

***Economic Crisis, Social Capital and Civil Society:  
From Social Networks to Economic Growth***

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**Abstract**

*The central aim of this preliminary report is to critically discuss the current Greek crisis from a psychosociological viewpoint, as well as to contextualise this crisis within the analytical framework of social networks and social capital, that is, the essential ingredients of civil society. It is demonstrated that a structured and enhanced social capital could possibly formulate an appropriate institutional and societal environment for the market, entrepreneurship, and employment.*

**Keywords:** *economic crisis, social capital, civil society, social networks, economic growth*

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## **The current situation from a psychosociological point of view**

In recent years, the severe economic recession in Greece has had direct adverse consequences on the vast majority of the population, mostly affecting the economically vulnerable groups and increasingly weakening the welfare state and social cohesion. It is now believed that the hitherto powerful political networks that took shape and flourished during the post-war era (especially since 1974) are no longer functional, either because of the great economic adversity (with the de facto loss or obsolescence of the abundant financial pre-crisis benefits), or because of the significant loss of their social underpinnings (i.e. loss of trust). These two reasons are profoundly matched together and mutually reinforcing each other, since there was a systematically direct and close interdependence between the social-political underpinnings and the economic social benefits.

Individualistic micro-motives and party-centered political interests, strongly defending a wide anti-social network of patronage, self-serving dealings and protective client-oriented relationships, reflexively led to social inertia and political or economic counterproductive macro-behaviours (populism, client state, informal economy, etc). The traditional models of entrepreneurship became largely intertwined with the satisfaction of myopic individual/profit-driven interests, rather than a socially beneficial and environmentally responsible behaviour.

From a psychosociological point of view, the weakening of social structures and institutions, in direct conjunction with surging unemployment rates and the progressive abatement of social spending, profoundly fed feelings of widespread instability, insecurity, frustration, anxiety and uncertainty for ordinary people. The evident structural incongruity between the real social needs and state institutional orientation implicitly nurtured a counterproductive sense of individualism (a ubiquitous individualistic culture), often followed by hyper-consumerism, which led to grave impairment of the sense of collectivity and taking care of one another, as well as of community, solidarity and shared responsibility within Greek society.

At the same time, with the gradual collapse of every official indicator that bespeaks conventional social ties, social cohesion and solidarity, a widespread tax-evading mentality arose – one that cuts through, both transversely and vertically, the whole of Greek society. It is not surprising that in the relevant European ranking regarding the degree of trust and solidarity, Greeks occupy one of the last positions (Poupos, 2010).

The relevant phenomena of social pathology and the associated causal relationships of current economic crisis inevitably turn our analytical attention to the notions of social networks and social capital. These theoretical and methodological notions could and should play a pivotal role in effectively tackling and overcoming the growing social and economic impasses, inspiring and instilling a vivifying meaning, as well as a creative impetus for the citizens.

## **The meaning of social networks and social capital**

Social networks are complex (emergent and self-organised) systems of communication, interaction, and coemergence/coevolution of human behaviours, cultural practices, and societal values and attitudes (Christakis & Fowler, 2009). They may take infinite forms and acquire various properties, depending on the communication structure through which messages/information between actors, individual or collective, are channeled.

The term *social capital* widely refers to a pool of available symbolic resources that can significantly facilitate cooperation, coordination, and the bottom-up modernisation of a society. Social capital emerges from the synergetic coexistence of informal and dense social networks with general interpersonal trust, solidarity, tolerance, associational activism, and democratic forms of social participation (see Bourdieu, 1984; Coleman, 1990; Putnam, 2000).

Empirical studies (Feldman & Assaf, 1999) on the rapidly growing economies of East Asia, as well as on the slackening economic growth of Latin American countries, traditionally characterised by negative phenomena, such as statism and weak civil society, acutely demonstrate the developmental value of social capital. In particular, social capital's crucial importance on the development process may be regarded as comparable to or may possibly exceed the utilisation of natural resources or the quality of the workforce.

It is often assumed that an economic crisis potentially leads to a partial loss of social capital, because of the attenuation of social cohesion and the subsequent disengagement from the community and collective activities. However, the crisis itself is (inherently) unpredictable. In other words, it may evolve conversely, advancing the growth of social capital through the development of the fundamental notion of "community" and the activation of new rules and ways of collective behaviour and social economic activity.

In this context, volunteering emerges as the essential integral factor of social capital and as a valuable institutional activity for the growth of social economy, on the field of non-profit organizations (NPOs) and corporate social responsibility. Consequently, social trust and reciprocity are being seriously empowered, along with the modern vision of a strong civil society as an autonomous public realm, distinct from both the state and the free market, which mainly relies on the independent functioning and self-driven civic initiatives of social actors.

Encouraging signs and dynamics of such social activity are nowadays apparent, particularly, in the form of generating informal collectives, or formally structured solidarity, and social economy groups. These movements could potentially contribute to the course of economic growth, through the emergence of a self-organised and self-sustained cycle of social capital (Paraskevopoulos, 2001). This cycle can be schematically described as follows:

Interactions between social actors (at the micro and macro level, of individuals and organizations) ► Growth of social capital (internalisation of collective rules and development of social and institutional trust) ► Formulation of preferences, identity construction and decision-making by the actors ► Emergence of collective action (e.g., networks and initiatives of solidarity, forms of social economy, involvement in charities and voluntary organizations) ► Formulation of a strong civil society ► Construction of new standards and new institutions ► Institutional performance that shapes effects in public policy (public goods) ► Satisfaction of the actors (civil welfare and quality of life).

### **Defining social variables for growth**

Eventually, in times of acute crisis, the effective management of the variables of social capital and civil society should be a primary goal of a national growth strategy. The main objective of this management is the institutional support of the social economy, in order to

substantially contribute to the formation of a balanced relationship of reciprocity and cooperation between citizens, the state and the free market economy. More specifically:

1. The reserve of social capital should be expanded in order to facilitate effective collective action among all actors, as well as to strengthen civil society.
2. The strengthening of civil society, in turn, will considerably affect the level of institutional performance and the effects of public policy and social welfare.

### **Policy recommendations for the social economy**

Meeting the aforementioned objectives is a task that requires a complete restructuring of the traditional (party-centered) type of social network, consisted of only a few super-nodes, that is, powerful social actors, such as the mainstream political parties. Those actors had accumulated and systematically controlled the flow of information and social energy. Around them was formed a coterie of isolated groups of civil servants, trade unions, politicians and private actors who consistently undermined the common good and the public interest.

In place of the old network, an anti-hierarchical network of "parity" is called upon to flourish; one relying on a heterogeneous, non-linear architecture of social pluralism, diversity and interdependence. The numerous individual localities of this new network can favour healthy conditions of social interaction, which are indispensable for the restructuring and the meaningful augmentation of social adaptability and dynamics. The possibility of social change through time can then be realised and, along with the formation of the expedient reserves of social capital, the super-nodal activities could be effectively replaced.

Therefore, in this new economic paradigm of growth, social capital and the innovation of social economy are put in focus as key pillars along with commonly accepted norms, values and normative standards. The role of social networks and civil society, with their fundamental principles of solidarity, synergy and trust, is of utmost importance. The strengthening of social economy through the empowered social capital and civil society can be facilitated through a series of proper actions and policies. More specifically, the role of civil society can be institutionally reinforced via mechanisms of participation in the following areas:

- Promotion and complete implementation of transparency rules to all functions of the state and the private sector, as well as direct and efficient suppression of corruption.
- Monitoring and proper implementation of environmental law and related directives.
- Dissemination of new ideas and propagation of knowledge, by promoting open-source software and free access and use of digital platforms, based on the internet and the social media, for participatory decision-making at the local/regional level, in cooperation with local authorities, academic and research agencies, and local chambers.
- Growth, institutionalization and facilitation of funding of social entrepreneurship<sup>1</sup> through social enterprises primarily engaged in dynamic and outward-oriented sectors of the economy, but which can also satisfy the basic needs of local communities. Such social activities may involve food banks and agricultural

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<sup>1</sup> Social entrepreneurship can be generally defined as the process of pursuing innovative solutions to social problems (see Dees, 1998). Social entrepreneurs therefore "draw upon appropriate thinking in both the business and nonprofit worlds and operate in a variety of organizations: large and small; new and old; religious and secular; nonprofit, for-profit, and hybrid" ([http://en.wikipedia.org/wiki/Social\\_entrepreneurship](http://en.wikipedia.org/wiki/Social_entrepreneurship), accessed 14 May 2014)

equipment banks, for the development, distribution and export of local quality products; education and training programs tailored to local needs; and services of social assistance, tourism and environmental management, recycling and reuse of materials, energy and local transport.

The structures of social entrepreneurship can gradually shape some kind of socially and ecologically sensitive consumer awareness, and enrich social interaction/networking, thus enhancing social dynamics, opportunities for civic synergy, and innovation. Concurrently, such products and services are provided at relatively low prices and can substantially contribute to the partial substitution of comparable imported products and services (WWF, 2013). Finally, the importance of ensuring the operation of all types of social enterprises, and especially of the NPOs, in a fully operational and financial transparency mode with accountability to the state and the local community, must be highly emphasized.

### **Concluding Remarks**

Within the context of current economic crisis, a well-structured and enhanced social capital can decisively contribute to the formation of an appropriate institutional and societal environment for the market, entrepreneurship and employment. In such a healthy environment, the self-organised public sphere, comprised of active citizens, non-governmental agencies and voluntary organizations could fruitfully attract and drastically facilitate the influx of financial capital and the efficient utilisation of resources.

This favourable environment could arguably be facilitated by (a) generating an open digital framework for the continuous improvement of consultation techniques (creatively exploiting the internet and the New Media, in general) and (b) promoting radically new (bottom-up) governance structures, which will enable diversified forms of social participation in an equitable, collaborative and creative relationship between the state and its citizens, the government and the governed.

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