (1997) employed in analyzing the US General Social Survey data in order to assess causes and consequences of social capital. Their model pivots around the argument that the phenomenon of social capital manifests itself in individuals as a tight reciprocal relationship between levels of civic engagement and interpersonal trust. Their hypothesis was stated as follows:

There is a strong reciprocal relationship between civic engagement and interpersonal trust. High levels of civic engagement are expected to determine high levels of interpersonal trust and reciprocally. (Brehm and Rahn, 1997)

The mechanism that relates civic engagement and interpersonal trust can be deduced from game theory results. The implication of the bi-directional determination is that the process can set in motion a "virtuous circle" in which trust promotes co-operation and co-operation promotes trust (Putnam, 1993). It implies that new institutions that enhance the level of civic engagement can increase the stock of social capital of communities.

For the Romanian housing association case, the attributes of the communities that we study -- size and closure --, make possible to operationalize social capital in a way that is closer to the conceptual definition. Social capital is the web of co-operative relationships
between citizens that facilitates resolution of collective action problems (Brehm and Rahn 1997) and a structural approach could allow a valid measurement. In a future extension of this inquiry we will assess what is the relationship between various structures of the HA communities and individual level measures of social capital. We would employ a network analysis technique (Knoke and Kuklinski 1982) in order to test the following hypothesis:

*There is a relation between social capital measures at an individual level and the characteristics of individual positions in the network of co-operative relationships. High levels of social capital are expected to be associated with a high degree of centrality in the networks, controlling for other variables.*

Truth, Karl Deutch observed lies at the confluence of independent streams of evidence (quoted in Putnam 1993). To understand how an institution works we need to use a variety of techniques. Structural approach allow us a better insight of how demands are structured, how decisions are taken in order to satisfy demands and how policies are implemented. The communities we have chosen to study have a dense network of co-operative relationships, clear borders and a size of about 50 elements, favoring the use of network analysis.

A research project that employed a national survey found that there is a tight relation between the degree of centrality in a network defined by relations of political information and various measures of participation, including belonging to volunteer associations (Sum, Badescu 1998). We expect that not only individual positions in the network to be associated with civic participation and interpersonal trust, but also, that attributes of the entire network to be in a reciprocal relation with the community stock of social capital. Therefore, another hypothesis that need to be tested is:

*There are certain types of networks of co-operative relations that are associated with higher levels of the HA stock of social capital, measured as sum of individual level measures of social capital. We expect that high density and homogeneity of relations to define those types of networks.*

The social networks could be defined by the relationships assessed with the questions as the following:

1. Whom of your neighbors did you visit during last 7 days?
2. Whom of your neighbors did you borrow things or money during last 2 months?
3. Whom of your neighbors did you talked about the problems of HA

The reliability of these variables depends on the correspondence between behavioral and cognitive data, but Freeman, Romney and Freeman (1987) showed that, although informants may not be very accurate in their reports on who was present at a particular event, the reports are influenced by long term-patterns of participation and do accurately reflect the usual and regular behaviors of regular attendees.

4. Some results concerning social capital, using Romanian data

Although we do not have Romanian data collected with the explicit purpose of measuring social capital we are able to investigate some aspects concerning the relations among political participation, and political interest, the two concepts that we think that are related with the measures involved in the social capital operationalization of Brehm and Rahn (1997), and political information. We have used data collected through a national survey of randomly selected Romanian citizens in December 1996.

Data were analyzed first by Badescu (1997) and Sum and Badescu (1998) by using the structural equations with latent variables (LISREL) technique that allows to operationalize each of the concepts with more than only one observed variable. The employed measures and the standardized coefficient between each observed variable and the latent variable is the following:

<table>
<thead>
<tr>
<th>Participation</th>
<th>standardized coefficient</th>
</tr>
</thead>
<tbody>
<tr>
<td>Did you or would you be disposed to ...</td>
<td></td>
</tr>
<tr>
<td>write or call to a newspaper or TV station</td>
<td>0.76</td>
</tr>
<tr>
<td>sign a petition</td>
<td>0.82</td>
</tr>
<tr>
<td>participate to a march or a demonstration</td>
<td>0.69</td>
</tr>
<tr>
<td>be involved in an electoral campaign</td>
<td>0.63</td>
</tr>
<tr>
<td>contact or write to a local official</td>
<td>0.90</td>
</tr>
</tbody>
</table>

In their analysis, Sum and Badescu (1998) bring evidence that the above concept could be used as a valid measure for a unified concept of propensity to engage in participatory acts, including membership to associations. This assertion needs to be tested further, but
if we accept it than Participation can be employed as an approximate measure of a component of social capital, civic engagement.

Also, political interest could be a useful concept in analyzing social capital. It is measured as follows:

<table>
<thead>
<tr>
<th>Political interest</th>
<th>standardized coefficient</th>
</tr>
</thead>
<tbody>
<tr>
<td>In general, what is your interest in politics?</td>
<td>0.80</td>
</tr>
<tr>
<td>Some people discuss politics with family, friends, or colleges. Others prefer not to discuss politics. Normally, do you discuss politics frequently, sometimes, seldom, or never?</td>
<td>0.77</td>
</tr>
<tr>
<td>How often do other people ask you for your opinion about various aspects of politics?</td>
<td>0.87</td>
</tr>
</tbody>
</table>

Two of the three measures for political information concept are also measures for the respondent place in the family and friends social network. It is interesting to notice the large standardized coefficients with the latent concept, also that these two are behaving the same as the third measure in relation with a large number of other variables.

The third latent variable of this analysis is Political information, build also as an aggregate measure of a large range of observed variables, from questions of knowledge (like "do you know if the Romanian-Hungarian Treaty was signed", or "please, name two candidates who run in your district in 1996 general elections") to variables constructed as the number of non-responses to the questions of evaluating parties and political leaders.

As the coefficients provided by LISREL analysis suggest, Participation, Political Interest and Political Information are strongly related:

- Participation -- Political Information: 0.61
- Participation -- Political Interest: 0.59
- Political Info. -- Political Interest: 0.64.

We cannot draw firm conclusions concerning social capital from this secondary data analysis. However, it provides us with new evidence that people who participate more in non-political activities, are also more interested and informed in politics and tend to participate more in political activities. It suggests also, that there is a relation between all
these individual attributes and some structural characteristics, as the place in a social network of family and friends.

5. Determinants of social capital

Is it social capital an asset of a community that is immutable or is it possible to device actions that increase the level of social capital in a community? The consequences of the answer at this question are immense: one can embrace a fatalistic view concerning the possibility of change in an undeveloped region of a country or in an entire country, or has to device the appropriate changes that can improve the level of development. We expect that the stock of social capital of an HA is determined by the following factors that characterize its members:

a. Level of education,
b. Ethnicity,
c. Duration of living in that block flat,
d. Type of the locality of birth (urban / rural, size),
e. Region of birth,
f. Income,
g. Occupation,
h. Structure of the family.

Education increases exposure to cosmopolitan culture, resulting in individuals who are more tolerant and less suspicious and therefore, more trustful and willing to engage in cooperative behavior (Verba and Nie 1972, Sandu 1996, Brehm and Rahn 1997). Being a member of an ethnic minority increases one's chances of being a victim of prejudice or discrimination which may contribute to suspiciousness of one's surroundings (Kivu, 1994). We expect that people who lived longer in that blockflat to contribute more to the stock of social capital. Also, the place of birth was find as an important predictor in previous studies of political participation in Romania (Mungiu 1995, Sandu 1996, Sum, Badescu 1997). Those who are living in towns and were born in villages tend to display a lower level of civic participation then those who were born and continue to live in towns. Also, there is a dispute concerning the existence of the influence of the region of birth
and of the region of residence over the civic participation (Mungiu 1995, Sandu 1996, Badescu 1997). We hypothesize that both absolute income and relative income to the community members incomes affects level of trust and cooperativeness. Scarcity may lead people to be less generous in their views of others and to consider them as competitors. Occupation and the structure of the family may influence cooperativeness because they affect the budget of time and thus, the opportunity costs (Brady, Verba and Schlozman 1995).

In a future stage our project intends to bring more clarification to the questions concerning the role of the institutional design over the level of social capital. We would use a quasi-experimental design as in Schneider & all’s research, but with the difference that we prefer two waves of interviews for all the subjects. A duration of the project of about one year -- that is a limit imposed by our resources --, will make less likely that we observe large differences. However, we expect that during that period of time, the new institution will require intense co-operative activity on the part of its members, therefore, an observable increase in the level of capital.

In that way, our main hypothesis would be tested for the Romanian case:

*The institutional change that resulted in the new HA determines an increase in the level of social capital among the HA members.*

6. Effects of social capital

Is social capital the concept that can be used to explain differences in functioning of the social institution and also to create an explanatory link between micro and macro phenomena as some scientists’ claim, or is its potential rather modest?

The quasi-experimental designs that would be employed would allow us to test the following hypothesis:

*Social capital of a HA determines its performance.*

We plan to investigate four HA with individual level and structural measures. We will compare the performance of pairs of HA-s that have large differences in social capital yet similar levels of efficiency for the institutions that preceded HA-s. The measurement of a HA-s performance takes into consideration members’ demands, decision making process and implementation. In addition, we will construct a subjective measure of HA
performance. Thus, we are interested not only in the policy’s effects -- like succeeding to build a new roof, or failing to pay heating bill and being disconnected, or the number and the lengths of delays in paying common bills -- but also in awareness of collective problems, participation in decision making processes, degree of responsiveness to the association leaders, individual satisfaction with the way that HA is dealing with problems.

Each HA will be rewarded with a small amount of money for their co-operation in the research. We will follow the process of deciding how to spend this money and the way in which it is ultimately spent. This is the second quasi-experiment of the project and we expect to find more efficiency where is more social capital.

7. Conclusions

There are three major goals that an empirical study of social capital in the Romanian population might attain:

1. To show that social capital of a community matters, that is an important predictor of efficiency;

2. To bring evidence that social capital can be improved (with the assistance of governmental and non-governmental organizations;

3. To show that changes in institutional design that expand citizen choice increase the level of co-operation and trust, and accordingly, the efficiency of the common actions.

Romania is an appropriate location for studying these issues because of the various institutional changes that are currently taking place.

The reform in public administration involves many institutional changes. The relevance of the discourse centered on social capital to some of these changes derives from the fact that the level of social capital in a community seems to increase when the individual choices of its members are expanded. Therefore, those changes in public administration that results in more freedom to participate for citizens might increase the stock of social capital and the quantity and quality of civic involvement. These effects are beyond the planned scope of the institutional changes but, at least in the long run, the efficiency of the new institutions can be increased also through these indirect effects.
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