

THE METAMORPHOSES OF CAPITAL AND HUMAN DEVELOPMENT

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Abstract: *The paper is an attempt to clarify the importance of the human, the cultural and the social capital and their metamorphoses in result of their mutual complementarity and conversiveness. By becoming major factors of life reproduction in general, they also act as essential organizing principles of the functional and structural model of social self-organisation and performance and human development.*

Key words: *human, cultural, and social capital; metamorphoses of capital; human development.*

JEL: B, Y.

Introduction

Due to the dissatisfaction with the environment we exist in and the effort to do better, people seek to be educated, to absorb culture, to exchange experience, to create and to be active citizens. People thus become involved in a continuous two-way process of internalizing and subjectifying their living environment, on the one hand, and of externalizing and objectifying their personal qualities through the subject matter of their existence, on the other hand.¹

That duality is the driving force of human history, which, in essence, is a history of human development. Human development is biologically and genetically encoded in individuals through their conscience and will to cultivate their personal qualities, yet it is also subject to the conditions of the environment people live in. The driving force is the attempt to satisfy their needs which are illustrated by Maslow's hierarchy of human needs where they are depicted as hierarchical levels within a pyramid, the physiological (or basic) needs being at the bottom of the pyramid; the psychological ones (the need of safety and esteem) being at the middle of the pyramid and the needs related to self-fulfillment being at the top. Human development, then, is the synergic effect of the interaction of multiple forces which ensure the reproduction of life in general.

¹ Kierkegaard claimed that human existence and self-fulfillment are marked by the continuous transformation of the intrinsic innate human qualities into external subject matter. That, however, is the 'unreal existence of people'. In contrast, the environment people live in determines their ability to observe and contemplate, to explore their deep inner selves as unique individuals, which is the materialisation of true existence.

Within this social kaleidoscope, people constantly need to make choices so that they could meet various needs and demands which are rendered essential or irrelevant by different circumstances in life. Hence, people need to raise their self-awareness; to engage in relationships with other people and to create a suitable environment in which they can develop their personal potential so as to achieve their self-fulfillment to their own as well as to public benefit. When the ultimate goal of that development are not the individuals themselves in their social environment, but wealth as a means of power or power as a means of ensuring wealth, people lose their true focus and become instruments in the pursuit of wealth and power.

The '**homeostasis of the individual**' is an essential condition for people's existence and development. The '**homeostasis of society**' as a system through which and in which human existence and development take place is then a sufficient condition. Therefore, the self-fulfillment and the development of individuals as personalities is only possible within the limits of and according to their personal qualities and the systematic and structural attributes of the society they live in. **Both are essential features of the functional-structural model of the self-organisation, performance and development of society. They largely determine the possibility for development and self-fulfillment of individuals.**

Clearly, it is not the aim of this paper to review all aspects of social or human development. Instead, we focus on the metamorphoses of capital as materialised aspects of that development. The classical interpretation of the metamorphoses of capital does not go beyond the economic framework. Yet, economic development is not a creative process only. Similar to any other development, combined with other social forces it gradually erodes the foundations of current social models and thus leads to the establishment of new social models. In the modern period, the reproduction of human life is an element of the reproduction of the physical capital to ensure the control of men on natural forces. That was a historical necessity, yet not an absolute, but a temporary one.

Nowadays, people's social life is increasingly within the focus of attention, especially in terms of its environmental, technological, and economic aspects and gradually becomes a fundamental principle of the performance of societies and the development of the human species. Hence, **the importance of the human, the cultural and the social capital as three aspects of the reproduction of social life in general and as the subject matter of human development.** This process is aided by the metamorphoses of capital in terms of its complementarity and conversiveness, i.e. the different forms of capital have the ability to complement one another and convert into one another. This paper deals with that natural process.

From a Natural and Techno-Economic Way of Living to Social Integrity

An environmentally-friendly lifestyle was an organizing principle of human existence in ancient times as it was an essential condition for the survival of people. The laws of nature came before any moral conventions or jurisdiction. It is within that

framework that the supremacy of the state and civil order were approached as a necessity. Human activity was limited to making the most of natural resources to meet the needs of the human being. Land was a precious resource – people fought wars over land and migrated in search of land.

Yet, even as far back as that 'natural world', as Fr. Braudel called it, people were aware of the need to develop intellectually and morally. Socrates and Protagoras formulated the imperatives 'Know thyself' and 'Man is the measure of all things'.

Confucius defined the three principles of his concept of ethics: the accumulation of knowledge; the humaneness of social relationships; the development of a ritual spirit (a culture of symbols). Religion, too, was approached as an example of the need to cultivate people and their social behavior to ensure social harmony.

Social development seems to encode the dialectical 'trick' of giving birth to necessary changes, which, however become deeply rooted patterns in the course of time, then go through a process of transformation and later pose a challenge to the environment which produced them. The industrial revolution put the beginning of **a new lifestyle**, the focus of public attention being on **technological progress and economic development**. Machines, technologies, engineering and the rationality of the market economy became major issues. Machines and new energy sources transformed human labour into factory production and **the economy – into extracting and processing one**. Entrepreneurs, engineers, merchants and bankers became the drivers of social development while resources, technologies, market absorption and human adaptability became limiting factors. Scientific inventions and the new conditions which were established by the market and the competition made business the new religion of mankind. From an environmentally-friendly lifestyle people turned to a rationally organised urban lifestyle. Agriculture was industrialised and integrated. The focus of all effort was to gain control over natural forces in favour of the human species while the ultimate motivation of individuals was the accumulation of wealth.

Yet, each stage in development is also a preparatory phase for the transition to the next one. Under the influence of the physical capital, social life gradually acquired a new structure and functionality which were in line with the new model of economy. As a result of market competition, oligopolistic and monopolistic structures with significant market power appeared. The rules of development were set by specialised, standardized and bureaucratized large-scale business. Production became mass production, and so did consumption, education and culture. New requirements were set to the profile of business entities. **Social development reached a stage at which the quality of the human potential became the major stake, and its active consumption became, as Marx put it, 'the major equity'**. In result, **the technical-economic lifestyle gradually became socially inclusive**, i.e. a way of living which was dominated by the interpersonal (subject-to-subject) relationships and dependencies as the environment and context of any enterprise. Just as the technical-economic lifestyle did not exclude but included the environmentally-friendly way of living, the sociality-dominated lifestyle comprises both the technical-economic and the environmentally-friendly lifestyles.

In terms of its contents, the economy became primarily information and service economy, an eco-social-market system integrated through the global business networks.

The crucial resources therefore became the education, qualifications and multi-professional skills of people. The process of transferring physical operations from people to machines continued, while the information and communication technologies, automation and robotisation began to perform routine mental-processing functions which had previously been performed by people. The role of people as the creators and the agents governing the business, the social and the political processes based on cooperation, team-work and cluster organizations was preserved, though.

The subject-to-subject relationships became essential to people's way of living. The nature, the technologies and the economy did not lose their importance as factors to be replaced by the purely social culture, as D. Bell claimed (Bell, 1994, p. 224). Rather, their influence upon and subordination to the system and the structure changed. The issues of the efficiency of human effort and of consent and conflict are likely to continue to be important even within a highly technological social context.

It seems, however, that just as the physical capital replaced 'land' as a production factor, it will now be replaced by the human capital as a major organising principle of the system. This is an objective implicit trend which is innate to social self-evolution and hence, to the development of the human species. It is an instance of removing the 'deadlocks' which block the smooth running of processes. Initially, such a 'deadlock' was the physical inability of the human species to counteract to the influence of natural phenomena. Later on, when the lifestyle of people became dominated by technology and economy, that problem was resolved. Nowadays, such a 'deadlock' is the deficit of multiple-role opportunities for the human potential. Therefore people need to develop their abilities intensively.

The objective contemporary basis of that process is the global revolution in information and communication technology. Today, issues are approached from the perspective of the information-based society and the willingness of people to succeed in that society. This implies that instead of adding to the physical capital, people will increasingly approach it as the subject matter of their subjective nature. In result, human activity will increasingly become a multilevel, innovative, intellect-driven activity which governs social processes. This is a decisive factor to finding employment, to gaining comparative economic advantages, to raising competitiveness, to increasing welfare, to the social and cultural behavior of individuals and to their personal development. A major feature of human activity is becoming the dual status of people. i.e. the combination of their practical skills and abilities with continuous education and scientific research, in other words, their work as a process of learning and their education as a work process. Hence, public development and the self-fulfillment of individuals will increasingly become the two aspects of a single objective process.

The Capital in the Economic and Sociological Paradigm of Life Reproduction

Each science studies its subject matter by subliming its essence in concepts, laws and explanatory principles. Thus, the essential features and the context of the subject are summarised. In ancient times, economic life was metaphorically described

as 'the daughter of public order', according to the Indian philosopher Kautiliya (3rd century BC). In contrast, economic life in modern times is approached as a basic structure for overcoming human dependence on natural forces and for achieving prosperity and affluence. Capital is a summarizing concept, while the accumulation of capital is considered to be the main driving force of human progress as well as an organizing principle of the performance and development of a society.

Adam Smith, who was a genuine representative of the classical economic school, approached capital as the accumulation of goods as the means of production to ensure a continuous production process. The means of production include machines, equipment, raw materials, production facilities, manufactured goods, etc. They are the result of costs which generate income over a short or a long period of time and that income renders these costs investment (Smith, 1983, p. 264). Marx, however, specified that the means of production themselves are not capital just as gold or silver are not money. They become capital through their transformation into goods which are sold, i.e. when they bring in more money than the money expended on acquiring those means of production. That transformation is implemented through the production process and materialized through circulation. Hence, social relationships are important as the manners and objectives of exploiting the means of production through which people acquire and exchange goods to meet their daily needs. Marx therefore concluded that as a concept, capital is not a tangible item, rather it is a social relationship of production which is presented through tangible items and thus renders them the nature of capital (Marx K., Kapitalat, 1979b, p. 854). This is the qualitative characteristic of capital. Its quantitative characteristics relate to goods whose value may be measured in market prices and in money. The neoclassical economic discourse approached capital as a material resource which is part of a regularly repeated process to generate income, a share of which is allocated to the increase of that capital (Baumol, 2004, p. 850). The concepts of stocks, resources, production relations are used to denote what they really stand for. Capital is an additional economic definition as a 'major' factor of economic development. Hence, we may approach capital as a functional synonym of the utilization of resources through certain public relationships. In order to be transformed into capital, these resources need to be put into circulation which increases the volume of that capital. The monetary equivalent of the value of the capital is indicative of the scope and ratios in which that capital is allocated among competing economic entities as well as the rate of return of that capital for each of them. Clearly, the thesis proposed about capital by the classical economists did not go beyond the framework of the economic process. They believed that profit is turned into investment, new job openings, increased productivity and income. This has, in fact, been the historic trend. Yet, the market itself cannot guarantee honesty, conscientiousness or humaneness, since there are agents who behave like 'predators' or 'vermins'. There is also social inequality which Y. N. Harari ironically described as the 'fly in the capitalist pot of honey'. Therefore, Marx perceived capital as a social relationship which 'determines the range and the impact of all other relationships' (Marx-Engels, 1985, p. 326).

In addition, society also exploits intangible resources which generate enormous

benefits. Regardless of their being subject to economic principles or political ideology, those resources have always been approached as essential.²

Nowadays, the role of intangible resources is emphasized by social development itself. It is therefore possible to aim at a more meaningful and better life. J. St. Mill, the 'social mechanics', V. Pareto, E. Durkheim, T. Parsons, etc. were right to claim that in addition to economy, morality, culture, law and politics are also important as they presuppose, complement and correlate to each other. They can only be comprehended within the context of their interrelatedness as the driving forces of social progress. The idea that **a society can only advance by combining economic goals with cultural and social ones** gained popularity. In result capital began to be approached by going beyond its purely economic interpretation.

Partly under the impact of ancient philosophy, partly as a reaction to the dominance of economism, the model explaining how society works gradually began to be expanded. As a result, **the economic paradigm grew into an economic-sociological one** so as to be able to clarify the reproduction of social life in its complexity. That paradigm presents systematically the interrelatedness among economy, culture, sociality, morality, power, public norms and rules as aspects of and as the environment of people's life. The term 'capital' was used to identify the exploitation of social relationships as a business resource, yet the forms of capital began to be interpreted from a new perspective. The concept became polymorphous when it began to be employed as an analytical tool. A number of attributes were assigned to it – 'economic', 'human' (i.e. physical strength and intellect), 'organisational' (i.e. administrative), 'moral', 'cultural', 'social', 'symbolic', etc. Some authors use the terms 'political' capital (Radaev, 2003, p. 22, 32), reproducible and non-reproducible **natural capital** – arable land, mineral and water resources, oil, gas, etc. and focus on the importance of 'intangible capital' (Sachs, Makroekonomika, 1996, p. 148) (Toffler, 1992, p. 149). This approach considers **all forms of capital to be instruments for accomplishing socio-cultural, political and other objectives, in addition to economic ones.**

As investment of resources which generate diverse benefits, capital is objectified not only in tangible assets such as machines, equipment, raw materials, ready output, money, etc. Other forms of capital such as shares, bonds, information, patents, know-how, professional skills are also considered. These metamorphoses of capital are not merely the materialization of assets which are created and utilized by people; they also have their specific features. They have their origin in human capital; they intertwine with human capital and go beyond it as evidence of human development. Economic terms such as 'social profit and loss', 'social market', 'social investment', 'social rate of return', etc. have appeared, too.

Economists and sociologists who are adamant to their scientific subject matter

² Sun Tzu /3rd century BC/ applied a systematic approach and perceived as erroneous Lao Tzu's principle of non-interference in the affairs of people, which is in conflict with the need to curb their irrational behavior; Mo Tzu's principle of benefit which neglected morality; Shen Buhai's praise of power and authority. Sun Tzu considered similar ideas to be inadequate to the nature of human beings and social structures in general (Chan, 2000, p. 231-232).

are skeptical to these new concepts of capital. Some of them consider them to be an instance of dissolving the economic sense into the social one and approach them as a metaphor, a literary expression which may be used only figuratively. Some sociologists regard this as an invasion of the economic approach into typically social subject matter. The major issue is that there are, indeed, some similarities which render the economic-sociological concept of capital scientifically sound. It presents in summary the importance which social relationships, as a useful resource, bear to people's lives.

Similar to its tangible varieties, each of the intangible forms of capital acquires the nature of capital through: 1) the formation of potential which is socially and culturally appropriate; can be adapted and results in the social coherence of individuals for the purpose of some useful activity, thus rendering that potential a **limited resource**; 2) its mobilization and utilization as an efficient factor in (means of, instrument for) the production of goods, the provision of services, or accomplishing certain objectives and hence, **the generation of income and the accrual of benefits** in terms of the prosperity of the individual, the community, and the society; 3) the process of reproduction in which **values are preserved and multiplied (accumulated)**; 4) its **transformation** into other forms of capital, including money; 5) its employment as an instrument for exercising business and moral **power**.

We should note, though, that the economic-social paradigm does not focus primarily on the market value of the capital. The market is not always an adequate mechanism for the metamorphoses of the intangible forms of capital, including in terms of their economic role, since they cannot always be measured or reported. In some cases, those intangible forms of capital may become the subject of purchase and sale and thus be converted into money, for example, through the sale of goods and services, books, concert and cinema tickets, etc. Nevertheless, the intangible forms of capital are both a factor and an example of social development.

To paraphrase Marx, we could say that the earlier forms of capital were only the steps which led to the appearance of its new forms which then became well established (Marx-Engels, 1985, p. 325). Thus the capital of merchants and money-lenders once lead to the dominance of industrial capital, which in turn led to the later dominance of financial capital. Today, financial capital is becoming the step forward to the occurrence of the intangible forms of capital – human, cultural, social, etc. This is evidence that social contradictions are resolved by expanding the reproduction of life. Therefore, in terms of their influence and significance, the intangible forms of capital complement one another, interact with one another, intertwine with the physical capital and go beyond it.

We will now review the specific characteristics of the human, the cultural and the social capital.

The Human Capital - the Principle Governing Personal and Social Development

The concept of the human capital was introduced by three of the most influential economists, although they did not use the term itself. Those were A. Smith in his analysis of fixed capital, K. Marx in his theory of the 'variable capital', and Al. Marshall

with his theoretical contribution about the human production factor.

In his definition of fixed capital as the means of production which do not change their owner, A. Smith considered these to be not only the buildings, tools and equipment employed in the production process, but also 'the useful skills acquired by all members of society'. 'Their cost,' claimed Smith, 'is the cost of living of anyone (who has acquired such useful skills) during the process of training, studying or serving an apprenticeship and is fixed capital which is inseparable from the personality. These skills are personal, yet they are also skills of the community to which the individual belongs. The improved skills of a worker may be approached as a machine or a production tool through which the volume of labour is reduced or labour is made easier. The costs made for acquiring such skills are later covered and profit is made.' (Smith, 1983, p. 267-268).

Marx's theory that physical capital is 'fixed' and the workforce is 'variable' capital is well-known. He claims that live labour transfers the value of the tangible means of production to the product and thus that value is preserved, so these means of production are fixed capital. At the same time, new, additional value is created. That value exceeds the market value of the workforce (i.e. the hiring costs). In this sense, it is variable capital (Marx K. , Kapitalat, 1979, p. 220-221).

In his theory of labour as a production factor, Al. Marshall distinguishes between 'tangible' and 'personal' capital. He uses the term 'personal capital' to refer primarily to the overall physical condition of individuals (such as health and energy), as well as the possession of natural gifts such as dexterity, ability to get oriented and to adapt. Next, he attributes to that category the mental abilities and practical skills which individuals have acquired; their qualifications, craftsmanship, etc. in result of family upbringing, school training, general and technical education, and practice. Marshall considers the costs made by the individuals and their families, as well as those made by the state and the employers on training and education, on the development of professional skills and the deployment of new production methods to be investment which pays later on. He defines the cost of training and education as national investment and emphasizes that the capital acquired by employees is their personal asset whose function is to add to labour productivity and to generate growing income (Marshall, 1983, p. 281-297).

Hence, Arthur Pigou, and above all J. Mincer, the Nobel Laureates Th. Schulz and G. Becker, as well as J. Kendrick, Fr. Machlup and other great minds of the Neoclassical Economic School developed the concept of human capital (Mincer, 1958; Becker, 1962; Schultz, 1971). They defined as '**human capital**' the utilization of such characteristics of the human potential as **health status, work capacity, education, practical skills, work habits, entrepreneurial spirit, motivation, desire to develop further, etc.** They also defined as '**investment**' **the effort, resources, and time required for developing and preserving them.** They considered technological, product, organizational, management and other innovation skills to be extremely valuable, as well as the ability to take on well-calculated risk, to be competitive and to create high value added.

The modern implications of the human capital concept are a response to the ongoing objective changes which refer to the essence, the diverse forms and the accumulation of capital as a key factor of social progress. This was a major breakthrough in the socio-economic theory which opened new prospects for its further development.

Some major issues (according to Marx's theory) are the manner in which human capital is formed as '**consumptive production**' on the one hand, and its transformation into capital through its '**productive consumption**' on the other hand. The former implies the consumption of goods to meet human needs and hence, 'certain production on behalf of man'. The latter refers to the process of using labour and production resources (raw materials, tools, equipment, etc.) to create these goods (**Marx-Engels, p. 308**).

As a process, consumptive production has two dimensions. One of them relates to the costs it requires, while the other – to its auxiliary function in the formation of human potential. Individuals use their private resources as well as the resources provided by their parents, corporations, or the state to acquire education and training. These are **consumer costs** made to cover the current cost of living of the family, at school, at college, at university, at the workplace. These include the personal effort put into acquiring knowledge and skills, the personal time spent on it, the costs made on paying tuition and purchasing textbooks, etc. as well as their alternative cost as missed benefits during the process of training. In exchange for these missed benefits, human potential is 'produced' in terms of intellectual and professional growth, acquired knowledge, competences, skills, experience as well as social connections, communication skills, thinking patterns and the ability to launch new ideas. All these cultivate certain biological, physical, intellectual, social and cultural abilities and moral values which cannot be separated or expropriated from individuals and form their creative and behavioral potential.

So far, the issue of **public and private expenditure** on training and education has not been discussed efficiently. There has been some pressure to increase the share of public expenditure on training and education, and especially the relative share of the expenditure met by the business. According to data provided by EuroStat, in 2012, the total volume of expenditure on education and training in the EU amounted to 5.3% of the GDP. The figure was 7.9 % in Denmark and 6.8 % in Sweden, in contrast to only 3.0 % in Romania. In Bulgaria, the share of public expenditure on education and training was 3.5 % in 2012; 3.7% in 2013; and 3.8 % in 2014. The fact that we rank at the bottom in comparison to other EU countries indicates that we are lagging behind, despite our claims to be a 'nation which holds in esteem education and culture'.

The **length** of the time which individuals spend in education and training is also an essential factor to the growth of human potential. By the year 2014, the average global period of time spent in education and training was 12.2 years, compared to 14.4 years in our country, 16.4 years in the most advanced countries and to 9.0 years in the least developed ones. Education and training lasts the longest in Australia – 20.2 years, in contrast to only 5.4 years in Niger. Another indicative fact is that in 1970, education and training in Sudan continued for 1.9 years on average, whereas in 2014 its duration was 7.0 years. Over the same period, the length of the time spent in education and training in Brazil increased from 4.6 to 15.2 years; and that in India – from 4.8 to 11.7 years (UNDP, 2014).

It is precisely the human potential which, combined with the growing employment of 'smart technology' (described by some as 'structural capital'), is the appropriate response to the challenges posed by our increasingly complicated technological, social and cultural environment. Within this context, education and

training are now globally considered to be a major factor and indicator of the human potential growth. The modernization of educational and training systems is being widely discussed and so is their quality – from primary and secondary to vocational and university training, to training at the workplace and lifelong learning.

Yet, the formation of human potential is not the ultimate objective, since its transformation into human capital requires its 'productive consumption'. This process has two aspects as well. In the first place, it turns the human potential from a resource (energy, abilities) into an active production factor and hence – into human capital, which explains why the costs made on education and training are in fact a type of investment. Secondly, the utilization of the human potential generates a number of positive social effects in terms of economic, moral, social and cultural benefits.

Human capital is mainly interpreted from an economic perspective. The focus is on economic effects such as the level of productivity and the income reward of production factors. In other words, the relation between the accumulated human capital and the value of capital earnings as a rate of return is evaluated. As Fisher et al. point out, the average rate of return of the capital invested in education and training in the USA in the 1960s amounted to 10%, while the rate of return from bonds was 2% and that from shares was 6%. Later on, the increased number of college and university students lead to a significant decline in the investment in education and training. It was established that the differences in the income and the social status of individuals and social groups were mainly due to the level of development of their human capital (Fisher, 1997, p. 322).

In contrast to undereducated workers, better qualified and more skilled employees are more productive, thus creating higher value added, yearning higher income and acquiring a better social status. Another factor which affects employees' productivity and income is their age. Young adults with little or no work experience (i.e. people aged between 18 and 24) are less productive and earn less, in contrast to people aged 45-49, which is the age group with the highest productivity and income. Both productivity and income levels tend to decline as individuals get closer to the retirement age. The market conditions are another crucial factor. The higher the supply of the type of labour requiring a certain level of education and training, the lower its market price is. And vice versa, the limited supply of a type of labour increases the market price of that labour (i.e. its remuneration), so that a market equilibrium could be reached. Therefore, remarks Fisher, a paradox as it is, sports celebrities earn more than university professors and artists (Fisher, p. 320).

The level of acquired education has a significant impact on the monthly remuneration of employees in Bulgaria as well. According to data published by the National Statistical Institute about the wage structure in 2014, the remuneration of workers with primary and elementary training amounted to 64% of the average wage in the country. Another noteworthy fact is that 70% of employees are paid less than the average wage for the country. Newly recruited young specialists are paid about 90% of the average wage, while employees aged between 30 and 39 are paid 108% of the average wage. Twenty-four per cent of the total sum of wages and salaries is paid to a half of all employees and workers; while 30% of the total sum of wages and salaries is paid to a tenth of the most highly-paid employees. These findings were confirmed by the

research conducted on university rankings. IT specialists earn above BGN 3,000 per month on average, which is several times as much as the average monthly remuneration of other specialists with a university degree. University graduates in Management and Military Studies rank second in terms of their remuneration.

Nevertheless, according to data provided by Eurostat, the Gini coefficient in our country was 35.4 in 2014. That was above the average figure of 30.9 for the EU. This indicates that there is moderate inequality in the income distribution in our country. What is more, since the state ceased to provide financial assistance to socially disadvantaged people, the Gini coefficient in our country has been a little under the average for the EU. All these imply that a major fact accounting for the different income received by individuals is their market adequacy as human capital in terms of the education and skills they have acquired and the specific age group they belong to.

Investing in human capital produces **external positive effects in a number of aspects** since all business entities are more or less related to one another. The increased production capacity of some companies leads to similar results for other businesses and individuals. This is due to the exchange of knowledge and experience or the attempt to copy successful business behavior, which brings benefits, especially in terms of innovation. According to some analysts, a 10 per cent increase in the external positive effect of the human capital leads to a 4 per cent increase in the volume of production. Hence, private and especially state investment in human capital is required (Sachs, 1996, p. 635-636). A major issue is the human capital which has already been accumulated and will keep the gap between affluent and poor citizens for a continuous period of time. Another influencing factor is the related legal, economic and political standards and rules which have long been established in countries with advanced economies. It is therefore clear that the increased productivity in some countries is due not only to the human capital available but also to the level of employed technology. Hence, given the level of employed technology, labour productivity will depend on the quality of the human capital available.³ Human capital (in terms of acquired education and vocational training, health status and adaptability to the environment) affects the quality of and the results from labour. According to Baumol and other researchers, this is the major factor accounting for the difference between rich and poor countries. The ratio of investment in physical and in human capital is to be taken into account as well. The criterion to be applied is the neoclassical principle of equal margins as an expression of the equal revenue generated from the sale of marginal products weighted at the prices of the production factors. This is one of the essential requirements for turning a poor economy into a modern and developed one.

The economic effects of the human capital are fundamental to the further well-being of individuals. High human capital implies better job opportunities, higher income, a more successful career, wider social benefits (annual bonuses, paid yearly holidays, etc.), a lower risk of unemployment, etc. And vice versa, low human capital implies

³ Two opposite trends are to be taken into consideration. Through their activity, individuals acquire further knowledge, skills and experience which add to their potential. At the same time, individuals are subject to physical and moral 'wear and tear' due to the fast technological progress and the naturally declining abilities of individuals as they grow old.

poverty and unemployment, especially during economic crises. For example, more than 84% of the individuals with a university degree in our country were employed in 2015, which was above the average rate for the European Union, while the employment rate of people who have graduated from secondary school was slightly above 67%; that of people with elementary training – 32% and the employment rate of people with primary education was only 17%.

At the same time, the employment rate of people with academic degree in Medicine and IT specialists was nearly 100%, while the unemployment rate was close to zero. The rate of employment was also high among specialists in the military sector, the metallurgy, the extracting industry, etc. Those were also the high income groups. The economic principle implies a balance between the level of employed technology and the quality of human capital, as well as the ability of individuals to adapt to labour supply and demand on the market. The insufficient supply raises the price of a particular type of labour, while the excessive supply reduces its price. In other words, what is scarce costs a lot and what is abundant costs less so that a balance could be reached. Hence, economic agents naturally seek to reallocate resources.

Yet, the importance of human capital goes beyond its economic value. It is also a major resource in terms of science and education, moral and cultural development, healthcare, national defence, legal justice, etc. And above all, human capital is also **the materialisation of human progress** which underlies any successful development.

There are three major basic indicators of both the 'consumptive production' of human capital and its 'productive consumption'. Those include the GDP per capita as an expression of individuals' affluence; the level of education and training in terms of acquired competence and skills; and life expectancy in terms of health status and longevity. Their combined impact is measured through achieved economic, social and cultural effects such as ensuring higher income, a higher standard of living and better development prospects.

This is supported by the data presented in the Table below. Forty-nine countries have a very high index of human development: from Norway with an index of 0.944 to Monte Negro with an index of 0.802. In fifty-six countries, including Bulgaria, the index of human development is high, with Belarus ranking top with an index of 0.798 and Samoa ranking at the bottom of the group with an index of 0.702. The registered index of human development is average in 38 countries, its value being the highest in Botswana (0.698) and the lowest in Sao Tome (0.555). The human development index is low in 45 countries – the highest in the group being the index registered in Kenya (0.548) and the lowest being that of Niger (0.348). The data presented in the table indicates the direct relation between these basic indicators and their integral effect on human development. In other words, they are not only causal but also functional as they are reciprocally reversible. Another fact which we should take into account is that the income earned through labour varies widely in the different countries. This is due to the differences between their levels of education and culture, technological development, freedom of entrepreneurship, productivity and standard of living. Hence the different synergic effect in terms of human development.

Table 1
Basic indicators of human development in
188 countries in 2014

Level	GDP per capita (in US \$)	Average length of training (in years)	Average life expectancy (in years)	Human development index
Very high	41,584	16.4	80.5	0.896
High	13,961	13.6	75.1	0.744
Average	6,353	11.8	68.6	0.630
Low	3,085	9.0	60.6	0.505
In comparison:				
Bulgaria	15,596	14.4	74.2	0.782
Globally	14,301	12.2	71.5	0.711

United Nations Development Programme. Human Development Report, 2015. WEB version

The human being has many aspects. In addition to their economic needs, people also have to meet their social, cultural, moral, communication and other needs so that they could feel self-fulfilled and complete. Those needs are an expression (conscious or unconscious) of a cumulative historical process in which the evolution of the human species has been encoded both as a possibility and a necessity. Therefore, sociologists consider the ideas proposed by economists about the human capital to be true, yet incomplete, and seek to add further aspects to them. Sociologists focus their attention on the consequences of the accumulation of human capital both in terms of the qualitative, structural and functional transformation of society, and on human development as a value. Hence, the accumulation of human capital is ultimately not only an economic, but also a civilizing necessity which is objectively formed as the synergic result of historical evolutionary processes.

As social life tends to be driven by economic principles and values, the pursuit of profit and money has become a major trend. This, however, often leads to wrong attitudes and approaches. A good example is the statement that, from an economic point of view, our country does not need a large number of university graduates. Even prominent scholars believe that 'in general, the society would only benefit from the allocation of resources to higher education and training provided that it does result in increased productivity' (Fisher, p. 317). Yet, as Confucius pointed out, the narrow-minded person only seeks profit; confines his ideas to private matters only and tends to ignore issues of public concern. Yet, such economic motivation misses a major moral value – the one which makes human beings become 'more humane' and be guided by their sense of duty, justice and integrity, or, in other words, by their ability to contribute to the general welfare and to act in a socially responsible manner (Chan, p. 62, 66). It is in this sense that Levski is considered to be Bulgarian national capital.

Just as the industrial and the financial capital were the symbol of the modern era, the symbol of our age is the human capital. Contemporary societies increasingly depend on the accumulation and exchange of information and the human capital is the major instrument for changing social and economic environment, values and attitudes and the acquisition of power. The human capital is also the key to finding adequate management and governance solutions.

It is therefore surprising that a lot of research workers still tend to focus their attention only on the economic aspect of human capital. **As a phenomenon, people are defined from multiple aspects – their culture, moral values and religious beliefs; their health, nationality and political affiliation, etc.**

Analysts should not ignore the degree of cultural and moral development of the human factor, since they largely affect its productivity and profitability. Employers seem to be aware of that fact and to appreciate better that type of human behavior which contributes to creating a favourable work environment, thus ensuring higher productivity and establishing a team spirit.

The quality of the human capital should also be considered in terms of individuals' health. It depends on their living conditions; the pace, the stress, the noise and the frequency of job accidents in their working environment; their social status in terms of professional fulfillment, unemployment, poverty, etc.; physical culture; access to healthcare and its efficacy; the quality of air and drinking water; changes in the climate, etc.⁴ It is important to note that socially disadvantaged people cut their expenditure on healthcare first.

The quality of human capital also depends on the legal and political order, i.e. the extent to which it guarantees, protects or violates human rights; permits or restricts the free choice of individuals in terms of their residence, education, work place, entrepreneurship, communication, travelling, normal human development, etc. Therefore the role of institutions is increasingly being discussed (Sachs; Robinson, 2013). The social order encourages or hinders the transformation of human capital into economic, cultural and social capital and vice versa. This has an impact on the development of individuals as well as on the social and cultural aspects of their activity. Within the contemporary information-based society, human capital is of crucial importance to social development. It has become the nucleus of the social and economic systems across the globe. Hence the 'battle for brains' on a global scale.

The transformation of human capital into a major factor of economic and social development has put the beginning of a new stage, which is described as informationalism, i.e. the beginning of 'the knowledge-based economy and society' in terms of its contents and globalization, in terms of its scale. Within that context, any nationalistic attitudes are merely an instance of trends which occur and disappear cyclically, whereas globalism is a natural and objective phenomenon.

All social products are created by the human being. This fundamental fact is demonstrated by **the gradual transformation of human capital into a major**

⁴ According to data provided by the Bulgarian Medical Association, more than 460,000 people in our country are at risk of diabetes; 10 % of the population suffers from some mental illness, and more than 500,000 people have some disability.

governing and system-establishing principle of social life. The other forms of capital –economic, cultural and social capital are either the tangible expression of its objective nature or its transformation into other forms of capital. As Marx wrote, nature cannot build machines, or engines, or selfactors, etc. These are only the materialized instance of knowledge; the act of the human being that exists subjectively as an individual and objectively in terms of available material possessions and conditions through which individuals are able to fulfill their potential, to create and to develop further. Marx therefore arrived at the conclusion the production forces and social relations were merely different aspects of the development of the social person (Marx K., 1978, p. 413- 414; Marx K. F., 1978b).

The Civilizing Role of Cultural Capital

People exist in an environment which cannot be described thoroughly through its physical characteristics only, since, through our activity, we also add a cultural dimension to our environment. Culture has always been an important phenomenon in social life, a fact which is supported by the flourishing of arts during the Antiquity and the Renaissance, as well as by the spiritual and material values of the Modern Age in terms of paintings, architecture, literature, music, technical inventions, the development of technology, transportation, communication technologies, etc.

On the one hand, we define as culture the knowledge, the upbringing, the thinking patterns, the practical skills and behavior, the social sensitivity, the emotional intelligence, the respect for the institutions, etc. which people acquire. These are an emanation of the human spirit and constitute the essence of human capital. On the other hand, we use the word 'culture' to refer to all tangible items and objective conditions which are the result of human activity, yet go beyond any physical constraints. Those are moral, material, social and organizational accomplishments of the human race which have a civilizing impact on social relations and the environment we live in. Within this context, **a cultural phenomenon is anything which does not exist in nature but has been created by people in terms of goods, effects or behavior so as to meet the demands of the human body and soul as well as those of human society.** Hence, culture is an ongoing civilizing process through which the human species develop further.⁵

The cultural profile of a nation is determined by the creativity of people as well as the geographical and historical attributes of the environment they live in. It relates to specific cultural values, such as the language which people speak; their customs, habits and preferences; their social and psychological attitudes (incentives and constraints) which are based on real facts as well as on myths and beliefs. All these form the cultural identity of a nation. That identity is also influenced by the culture of other nations. Historically, each nation has preserved those elements of its culture which are

⁵ According to A. Kroeber and C. Kluckhohn, there are more than 200 definitions of culture, and according to Ab. Moles, their number exceeds 350.

considered to be of practical or moral significance to its identity and material wellbeing. Therefore, another definition of culture might be that of **a way of living which has been established in result of specific geographical and historical factors.**

Since cultural activities are an important aspect of people's life, they have evolved to specific **values** – material, spiritual, aesthetic, moral, social, legal, political, etc. On the one hand, they relate to the specific needs, aspirations and intentions of individuals to accomplish more as human beings. On the other hand, these values are the materialization of the intensity of interpersonal relations, since it is through them that established patterns in social relations are preserved, diversified, developed and passed on to the next generation. The social dynamics of culture is thus maintained, recreated and improved as an 'artificial living environment' (Moles, 1967).

Hence, both human beings and their environment are civilized and this is **the essential function** of culture.

The existence of people relates to the problems and concerns of their daily lives, while the human spirit finds solutions to those problems. These solutions are prompted by moral values and interpersonal communication, by science and arts, by education and upbringing, by the impulse to create and to interact with other people. This is an embodiment of the spiritual, behavioural and material culture as well as a factor to the continuous development of that culture, which renders people stronger and adds new meaning to their environment and existence.

Nowadays, the dimensions of both the material and the spiritual culture have expanded. The growing importance of **information as knowledge** is an irreversible trend. Historical developments have come to confirm Marx's prediction about knowledge becoming 'an immediate production force' and about human development becoming an objective in itself (Marx K., 1979b, p. 861).

Alongside human morality, **knowledge is the most significant realization of human culture; the most valuable resource; the key strategic factor to change. Thus the new technology of production is created and a new standard of living is established.** High technologies are developed (in the telecommunication and IT sector; in transportation and space exploration); new industries appear (microelectronics; microbiology; automation; robotics engineering; online services). They change radically the way business is done and states are governed as well as the way in which people communicate and spend their leisure time. The patterns of social and cultural communication are modified, too. Communication through skype, text messages and e-mails is becoming increasingly popular. Screen culture is becoming more and more important.

The question then is: why, in what sense and under what circumstances is **culture considered to be capital**? The economic discourse is present in all spheres of social life since all phenomena are more or less subject to the major economic principles. Yet, life reproduction cannot be described from a purely economic perspective. Its complexity requires that we should employ a more comprehensive approach including its social and human aspects, similar to the ideas proposed by M. Weber, E. Durkheim and T. Parsons.

Within this context, we should point out another important fact, namely that **in addition to the state of the economy, the culture and the sociality of people are**

also essential to improving the standard of living. Their importance as a resource is growing both in terms of the economic and the overall progress of humanity.

Nowadays, culture is approached as a form of capital which has all the attributes assigned to capital by the classical interpretation of the concept. Culture is, above all, a **resource** which, when put to business purposes, is transformed into an efficient **factor (means or instrument)** of individual and social wellbeing. Combined with the other varieties of capital, culture, too, **produces results, services, and effects. It contributes to raising the productivity of human activity, to generating higher income, and above all - to human development.** In the course of time, culture is **accumulated and reproduced as a resource** to be passed on from one generation to another. As a cultural process, it is the adjustment of people to existing social structures in terms of perceiving and assessing those structures, and in result, their preferences for and disposition to different life situations are formed. Like any other variety of capital, yet in the form of a cultural habitus, cultural capital is also **an instrument for exercising business or moral power** by those who possess it over the other individuals.

On the one hand, **cultural capital is an inherent element of human capital** since any activity of people in the pursuit of personal or social benefits is also an instance of the materialization of their culture. Yet, the product of cultural capital relates to the intellect, the imagination and the creativity of people, rather than to their physical strength or skills. Cultural capital **also extends the existence of people beyond the constraints set by physical bodies. Cultural capital adds to human capital, upgrades human capital and changes its structure by being objectified.** Cultural capital is materialised in a variety of goods and services, and nowadays, in artificial intelligence devices, on which new production technologies are based. At the same time, cultural capital is also materialized in social relations. Thus, the accumulation of cultural capital over time has resulted in a **fundamental, albeit implicit, trend. Hence, both the driving forces of human creativity and the social relations through which that creativity is materialized become objective attributes of human development.**

To Pierre Bourdieu (1930-2002), a prominent French sociologist, the identification of the cultural capital and the human capital is **an innovative hypothesis** susceptible to heuristic interpretations within different contexts. It may be employed to account for the influence which culture has both on economic development and on social interaction and social inequality. Similar to the other forms of capital, individuals possess different volumes of 'cultural capital' due to their different biogenetics; the different mechanisms through which culture is transmitted within their families; their different property status and dissimilar social conditions. Since cultural capital is formed in diverse conditions, it also contributes to the diverse reproduction of culture (Bourdieu, 1979, pp. 3-6).

Similar to R. Putnam, R. Hoggart lamented the loss of the old popular culture which was 'full of life' and whose '**moral capital**'⁶ was replaced by the culture of

⁶ In French and in English there are two similar words: moral and morale. The former is used in the sense 'pertaining to character as opposed to physical', while the latter refers to morality and good conduct. This is the distinction adopted by Richard Hoggart (1918-2014), an English professor in Sociology who was born in a working-class family. He founded the Centre for

consumerism and romantic excitement. The distinction between 'Us' (i.e. the ordinary people) and 'Them' (i.e. those who consider themselves to be the elite) was preserved. Happiness was not attainable to all. Despite the resistance to consumerism, there was also a process of adjusting to it. Unlike him, Hoggart highly appreciated the benefits from education and upbringing which had a major role in the formation of moral capital through popular culture (Hoggart, 1957).

P. Bourdieu distinguishes among three types of cultural capital: '**embodied cultural capital**' (which is inherent to, built-in, incorporated into the individual); '**objectified cultural capital**' (which comprises the work of art and other property); and '**institutionalised cultural capital**' (which is the institutions' moral or legal recognition of a person's cultural capital) (Bourdieu; Serre, 2012, pp. 4-13).

These three types of cultural capital have horizontal and vertical aspects. The horizontal aspect refers to the general dissemination and possession of that type of capital. The vertical aspect refers to the fact that, similar to physical and social capital, cultural capital is possessed in different quantities by different social classes. In result, individuals occupy different social positions and established hierarchies are reproduced sustainably, since cultural capital, similar to the other forms of capital, is an instrument for exercising influence and power and obtaining benefits.

The capital which is embodied into the consciousness of individuals depends on their biological and genetic predisposition to personal development as well as their active cognitive behavior; the capital which is incorporated into the members of their families in terms of useful habits, knowledge, experience, aesthetic taste; tactfulness, etc. and is transmitted to younger generations; their school environment; the conscious or unconscious influence of friends, mass media and the moral profile of their social environment. All these have their cultural impact on the education and the upbringing of individuals. The acquisition of that **cultural resource** implies effort, diligence and socialization on behalf of individuals. Cultural capital thus becomes a private possession, an integral part of individuals, or their habitus, as P. Bourdieu put it. The utilization of the cultural resource thus renders the effort put into its acquisition a type of investment, and the resource itself – a form of capital which brings benefits, for example, earning an income, self-fulfillment, acquiring a social position, etc. Cultural capital is absorbed and accumulated as a quality of both individuals (according to their capacity) and the environment. It is important that cultural capital should be accumulated by each generation. Unlike physical capital, money or securities, human capital as a personal cultural achievement **cannot be transferred, donated or exchanged**. As a matter of fact, the individuals' capacity to work is hired after assessing the potential income which could be generated from objectifying that capacity into labour. While contemplating over the issue whether that type of capital could be hired without actually buying the individual whom it is intrinsic of, P. Bourdieu emphasized that the remuneration paid to hire that capital renders relations of subordination legitimate in such a subtle manner that it is actually used to conceal those relations (Bourdieu, p. 4). Cultural capital is only

Contemporary Cultural Studies at Birmingham University. The title of his essays 'Between Two Worlds' was translated into French as 'La culture du pauvre', or 'The Culture of the Poor'. The author of this paper used the French text for reference.

implicitly inherited through genetics, through family upbringing or as an inspiring model to be followed. Therefore the aphorism that we need to inherit the qualities of our predecessors before we have the right to enjoy their glory is right. This is the essence of cultural capital being transformed into symbolic capital.

The unequal incorporation of cultural capital is a prerequisite for the different degree to which it is **objectified** through human activity. It is, on the one hand, objectified as spiritual (scientific and artistic) wealth in books, dictionaries, paintings, art collections, statues, films, music albums, roles of actors, information carriers, etc. On the other hand, it is objectified as economic wealth in new technologies, artificial materials, machines, equipment, consumer goods, etc. In either of these forms (i.e. as spiritual or economic wealth) objectified cultural capital exists independently from its creator – it may be expropriated or appropriated (it may be confiscated, borrowed, purchased, sold or resold to make profit); it may be selected and transformed into symbolic capital. Therefore cultural capital in that state may easily be transformed and contribute to improving human, physical and social capital.

Cultural capital exists in a similar autonomous state when it is **institutionalised** through its formal recognition. The institutionalization of cultural capital refers to certificates of authorship, diplomas, titles, patents, awards, etc. They are formal legal recognition of the personal qualities of individuals which are beneficial to society and contribute to the development of science, arts, etc. Both objectified and institutionalized cultural capital are examples of the existence of a cultural resource beyond the existence of an individual.

People have the natural ability to absorb and benefit from the culture of their social environment, i.e. its language, accomplishments, standards and rules of behavior, the ability to make predictable and socially acceptable cultural and moral choices so as to inspire confidence and to benefit while at the same time enabling other individuals to do the same. Moral rules are very important as well and the Ten Commandments are a classic example of social norms of conduct. Fr. Fukuyama adds to the list of moral rules simple examples like sincere and polite communication, waiting in line patiently, observing traffic rules, fulfilling one's duties, etc. All these are moral and cultural values, standards and rules which are essential to maintaining the homeostasis of both individuals and societies.

Fukuyama distinguishes between two types of cultural norms and rules according to the manner in which they are established. Some of them are informal or spontaneous norms and rules (for example, when people get organized to accomplish a specific goal), while others are of a formal origin and are deliberately established to serve the interests of the entire community or society. Furthermore, they could be the product of the subconscious or they could be rational, formulated in response to a specific social need or obligation. The compliance with or the violation of these norms by individuals creates what Fukuyama called the 'radius of trust' (Fukuyama, 2001, p. 198-199).

In conclusion, we need to note that the concept of cultural capital has been subject to criticism, too. For some researchers it raises questions about the variety, as Richard Peterson puts it, of the abilities and tastes of the omnivores and the univores; about the different manner in which cultures are inherited; about the legitimacy of socio-

cultural relationships; their eclecticism, pluralism, and even cosmopolitanism (Detrez, 2005, pp. 6-13).

Cultural values, norms and rules are generally taken for granted, yet they tend to change over time. On the one hand, this is in response to the contradictions which are inherent to any social order established by people. On the other hand, these changes may result from the impact of other cultures or they may be necessary since some cultural norms have become obsolete, incompatible or unfair. As Joseph Conrad put it, the culture of an individual is a thin protective shell. Individuals and social groups are selective in their compliance with norms and standards and this causes social collisions. Yet, cultural responses produced in result of knowledge, upbringing, ethics, and behavior are preferable to anarchistic and aggressive human impulses, fanatic repression and ideological brainwashing which are typical of authoritarian and totalitarian regimes. A cultural response takes the human species beyond their primeval nature, confirms their spiritual and moral progress and keeps property inequality within bearable limits.

The Complementary Materialising Role of Social Capital

In Bulgarian, the word 'social' is used as a synonym to the word 'public'. Yet, the two words now tend to be used with slightly different *meanings* within a scientific, legal, and political context. Prof. G. Fotev and B. Latur are right to observe that in addition to general social items and phenomena, there are also entities of a specific social nature (Fotev, 1998, p. 23; Latur, 2007, p. 16). People are social, as well as biological, creatures. Their social relations are a variety of existing public relationships. They are also specific, since people *live in specific communities – the ones they establish with their relatives, friends, colleagues, as well as those established on an ethnic, religious, political or territorial principle, etc. This is the world in which people materialize their sociality* in terms of subject-subject relationships of cooperation or opposition with regard to their living and working *conditions*. Social relationships have been within the focus of scientific interest for several decades now.⁷ The interest of researchers in social relationships resulted in their interpretation as a form of capital, an idea which was introduced into the scientific discourse by P. Bourdieu (1983), J. Coleman (1988), R. Putnam (1993), Fr. Fukuyama (1999), etc. Their immense contribution to sociology and the research of social relationships obliges us to present their ideas at least briefly. The numerous analytical reviews which they provoked and the attempts to further develop their concepts are evidence of the prominence of their output as researchers and theoreticians. According to P. Bourdieu, the social status of individuals is determined by the volume and structure of their capital. The French sociologist referred to capital beyond its economic meaning, for he also implied the different types and states of

⁷ G. Ratzehofer, A. Giddens and, above all, P. Kropotkin, were the first sociologists who, without using the concept of social capital, proposed the thesis that people act driven not only by their sense of competition but also driven by their desire for cooperation and assistance (Kropotkin, 1995, p. 19).

capital. P. Bourdieu defined **social capital** as the set of potential and real resources formed through the inclusion of individuals into stable networks of mutual recognition and respect which are established voluntarily based on free choice, trust and reciprocity.

The lack or the availability of social capital results in social inequality due to the different abilities of individuals to establish contacts within the community and to take a position in the social hierarchy (Bourdieu, p. 5, 225, 327-329).

James Coleman defined as social capital **any aspect of informal social relationships which are employed as a production resource by one or several actors and are based on the principles of trust, reciprocity, regularity and frequent communication**. Coleman approaches social capital as **an attribute of any voluntary, collective activity of citizens**, including the activity of complex entities like corporations, holdings, etc. The materialization of social capital results in obtaining profit and other benefits while at the same time preserving the control over the resources of social capital. Within this context, when social actors make friends or get introduced to new acquaintances, they **invest** in future social capital. The formation of that capital is based on informal network relationships of solidarity and cooperation (among relatives or friends; based on a religious, ethnic or political principle) as an instance of rationality to increase the dividends and reduce or avoid the transaction costs of dealing with bureaucratic procedures (Coleman, 1999, p. 78).

R. Putnam also appreciates the role of social capital. Putnam interprets social capital as **hierarchical network interactions in which individuals engage through some facilitating form of social organization such as cooperation, information exchange and innovative ideas based on generally accepted norms and mutual trust, thus increasing the efficiency of their effort**. R. Putnam defines the structure of social capital as the relationships which are established among social actors, the values and norms on which these relationships are based (trust and reciprocity being the most important ones) and which transform them into a resource. These values and norms include membership in associations, non-profit organizations, clubs, trade unions, as well as altruism, virtue, tolerance, mutual trust, reciprocity, sense of duty, etc. Putnam's approach to social capital is also revealed by the subtitle he chose for his essay 'Bowling alone', namely 'The Collapse and Revival of American Community' to describe the USA's entry into a new age. Putnam lamented the collapse of traditional informal relationships and the disengagement of individuals from social activity. That put into question not only the social meaning of social capital, but of liberal democracy as well. His critics, on the contrary, focused on the benefits from the change which the Internet brought about by making possible the online communication even among strangers, which they approached as a new form of cooperation. Putnam himself admitted the occurrence of a **countertrend** in terms of new models of civic engagement through non-governmental and non-profit organizations, charities, environmental and feminist organizations, and above all, online forums. Those are not, emphasized Putnam, equivalent to the bowling halls (Putnam, 1995, pp. 65-69, 71-72).

In his research of social capital, Fr. Fukuyama emphasized the importance of informal values and norms shared by the members of a community as a prerequisite for their cooperation. He referred to trust and reciprocity as the 'soul' and the 'lubricant' of social capital which ensure access to obtained economic, social, cultural, political or

other benefits (goods, services and effects) and makes cooperation among individuals meaningful (Fukuyama, p. 36).

OECD experts approach as social capital the relationships among individuals or groups through networks based on common values, norms and beliefs which enable them to trust one another and to work together for the accomplishment of their objectives / OECD 36/. Representatives of the World Bank consider social capital to be **'the set of all institutions, relationships and norms which establish the quality and quantity of social interaction as the glue which brings people together for the attainment of their goals'** (World Bank).

Obviously, a number of interpersonal relationships have the characteristics of social capital – individuals' membership in social groups; different forms of relationships established through network connections; the values, norms, rules and principles which govern these specific relationships. Social capital is a factor to all of them. There are, however, some differences which Davis Bartcus points out in his review of the definitions of social capital. Those differences provide the conceptual framework for further elucidating the nature and role of social capital (Bartcus, 2009).

In some cases, the process of forming the social potential and its materialization as capital are presented as a bloc, which makes the process of capital formation obscure. In other cases, the interpretation of social capital is sought in all scientific fields. Yet, trying to identify social capital everywhere may ultimately result in failing to determine the scientific value of the concept. Thus economists who focus strictly on economy claim that a specific economic concept is being approached from a sociological perspective, whereas sociologists claim that economists attempt to explain everything in terms of economy. As a matter of fact, a scientific approach would seek to identify both the economic cost and the social implication of any activity.

The formation and the utilization of social capital is, indeed, a multidimensional process. We believe that the process develops at two stages – the first one refers to the creation of **potential social capital** as a set of conditions, abilities, power, means and opportunities for acquiring future benefits. The second stage refers to the transformation of that capital from potential into **real social capital**. This is accomplished by mobilizing the networks of interrelations as an instrument for obtaining benefits; their real reproduction as accumulation of capital; transformation of social capital into other forms of capital, including its conversion into money; the use of the social capital possessed by a group to exercise business and moral influence. We will now review each of these aspects.

The formation of social potential is the major component of social capital. That potential is not capital yet. It may fail to be mobilized promptly when necessary or it may not produce expected results. Nevertheless, this is an essential preparatory phase.

To begin with, there are three major motives for further action. The first one is the awareness of individuals of their insufficiency, i.e. of the fact they are not able to accomplish all their objectives on their own. They therefore seek affiliates, friends and partners as well as social groups which they could join for financial, social, cultural or moral support and in which they could engage as citizens. The second motive is that by becoming literate and knowledgeable about their acting as part of a community within a good organizational environment, individuals become aware of their skills as potential

human capital which will be 'identified and recognised' (as Bourdieu put it) so that they will accumulate the energy and resources for meeting more easily and more efficiently the demands and the risks posed by life. The third motive is the fact that formal government establishments do not always provide their services promptly or fairly. Therefore individuals prefer informal relationships. Links to people based on a sense of common identity (with relatives, friends, club members) and relationships which connect individuals within networks⁸ (organisations and associations) in the economic, cultural, social or political arena are the social space required for the formation of social potential and the channels for accessing that potential as a collective resource.

Secondly, relationships within networks are based on mutual assistance, cooperation, partnership, etc. through mutual funds, interest clubs, non-profit organizations, associations and other self-governing communities.

According to their accessibility, these organizations could be closed or open, yet the manner in which they function provides excellent opportunities for mobilizing power, exchanging information, sharing experience and hence, accumulating collective resources as potential social capital. This is confirmed by the fact that losing the confidence of community members is equivalent to losing one's access to the resources of the community and hence, to becoming an outsider.

Thirdly, such activities are based on common values and norms as the models and prescriptions for attaining the desired goals. Examples include membership in social groups in recognition of one's identity; network relationships; the principles of voluntariness; free choice; equal rights; loyalty; mutual trust; reciprocity; self-organisation and self-regulation.

Acts of tolerance, virtue, honesty, the sense of duty and commitment are important.⁹

Successful experience is shared and becomes common to all social structures within a society – corporations, holdings, civil associations, unions, non-governmental organisations, etc. As V. Stoilova points out, this is the role of national and international forums where professional contacts are established and new knowledge and experience is gained. They are not merely useful in finding a job, acquiring a desired social position, ensuring higher income, etc. The point of such forums is rather in producing such effects as acquiring a culture of cooperation, the socialization of individuals, social integration and development of a civil society (Stoilova, 2012, pp. 216-218). What is more, as Fr. Fukuyama points out, this process spreads wherever spontaneously or rationally established institutions and norms connect people and thus raise the quality and the

⁸ The term 'network' is a metaphor for organizations and activities which are connected to one another in the social space (e.g. the electronic mail). The relationships among the actors in (members of) social groups are based on the same principle.

⁹ The principle governing human interaction was laconically formulated as far back as the time of Roman Law in the maxim 'Do ut des', i.e. 'I give so that you will give'. The principles governing social interaction are similar to the free, voluntary and equivalent market exchange. In this case, however, reciprocity cannot be delayed. It is not an instance of exchange, but of mutual assistance. In the case of relationships between relatives or friends it may even be an act of altruism.

quantity of social interaction. Hence, social capital increases as a collective value of all networks and people do things for one another (Fukuyama, pp. 36-37) (Pachev, p. 9).

Beside the legal and political order, they are also objectified in reliable administrative behaviour, in perfect justice, in socially responsible mass media. These, too, are social potential which is transformed into capital and their impact on social development is immense. Social actors seek to transfer this type of attitudes in their interaction with government institutions as well. This could be an attempt to improve the environment to common benefit, yet in some cases this might also be an attempt to change 'the rules of the game' so as to obtain some personal benefit and thus impede the function of the state as a fair intermediary.

The formation of social potential is not capital, though. It is only a **necessary condition**. This is confirmed by analysts who point out that **the network itself is not equivalent to social capital**. In this case, the statement that the human capital of the individuals organised within a group through a network is transformed into social capital is true in its most general sense only (Rakadziyska, 2015, pp. 204-205). Rather, only the potential is created. Unless the **necessary condition** is provided (in this case, the materialisation of the function of that potential), it might remain latent. Unless the 'glue' which keeps the group together is used properly, that potential will remain unproductive.

Potential social capital becomes real when it is put into practice, i.e. when it is actually used to create various goods and services; to produce positive economic, social and cultural effects; to generate income and to ensure prosperity. This indicates that the abilities, effort and time which have been used to maintain the efficiency of the network (including by trying to attract external human capital) are not merely costs but investment. It also proves that accumulated social potential materialises into social capital through its productive functions. When performing their functions, network relationships, organisational forms and shared values and norms render the collective potential of a group accessible to the actors (the members of the group) as a specific resource which they could use to obtain support, material welfare, personal development, safety, a social position, etc. This ensures the more efficient performance of the civil society in addition to the benefits it brings to the group and the individuals in that group.

Prof. R. Putnam is right when he claims that **social capital is defined as such through its function**, namely, to assist the individuals within a structure to obtain significant benefits and to coordinate their activities. Hence, it would be wrong to claim that any social relationships in general are capital. It would be appropriate to use the term capital only to refer to **the social interaction of the individuals within a network which may be approached as a long-term collective resource (an instrument, a tool) whose functional productivity contributes to obtaining real economic, social, cultural, moral or political benefits, which are attained based on mutual trust and reciprocity**. Similar to any other form of capital, in order to be efficient, they need to be accompanied by favourable social order (environment) which provides opportunities for making adjustments, taking initiatives, guaranteeing security, protecting rights, defending causes, etc.

This is the essence of the two-stage process of the formation of social capital. Social capital differs from the other forms of capital by its attributes which have been

conscientiously described by researchers and theoreticians. Social capital is intersubjective, collective, informal, intangible and multifunctional. Through network relationships and various forms of cooperation and based on generally accepted values, norms and principles, social capital brings together the participants in one or more social groups in their roles as actors. As Bourdieu noted, social capital is formed slowly but is lost quickly, especially when there is mistrust or lack of reciprocity. Its productive value is primarily in terms of economic, social, cultural, moral and political benefits. During its functional materialisation and when there is return on the effort, the results of social capital are personified on a reciprocal basis – from the donor to the recipient, and, after a certain delay in time, the recipient becomes a donor while the primary donor becomes a recipient. Social capital does not imply any ownership rights, it cannot be subject to expropriation, purchase, sale or import. As a process, i.e. in terms of its formation as a resource, mobilisation, possession and control, social capital is a supra-individual, collective, private-collective good which contributes to mutual trust, cooperation and coordination of activities.

As Fr. Fukuyama points out, the growth of social capital contributes to the normal performance and development of the free civil society in which social actors and their groups and associations are active. Fukuyama also quotes A. de Tocquevill who defines 'the art of voluntary association' for the accomplishment of civil goals as a true 'school for self-government' (Fukuyama, ctp. 37-39).

History has proved that countries with high and sustainable level of mutual trust, solidarity and civil engagement in the social, economic and political life also enjoy more sustainable social order, security and development. In contrast to the Western neoliberal capitalism, R. Putnam points out, the so-called Asian network capitalism seems to be a more successful model with its more flexible industrial zones which are based on cooperation networks between entrepreneurs and employees, as well as on interdepartmental networks for high-tech development. In result, deviations from moral norms are rare and the rate of organised crime rate is low (Putnam, p. 66).

Nevertheless, we should not ignore the fact that the formation and the use of social capital has its 'dark side' as well. Network relationships between social actors do not necessarily indicate what goals they seek to accomplish. The Mafia, Fr. Fukuyama points out, also has a code of ethics which governs their relationships. Yet, the norms of the Mafia and the oligarchy are not socially acceptable models. They have a negative impact on public moral, on state government and on social development. Therefore Fr. Fukuyama claims that people live in a world inhabited by angels and demons. The question then is what is gained by fraud and what is gained in an environment which rewards the 'angels' and punishes the 'demons' (Fukuyama, pp. 186-193).

Conclusion

Clearly, from what we have said so far, the intangible forms of capital not only have their specific attributes, but also serve multiple purposes. This multifunctionality is demonstrated by their ability to transform into **complementary** (i.e. they complement

one another) and **conversive** (i.e. they convert into one another) forms of capital.

Being a crucial factor to social development, human capital is increasingly considered to be **a major organizing and system-forming principle of social life**. Physical, cultural, and social capital are instances of the transformation of human capital into other forms of capital, an expression of its objective nature and hence, its ability to go beyond the physical boundaries of the human being.

Things still have and will continue to have an economic aspect, as they require resources, time, and effort which could be utilized alternatively. In its progress, economy is a response to people's attitude to their needs of material resources, working and living conditions, so that they could 'possess' and be active in any sphere of life. Physical capital thus becomes economic in nature. It is the tangible realization of human capital, a bearer of 'artificial intelligence', of culture and sociality as an object of ownership. At the same time, it absorbs the intellectuality, culture and sociality of human beings and employs them as instruments, thus giving them an economic sense.

Yet, human nature is versatile and transcends all these aspects. Human beings aspire to anything which would make their life complete and provide them with opportunities for self-fulfillment. Prof. G. Danailov is right when he writes that economic activities are very important but they seem to be incomprehensible and chaotic outside the context of other social forces which bind people together and make their relations predictable. He therefore concludes that human personality is the *most valuable asset* (Danailov, 1934, pp. 12, 23).

All human activities are marked by culture. Culture exists through people, but it also affects their way of living, the technologies they employ, the economic, social, moral and political interaction between people. In addition to giving sense and integrity to human activity, culture and morality make it possible for human beings to be more humane. Therefore, culture becomes cultural capital. It is the bearer of civilized human behavior and environment; it is partially subjective as it is incorporated into people and at the same time it is partially objective as it exists through the set of cultural values which promote intellectual and moral refinement. Thus, socio-psychological, economic, social, legal and political relations develop into varieties of culture and become instruments for exercising power.

Everything in society also has a **social** aspect, since human individuals depend on one another and seek recognition. Social relations are the response to people's need to go beyond their own boundaries and rely on reciprocal empathy, solidarity and help. Sociality thus becomes social capital. Hence, similarly to cultural capital, social capital is evidence of 'extending and expanding' human capital. It is complemented by and complements other forms of capital, it is transformed into other forms of capital and so the number and the variety of gained benefits increase. Obviously, each form of capital not only complements the role of the other forms of capital but is also transformed into them. **Thus, while performing their functions, the different forms of capital (human, cultural, social and economic capital) are externalized and objectified through the other forms of capital on the one hand, and, on the other hand, internalize the other forms of capital in themselves.** By going through such transformation, the different forms of capital mutually 'feed' one another, get accumulated and transform into a useful resource, thus raising their efficiency by

reducing costs, saving time, generating higher income and more numerous moral values and interactions, which also ensures the growth of the different forms of capital. Yet, the forms of capital do not promote economic progress only, for they also encourage the social activity of citizens. They are bearers of social culture which reconciles individualism to collectivism and free choice to moral and legal constraints.

Furthermore, they improve the structural organization of societies, facilitate social coordination, innovate social experience, thus lessening the width of life's 'pendulum' and contributing to social cohesion. In result, the quality of people's life is improved and the development of individuals and societies is promoted. We could therefore claim that, in their *complementarity* and *conversiveness*, the different forms of capital are an essential and powerful public mechanism which could be employed to the benefit of all people.

Hence, the very essence of the abstract concept of 'capital' has changed.

The term 'capital' is used to refer to all resources and is relevant to the complex structure in which social life is reproduced. Capital thus contributes to **the psychological, cultural, economic, social, legal and political integrity and completeness of life**: economy – as a manner of rationally and efficiently allocating resources; culture – as a means of refining the human spirit and adding moral values and sense to human life; sociality – as an expression of belonging, of being part of a community and overcoming human insufficiency; the legal and the political environment – as a guarantee of human rights, justice and social peace. This implies that the different forms of capital do not merely describe the structure of a society but are properties of that society as a demonstration of its values, interests, functionality and meaning.

The transformation of capital is an expression of social evolution. Our age has turned the principle of market economy into an essential feature of life. At the same time, that culture has also provoked a reaction in response. **The interpretations of the attributes of social life are going through an inversion. From being qualified primarily through technical and economic terms, social life is increasingly becoming a comprehensive system comprising natural as well as technological and economic attributes.** Social life is going through evolution in which the major qualitative aspect of life is sociality in terms of working and living conditions, in terms of communication and cultural interaction, in terms of the supremacy of law and social justice.

In the long term, international environment in terms of political, economic and cultural conditions and prospects for development is also significant. Within this context, the different forms of capital interact with one another and turn into instruments contributing to the coherent regeneration of life and to the dynamic development and prosperity of individuals and societies.

This is evidenced by their lack. When the standards and rules of social behavior are not observed and there are no legal responses in return, people become less civilized. A deficit of culture, creativity, sociality, justice, morality, trust, and prosperity occurs. A spirit of disintegration and eagerness for change are dominant.

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CONTENTS

Prof. Metody Kanev, D.Sc. (Econ.) The Metamorphoses of Capital and Human Development	3
Prof. Maya Lambovska, D.Sc. – Department of Management, UNWE A Performance Model for Lecturing Teams at Todor Kableshkov University of Transport.....	32
Prof. Wei-Bin Zhang – Ritsumeikan Asia Pacific University, Japan Global Social Status National Spirits of Capitalism, and Economic Development	53
Assoc. Prof. Donka Zhelyazkova, Ph.D. – University of Economics, Varna The Sustainable Development of the Bulgarian Transport System	76
Assoc. Prof. Michal Stojanov, Ph.D. – University of Economics, Varna Low Carbon Footprint Trade	124



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21

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