

## THE SOCIAL CAPITAL AS BASIS FOR DEVELOPMENT OF THE HUMAN CAPITAL

Mladen Dimitrov TONEV<sup>1</sup>, Jordanka Angelova STOJANOVA<sup>2</sup>

<sup>1</sup> Faculty of International Economy and Administration, Varna Free University, Bulgaria  
[mladen\\_tonev@abv.bg](mailto:mladen_tonev@abv.bg)

<sup>2</sup> Varna Free University, Bulgaria  
[yoan123@abv.bg](mailto:yoan123@abv.bg)

***Abstract:** The strong side of the “theory about the human capital” is that it redefines the labour of hired workers in the developed countries. The workers become capitalists in the sense that they acquire a lot of knowledge and skills which have an economic preciousness. As an outcome from the “capitalisation” of acquired knowledge and skills, one will not meet on the labour market “hired workers and capitalist undertakers, but two autonomous groups of “capitalists”, each of them realising an undertaking behaviour in the market relations. We are witnesses of crash in ideas and paradigms about the world, the world’s development, and the tendencies which determine this development. Is there a relation between the economic growth and social development today? Do the three generators of development work – the technologies, institutions and values? Where is the place of people in the process as individuals, as groups, as teams, as society in general? Here are some questions we will be looking an answer for, in our study.*

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**JEL Classification Codes:** A12, D83, J24, P16, Z13.

### INTRODUCTION

The basic idea we are using as authors is that the term “capital” is to be implied broader and more thoroughly. The knowledge gathered about essence and functions of capital allow us to define a generalizing category such as “**integral capital**”. It in turn has a complex structure including a number of capital components, as well as the interactions, interdependences and reciprocities between them. In references the following capital components have already been specified for sure: “*physical capital*”, “*human capital*”, “*social capital*”, “*information capital*”.

The main reason which most often prevents the reaching of an optimal /uttermost/ condition of a particular national economy is namely the *hesitant, marketeering type* of development and manifestation of the elements of **integral capital**. It concerns the three main types of capital within the overall structure of national integral capital – *physical, human and social capital*. Their combination in terms of time and place is dynamic and changeable. The differences in terms of range, depth and abrupt changes of fluctuations in the accumulation and development of each of the capital components preconditions *contingent periods of*

*accumulation of the ascending sections of the oscillatory curves*, which can create conditions for economic prosperity and welfare.

The reaching of sustainability and permanence of growth and economic development is a *short-term phenomenon* and holding it in the long term requires an exceptionally **active, adaptive economic policy**. It presupposes good knowledge of the “cycle” of any of the capital components and adequate “anti-cyclic” policy for suppressing the negative effects from the “descending” phases of the oscillations in the manifestation and the scope of capital substructures – physical, human and social capital.

If we assume that the length of the cycle of “physical capital” is determined by the “life cycle of technologies”, it shall have life expectancy of about 40 years. This is the statistically proven life expectancy of a technology.

Cyclicity of “human capital” is determined by a complex of factors and among them the leading ones are “average life expectancy” and “demographic growth”, educational infrastructure and the cognitive capacity of individuals. At an average life expectancy of about 80 years we can assume that the range of the cycle of “human capital” is nearly two times bigger than the one of “physical capital”.

Of course, the considered cyclic manifestations are mainly hypothetical. It is not rare that investments in “human capital” turn out to be irretrievable. Mass epidemics, political cataclysms (wars, hostilities, revolutions, etc.) become the reason for the perishing of thousands and even millions of people. With their death a considerable amount of “human capital” which has been accumulated in a preceding historical period is lost.

With “human capital” a tendency towards shortening the period of efficient use is observed. There are even theories which explain that human capital is productive only up to a certain, almost youthful age (30-35 years of age) and after that it turns into non-productive. At the same time the period for preliminary preparation (accumulation) of “human capital” grows. In terms of time, the time for training grows at the expense of diminishing the time during which the individual applies his/her knowledge. What is more, today it is not possible with only one education in youthful age to maintain “human capital” in productive and creative capacity (condition) until the time of loss of labour capacity because of old age.

From time to time it is necessary the individuals to leave the business sector or the non-profit sector in order to supplement their studies or to re-qualify, in order to return to the working environment and after that, in particular periods of time, this minicycle “education – work” is repeated again. The reason for this “intermittent” cyclicity of development of “human capital” is the quick moral aging of knowledge, as well as the quick amortization of social needs from one or another type of benefits, services or experiences.

## 1. GENERAL CONCEPT OF SOCIAL CAPITAL

The term “social capital”<sup>1</sup> was used first by Linda Judson Hannifan when describing the educational centers in the village municipalities in 1916. It was in the 1970s that the term was first used by an economist. That was the economist Glen Laurie, who described with this concept the “absence of small businesses among the black people”.

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<sup>1</sup> Actually, Biome-Baverk used the term “social capital” much earlier than the second half of the 19<sup>th</sup> century, but with another conceptual content. The distinguished representative of the Austrian subjectivist economic school considers “social capital” as “means of production”, which in their capacity of “intermediate products” have their place between labour and nature and lead to a new quality of production method defined by Baverk as a capitalist method. (See Demostenov, S.S. Theoretical Political Economy. – part II. – Sofia: “St. Kliment Ohridski”, 1991, p. 452.

The greatest merit for the wide use of the term “social capital” in the period after the 1980s goes to the sociologist James Coleman and the political scientist Robert Putnam.

Robert Putnam defined “social capital”<sup>2</sup> as “characteristics of the social organization such as trust, norms and structures, which can improve the efficiency of society by facilitating the coordinated efforts”. ( Putnam, R., 1993)

Francis Fukuyama, in his turn, defines “social capital” as a “capacity arising when trust prevails in society or in part of it. It could be epitomized in the smallest social group, the family, as well as in the largest of the groups – the nation and all the other groups in between.” (Fukuyama, F., 1997)

“Social capital”, Fukuyama writes, “*produces wealth and therefore has economic value* (our italic – MT; JA) for the national economy. Besides, it is a prerequisite for all forms of group activity in contemporary society, from managing the local drugstore to lobbying in the Congress to raising children.”(Fukuyama, F., 2001)

In the “Age of Access”, Jeremy Riffkin provides arguments for the thesis that “social capital” is created in the cultural sphere and that each infringement on culture is infringement on the natural environment of business development, characterized by trust, mutual help, support, sustainable interpersonal relations and sense of belonging to a particular social entity or group: “People establish communities, they elaborate complex codes of social behaviour, they reproduce common meanings and values and develop social trust in the form of social capital” (Riffkin, J., 2001), as Riffkin explicates.

Social capital together with physical and human capital forms the overall, integral capital of a society. Therefore, social capital is a basic structural element within an integral capital structure.

Unlike “physical capital”, which could be object of individual, group or public property, “human capital” may be individual property only. “Social capital” could not be subjected to such type of relations and institutionalizing as “one’s own property” of an individual, group or society. It is usually assumed that it has national projections, yet it is perhaps more reasonable to acknowledge the “culture-based projections” of the phenomenon “social capital”.

## 2. CONTENT AND SCOPE OF SOCIAL CAPITAL.

Social capital is a complex integral category. It includes various types of ingredients in its scope and content. There are both quantitative and qualitative components comprised therein. The majority of them are subsystems. That would prompt us that we may apply for part of the ingredients also the system approach in the analysis of the social capital. The scope of the social capital comprises:

- the level of trust between the economic agents themselves and between them and the institutions;
- the institutional establishment of a national and regional-integrated economy;

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<sup>2</sup> In Prof. S.S. Demostenov’s view, “social capital” is comprised in the “intermediate products” which are created as a result of the direct production (the combination of labour and land). These “intermediate products” are means of production. They are intermediate according to Prof. Demostenov, since they stand between man and nature. This thesis was taken from Biome-Baverk’s book “Capital and Capital Income”. Baverk calls the “intermediate products” (the means of production) “social capital” from the “viewpoint of the social entity, or in other words, from the viewpoint of the whole human race.” That is a surmise on the largely “global dimensions and manifestations” of the “social capital”, although Baverk substitutes it, or at least mingles it with physical capital (See Demostenov, S.S. Theoretical Political Economy. – part I. – Sofia: “St. Kliment Ohridski”, 1991, p. 299.)

- the level of the achieved law and order and on a national scale;
- the abilities of the representatives of a particular nation to form associations for the attainment of various pragmatic goals;
- the development of collectivism and mutual support between the people of a particular nation or integrating community.

The nature and forms of manifestation of “social capital” have their relation and direct connection to the nature and content of contemporary money. Investment in social capital, at the same time, is largely related to expenditure of money. For example, establishing various institutions maintaining law, order and security, incentives for the economic activity of the households and the individuals, etc.

As it was made obvious from the abovementioned ingredients of social capital, part of them can be measured in quantitative terms. For example, the level of trust in society or the relative share of voluntary labour within the total value of labour in a particular economy. Some other elements of social capital such as the system of positive values or the role of traditions and common law are difficult to be evaluated in quantitative terms. That means that we cannot construct a precise and adequate mathematical apparatus to evaluate social capital. With physical capital we can rely on the accounting valuation of assets. When measuring the value of human capital, we can use for the evaluation the value of the financial investment in human capital. For greater level of precision, we can add the amount evaluation of investment in time through the value of the alternative applications of the time factor.

The social capital depends on an enormous complex of factors and above all on the factor of “*time*”. **Social capital consists (also) to a great extent of traditions, morals, beliefs, customs, habits, from the formed, as a result from the hundreds of years old, and not rarely, of thousands of years old folk psychology, with its idiosyncratic stereotypes, shaped personal qualities, values, moral, ethics and aesthetic perceptions.**

### **3. THE LEVEL OF TRUST IN SOCIETY AS A BENCHMARK FOR SOCIAL CAPITAL**

R. Coase’s research proves that an efficient market exchange would require precise definition of the property rights over the objects of this exchange. There should be clear relations between the respective subjects and objects of property. A market functions on the basis of the transactions (contracts) between the economic agents. It is understood that by force of the concluded contract the seller shall provide the goods or services agreed in the contract, while the buyer shall pay for them the stipulated price as an amount in cash or in kind (other goods or services). The contracts between the economic subjects can be laid down in writing, or they may be stipulated verbally or be taken for granted as a tacit agreement for a transaction by following the purchase and sale’s rules and procedures. For example, visitors in a restaurant, bar, or any other place of entertainment, do not conclude preliminary contract for the transaction. Taking their seats in the restaurant, the visitors-customers make the tacit agreement that they shall pay their bill for what they will consume.

In reality, the sales and purchases contracts differ largely from the “ideal contract”. Actually, there is no such thing as a perfect contract in real life. There are faults that could be found even in the most precisely detailed contract. Contracts concern the future, and one cannot foresee everything in it. People’s honest behavior is what turns the imperfect contracts into working mechanisms. If we want to rely on such an honest behavior on the part of the

market contractors that we come across within the market interaction there should be trust<sup>3</sup>. It is of foremost importance for the reduction of the market transaction allowances. The lack of trust calls for insurance and reinsurance, it requires making research about the partners, calls for making references for past periods of the activity of the partnering business agents. This involves additional costs, waste of time, which is valuable resource. This also calls for expense of “human capital”, and quite often of “physical capital” (currently, mostly employment of technical network resource).

In another definition of his, F. Fukuyama defines “social capital” as a “set of informal values or norms shared by the members of a particular group<sup>4</sup> enabling the cooperation between them. If the members of a group become assured that the others will act decently and honestly, there will be trust arising between them.

An interesting perspective in the view on the nature and content of the concept of trust is offered by Giddens and Pierson. “Trust”, according to the abovementioned authors, “is initially generated by those contexts, which generate risk as well – business relations ... Trust has another aspect, which is more closely oriented towards the future, no matter who you put your trust upon or what is entrusted. In order to be efficient, trust should be mutual, since it provides security in the face of future fortuitous events.” (Giddens, A. and Pierson, C., 1998).

The quotation cited outlines several main points of major importance:

First: trust is a concept, which evolves historically. If, in Antiquity, it had religious grounds and sources, nowadays, it is the expression of the desire to minimize risk and insecurity of a business initiative.

Second: trust contains, first of all, the reflection of future in terms of expectations, attitudes, and psychological aptitude, yet it has its grounds in past events.

Third: in a psychological aspect, trust is an expression of suppressed anxiety, yet it requires substantial “psychological allowances”, when it has to be proclaimed and demonstrated.

Fourth: trust does not go only one way as a communication result. It suggests mutuality and reciprocity. It cannot be based on blind faith, particularly in the long run.

Fifth: trust is something that people need in psychological aspect. It is an element of the “basic security of a person”.

According to the opinion of another group of writers: Reiser, Rousso and Stein, “the level of trust can be measured in different ways. For example, through the amount of the

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<sup>3</sup> Trust has various projections and manifestations. By and large, we could differentiate “social trust”. It is exemplified by acknowledging, recognizing, respecting and relying on the social structures and institutions, and in the first place of the state and its institutional bodies – the court, the procurator’s office, the army, the police, etc. For example, in 1958 in the USA, 73 percent of the inquired Americans expressed their assurance in the appropriateness of the actions of the federal government in “most cases” and “nearly always”, while in 1994 this assurance dropped to 15 % of the total number of the interviewed. Another type of trust is “individual trust” - issuing from the relations of cooperation between the individual citizens. Within an economic context it is important to have “trust in the business environment” in a country or a regional integrating community. This is a kind of “combined” social and individual trust. It is actually required as a “capital substratum” and “by-product of the social norms” that is to be manifested both on a microeconomic level (between households and businesses as the main participants on the market) and on macroeconomic level (between consumers, manufacturers, exporters, importers, creditors and the state).

<sup>4</sup> “Sharing values and norms does not generate social capital on its own, since those values could be wrong. Let us have a look at South Italy, for example, a part of the world, which is almost entirely characterized by a lack of social capital and mutual trust, although there are strong social norms existing there.... Mafia is characterized by an extremely strict code of behaviour, the so-called *omerta*, and the individual Mafiosi are often called “*men of honour*”. These norms, however, are not applied outside the close circle of the Mafia.”, (See. Fukuyama, F. The Great Divide..., p. 36)

deposit paid in advance with a transaction. It is quite curious that the respective indicator coincides for countries such as Belarus, Ukraine and Russia, about 40%, while, at the same time, in Hungary, the Czech Republic and Poland, it is for example – 10 %. (Reiser M., Rousso, A., Stein, F., 2003)

There is one possible option for quantitative estimation of social capital, namely through the deposit, which should guarantee the future business relations.

#### 4. PROBLEM IN DEFINING THE CATEGORY OF “HUMAN CAPITAL”

The serious problem in defining the category of “human capital” ensues from the widely spread idea of “substituting” the concept of “qualified work force” with the term “human capital” (Shtetin, V. P., 1999). It is considered that “a number of essential features and actions, related to human aptitude to labour and its contemporary highly developed state, are assigned to the category of human capital” (Shtetin, V. P., 1999).

The truth is that the category of “human capital” is *eternal, beyond historical* and has a much more *complex contents* than the one assigned to it in the elementary Marxist formulations. “As a phenomenon human capital originated long before scientific knowledge made statements about it ... As early as the dawn of human civilization, the first accumulated and reproduced experience is already a sign of capital characteristic, which is typical for man. It is typical for people to accumulate and transfer experience and knowledge, as well as the accumulation of this process over time. At the same time they are the symbols of prosperity of human civilization” (Kazakov, A., 2003). Obviously, the category “human capital” is not solely and exclusively connected to the “market type of organization”. What is more, it is the main category in a forthcoming future “era of access”, which surpasses the simple market exchange of alienated and appropriated wealth and takes humanity to the heights of “access to wealth”, without change of ownership and the high transaction costs attributable to it. Human capital is far from being just a metaphor. Its availability and absence within a national economy is easily *perceptible*. All leading countries in the world are strong precisely because of their significant resources in “human capital” in the form of educated individuals, powerful company teams of competent specialists, experts and leaders. As R. Gilpin notes “a region advanced in the accumulation of knowledge often expands its production leadership” (Gilpin, R., 2003). In this case we can state that K. Marx is right in his observation that at a certain stage of the development of mankind “knowledge transforms into a force of production”. Today *the owners of this “force of production are not the industrial and financial tycoons, but the millions of intellectual workers, employed experts and consultants, working in the leading business sectors of the contemporary global economy.*

The most essential feature of “human capital” are not the work habits and the production skills, but the ***knowledge, competencies, attitudes and the ability to take professional and business challenges, lifelong learning and investing continuously in the professional and personal improvement.***

In relation to today’s necessity to “manage the streams of knowledge” Nordstrom and Ridderstrale note that “a great part of the knowledge, which is necessary for the management of companies, is stored in the separate individuals. This means that leadership is already transforming above all into an ability to attract and keep “grand” people, the people with the necessary qualities. This refers to management of the stream of attention and care” (Nordstrom, K., Ridderstrale, J., 2003). Here we refer to the attention and care on behalf of the employers (private business, the state, non-governmental non-profit organizations, etc.) to the holders of “human capital”.

In this case we have to take into consideration this fact and to consider “human capital” on a broader basis and to include in it “the capital of knowledge”, and why not “the entrepreneurial skills, proficiency and attitudes”, too. There are also grounds for this in the econometric research, which has gained reputation in the field of the theory of “human capital”, *“which is concentrated on measuring the profitability of the different investments in education”* (Franz, W., 1996)

In conclusion we can generalize about human capital:

**First.** Human capital is a phenomenon which is the fruit, the result of the combined influence of a huge complex of systems. Among them the greatest and the most decisive significance have those which mediate and precondition the preservation and development the genotypical and phenotypical determinants of human capital. As such can be defined the following systems:

- education;
- health care;
- social security;
- legal;
- financial;
- requalification, etc.

**Second.** Human capital is strongly dependent on natural law and the traditions in a given national – production system. This refers at least to such practices as transferring heritage between the generations, supervision, practical training on the working place, etc. In this sense we can say that human capital to a great extent is the result not only of the newly originating knowledge. It is above all the result of cultural and value-based transfers between the different historical periods.

**Third.** Human capital, which in the past used to be the product of the classic educational system which included primary, secondary and higher education, today is to a greater extent the result of in-company and in-institutional training. This is a very seriously employed practice in the global – operating corporate structures. In the developed Western countries the so-called “company universities” are more and more common and they as if replace the classic academic institutions. The latter are limiting their activity and prepare personnel mainly for the central and the local administration and for governmental structures – education, health care, ecology, etc.

**Fourth.** Human capital is definitely not “work force”. In the contemporary conditions it is rather a “mental, “intellectual” and above all “creative” (building and constructive) force. At the same time it is owned as a monopoly by a limited number of individuals, but not more than one fifth of mankind. Being a relatively “insufficient” capital benefit, human capital is attracted and absorbed by the economically developed and leading countries such as the USA, Great Britain, Germany, etc.

## **5. SPECIFIC CHARACTER OF THE INTERACTION BETWEEN PHYSICAL, HUMAN AND SOCIAL CAPITAL**

To a considerable degree investments in social capital **derive from** the ones in human capital and especially from the investments of non-financial type.

The “quality human” as A. Pechey characterizes the role of the human factor, is the leading determining factor in world development. On the quality of human “material” there depends mostly the strength, ability to function and the positive and constructive role of the social capital functioning through it and for it.

The deficit in social capital influences directly the dynamics of social growth and thus it influences the development of each and every society. No matter social capital isn't destroyed easily and is kept even in most difficult conditions even on much narrower scale – family, clan, and ethnos; along the line of feedback its erosion leads to erosion of human capital and from there to erosion of physical capital as well. Therefore, every macro-economic policy aimed at reaching high and sustainable economic growth presupposes respective efforts, costs and investments, as well as innovations in the form and ways of generating social capital. The latter provides to a considerable degree the macro- and mega-environment for developing the remaining components of capital structure. Social capital has influence also on natural characteristic features which people have in a specific geographical area. They were defined above as “natural capital”. Usually the deficit in social capital leads to abuse and waste of “natural capital”. On the contrary, where social capital is developed enough its numerous forms of manifestation, mainly as associations between people and as charity and volunteer work, help for keeping, re-cultivating and improving nature and natural characteristics.

The general conclusion of the whole analysis is that in order to generate social capital, in order to maintain the necessary compliance and harmony between structural components of integral capital – physical, human, social, information and natural capital – investments in all forms are necessary both as financial costs for a certain type of activities and as intellectual, cognitive, educational, controlling, monitoring and other efforts, also as using the time resource which often turns out to be most scarce having in mind the comparative shortness of human life.

The modern level of development of global media presupposes new levels of manifestation of social capital. In respect to media, information and communication networks social capital already manifests itself not only on national and regional level, but even on global, universal level. As Prof. A. Nedyalkova points out in her paper “Media globalization is a power which makes its way in all spheres of life and influences their development... Uniting in huge media and communication complexes is actually concentrating activities and capitals, actual appearance of enormous industrial-and-financial corporations which include also means of communication and media influence... Global media in turn are trying to subject to their will the state system and political power. As a long-lasting result this influence forms behaviour of producers and users, it influences the economic activity of an individual” (Nedyalkova, A., 2004) The logical consequence from such influence is the influence on the social activity of the individual as well and generally on the social behavior of individuals.

The globalization itself also generates social capital through the transfer of trust /for ex. trust in big and world famous brands/ or through the transfer of control and monitoring where there are high levels of corruption and this prevents foreign investments as well as national and regional development. As it is pointed out in the paper of F. Kunev, K. Tenekedzhiev and D. Toneva: “Globalization is a new source of social capital by providing intensive exchange of ideas and culture without boundaries. This is the subject matter of mimetic – science which describes spreading and sustainability of ideas in analogy with genes.” (G. Kunev, K. Tenekedzhiev, D. Toneva, 2001)

In modern globalizing economics, a tendency of dematerialization of the welfare goods and means of production is present. We become witnesses of a transformation of the investment activity from the field of the “physical capital” to the field of the “human capital”.

While in the “physical” and “human” capital direct investments can be made under the form of money, time and efforts, the investments in “social capital” do not have direct money expression. The social capital components are more result of “accumulation” of status, values, and possibilities, potential. In this sense, for the social capital necessary is an investment of



“time” and may be “efforts” for the formation of a status-quo of the economic relations and interactions, supported by some level institutionalization of the groups, nets, processes, and interactions formed. Typical in this respect are the post services with their spread networks and formed relations among customers, partners and post offices as institutions. Parallel similar formations maintain the railway, air- and intercity transport companies and often the forwarding companies in the system of linear shipping.

The institutionalization of some “welfare good” as a component of the “social capital”, for example, the post office services, creates an algorithm in which the other composite substructures – The “physical” and “human” capital are integrated. In such case, we can look at the institutionalization as a process of localization of the capital integration of the three components – the human, physical and social capital.

Much more important for social capital is its qualitative nature. The number of the organizations and institutions in a society can be largely indicative for some aspects of social capital, yet, by far, they cannot characterize it in its entire variety and complexity.

In addition to the whole complexity of explanations about the essence, character and role of the human capital, one more important precision should be made. Side by side with the increasing role of the processes for improvement of the educational level of the population in some countries and regions, side by side with the increasing importance for the growth of the production experience, the qualification and prequalification of specialist of specialists, employees and experts, parallel with the formation of undertaker’s skills and managerial abilities, for a great number of people, a very important role for economic and social development have certain individuals who are bearers of “human capital” of specific quality. Of course, the role of such individuals is helped by the specific social-historical conditions, by their ability to show their skills and give a social manifestation of the efficiency of their individual “human capital”.

Gary Becker, the man who gained the scientific recognition of the category “human capital” says: “I believe that people take rational decisions and try to foresee the outcomes of these decisions. They are influenced by the stimuli. With the help of markets, rationality and stimuli, a clarification in problems such as racism, education and family can be made.” (Becker, G. S., 1967)

The pro-market theories would have remained in the lobbies of the Chicago and Harvard universities and the hotels of the Swiss resort Mon Pelerin, had it not been for persons and politicians like Keats Joseph and Margaret Thatcher, like Messahisa Nanto – director of the Bureau of Industrial policy to the Japanese Ministry of International Trade and Industry, like the Stanford University graduate Kim Je Ik – an architect and supporter of the economic liberalization of South Korea, like Singapore leaders Li Kuan Yu and doctor Go Ken Sui and their economic advisor – the Dutch Albert Vincemius and many other leaders and intellectuals from North America, Europe, Asia and Latin America.

A conclusion has to be made that the raising of the educational, cultural, technical and technological level of nation and a region is necessary but still insufficient condition for the realization and efficiency of the human capital. The additional circumstance for manifestation of the investments and the accumulations in “human capital” and the economic success and prosperity following its effective use and business combining, for the development and welfare of society, is the availability of leaders, intellectuals who are able to perceive and give meaning to the positive economic theories. The word is about theories that give priority to the market, to its regulative, renovating, allocate and motivating role. These people, leaders must be able to withstand the implementation of a market economic policy against the strong resistance of the entire complex of local group interests – of national and regional producers,

importers and exporters, syndicates, religious and cultural organizations, etc. The thing they do, the thing with which they contribute for the economic development and prosperity is their ability to change the “social capital” by using the features of their own individual “human capital”. They manage to point out the mistakes of the economic policy during the period preceding their initiatives. More than this, they manage to offer programs, packages of measures for quick reactions in emergency situations. Most of all they manage to return the trust of people in market, to recover the confidence in national currency, to put order and law that are necessary for the contractual beginning of the market relations and interactions.

In places where politicians, economists, intellectuals have succeeded in eliminating the obstacles in front of the free market development (no matter the political system - dictatorship, regime, autocracy or democracy – M.T and J.A) high rates of economic growth are observed and subsequently – economic and society development and prosperity. This refers even to “communist China”: the reforms of Dun Xiaoping turned China from a poor and backward country in the 60’s and 70’s of XX c into the second economy in the world in the beginning of XXI c and the only economy with a potential to supersede USA economy in the future.

The interaction between the “physical” and “human” capital is mainly on microeconomic level while the interaction of the “human” and “social” capital is on all levels – micro-, macro-, mezo-, and mega economic. Furthermore, here we are not discussing simply a mechanical interaction. The “human” capital cannot manifest itself out of the context of the “social” capital. The type, size, the cultural forms of the “social capital” determine the efficiency of the “physical” and “human” capital combinations.

#### **SOME MUTUAL CONCLUSIONS:**

**First:** Modern physical capital requires more intellectual creative labor that has to “move” the intellectualized contemporary technologic, production and logistic systems. This circumstance presupposes development of the other capital component – the human capital – in adequate size and proportion. Some “proportionality” and “synchronization” in the development of the capital components is necessary accordingly. It is result of the relationship and interdependence of the various components of the integral capital.

**Second:** The link between the physical and human capital is predominantly on microeconomic level as a functional interaction between the material and immaterial production factors and the human factor. On all other levels the interaction between the physical and human capital realizes itself as a managerial influence of the human capital over various volumes and configurations of physical, human and social capital.

**Third:** The link between the physical and social capital is made by the operative active action and fictionalization of the human capital. In modern times, this action presupposes inclusion of the information capital into the integral capital structure as well. If the human capital makes the physical capital “alive”, the social capital itself, would be, in a way, the macroeconomic and macro-political environment allowing effective investment and use of physical capital. Without an adequate social capital as a “quality” and “content”, the owners of physical capital would not be able to realize themselves as “effective owners”. In other words, they would not have been able to receive an economic advantage in the proper quantity and way from the investments made by them in physical capital.

**Fourth:** One of the books of F. Fukuiama – “Trust: Social Values and Creation of Wealth” is based on the idea that “It is more likely that the successful market economy is not

a consequence of steady democracy but from the preceding factor of the social capital” (Fukuyama, F.,1997)

In modern economy, the role of the social capital becomes more decisive. It turns into a sort of value because the human capital which is in direct relation and interaction with the social structures by creating and developing them, today, more than ever has the freedom and responsibility to choose. The choice of today’s “human” capital owners (speaking about the choice of where to invest this “capital”) is based on the better alternative only regardless of its geographical location, form and scales.

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