Section 6. Regional economy

Alhanaqtah Veronika,
Tafila Technical University, Jordan,
PhD in Economics, College of Business
E-mail: alhanaqtah@yandex.ru

Differentiation of Western Asian countries from the standpoint of trust

Abstract: The paper contains the results of the team serial economic research, the purpose of which is configuring Western Asia in different political economy categories: population, capital income, human development, economic globalization, trade, foreign direct investment [7; 11] and others. An objective of the current phase of study is to configure the region of Western Asia from the standpoint of trust as a social capital category.

Key words: institutional economics, social capital, trust, World Values Survey, Trust Index.

Methodology

We begin with ranking the data of all the world economies in ascending order and draw a diagram. Then we place a region of interest, Western Asia, along the spectrum of the other countries in the world. This way we see how our countries are located in the world. Then we describe whether the countries in a chosen region are at the top, middle, bottom or scattered randomly; whether they are similar or clustered, or diverge radically. Finally, we analyze the nature of the data and offer possible explanations for the observed results.

Trust and social capital

The concept of trust has central importance to any analysis of economics, politics or society. This is the “glue” that holds societies together. We use this term to define a relationship between individuals and between social groups. Trust is linked to a wider and more popular concept called *social capital*, devised by political scientists in the late 1990s [4, 470–471]. Social capital has multiple definitions. One is suggested by Prof. Richard T. Griffiths: “social capital covers one’s human interactions plus the range and intensity of one’s network of relationships” [8, 112]. Embedded in social capital is the idea of trust. Additionally, many components of social capital and trust rhetoric have been in an *institutional economics*, which emphasizes the role of institutions, networks and stake holders in shaping economic behavior. While economists of a neoclassical school focus on the triumph of markets and view institutions as impediments, institutional economics focuses on the centrality

of formal and informal institutions and the conditions necessary to make them work, including trust [6].

In 1995 the main proponent of the social capital Robert Putnam published an article called “Bowling alone” [9; 10]. Putnam’s central idea was that participation in civic institutions served as a socialization mechanism which, through repeated reciprocal actions, would lead to the construction of trust and, from there, the creation of good and effective institutions of government [8, 114]. He holds that *personal trust* is directly linked to trust in institutions, i. e. civic organizations, while *interpersonal trust* is linked to generalized trust, i. e. trust in most people. If civic engagement declines it leads to fragmentation of a society, decline of social capital as well as decline in trust. In its turn, this fragmentation of a society poses a threat to democracy and a threat just about everything. Thus, trust is central to the formation of a society.

Measuring trust

Since it is evident that there are different levels of trust in different societies, social scientists decided to measure it. One way is through social psychological experiments (the “trust game” [2; 3; 5], “dropped wallet” experiment [1]). A more standard approach to ascertaining knowledge about trust is asking people. In 1956, a social scientist Maurice Rosenberg devised what has become the standard “trust question” [8, 116]. It goes as follows: “Generally speaking, would you say that most people can be trusted, or you can not be too careful when dealing with other people?” Since 1981 this trust question has been included in the World Values Survey (WVS).

These surveys ask about 1000 respondents in a whole host of countries, a whole series of questions on their attitudes on a whole range of social issues.

There have been 6 waves of this survey. The results of the most recent one were published in April 2014 [12]. This wave is considered as the most successful in the history of the WVS. The 7th wave of the survey is being currently conducted, since 2016 to 2018. Subsequent waves are planned every five years.

Since the beginning, the question we need to ask is whether 1000 respondents can actually say something about the country as a whole? The answer is yes. We get it by sampling. We define a population (a statistical term meaning the entire entity) which is in our case the adult population of a country. Then we randomly pick up a subgroup of a sufficient size. Also, we have to keep in mind that there is always a margin of error (or a confidence level) in the results.

Nowadays, WVS has collated all the results of the trust question into one single Trust Index in which it is subtracted the percentage who answered “you can not to be careful” from the ones who answered “most people can be trusted”, and added the sum to 100. Results above 100 indicate that society is, on balance, trustful. Results below 100 mean that there is a majority urging caution in dealing with others.

Figure 1. Ranking of Western Asian countries by Trust Index

Note: There is no data on Oman, Syria and UAE.

Source: constructed by the author based on data from [12].

Trust results and social science

There is a large body of literature on what determines trust. We can divide it into three mutually incompatible schools of social science with different trust determinants: culture, socialization and confidence.

The most trusting countries in 2014 are Norway, Netherlands, Denmark, Sweden and Finland. Also high on the list are China, Saudi Arabia and Vietnam. On balance, only 11 countries in the world are considered to be trusting.

Trust in Western Asia

Now we are going to configure Western Asia from the standpoint of trust. For this purpose we use Trust Index. If the Index > 100, society is trustful; the Index < 100, a majority urge caution in dealing with others.

The analysis reveals that in terms of trust countries of Western Asia locate quite randomly along the spectrum of the world map of trust [8, 118].

In the regional context the countries of Western Asia diverge radically (Figure 1). The most trustful society in the region is Saudi Arabia, and it is one of the most trustful in the world. Yemen occupies 2nd decile in the top. Surprisingly, suffering in civil war Iraqi society is quite trustful. It is in the 3rd decile on the world map, sharing it with Kuwait. Palestine, Qatar and Israel are in the 5th decile. Georgia is in the 6th decile. Jordan, Lebanon and Azerbaijan are in the 8th decile. Armenia is in 9th decile. Surprisingly, Turkey represents the least trustful society in the region and in the world as well. It is located in the 10th decile, in the bottom, of the world map of trust.

The *cultural* determinant means that trust is deeply culturally rooted. For example, trust levels in immigrant groups reflect those in the home country, rather than the host country, even after several generations. The *socialization* determinant means that trust is a learned

phenomenon during a process of one's socialization. For example, social scientist Robert Putnam cite the evidence of the link between trust and participation in civic society, i. e. institutional membership. The *confidence* determinant means that trust is a learned phenomenon, but not in socialization. The proponents of this school of thought point to the evident relationship between well ordered societies and levels of interpersonal trust.

As concerns Western Asia the observed results could be explained as follows. Firstly, the countries of the higher deciles (Saudi Arabia, Yemen, Kuwait) are relatively homogenous in terms of language, religion and ethnicity. Secondly, they are all societies with strong state control over the media. Lastly, they are all effectively one party states with strong continuity on leadership, and this factor influences the level of trust in the society.

Palestine, Israel and Qatar have lower Trust indexes. Palestine is economically weak and destroyed in conflicts with Israel. Israel's society is not homogenous. Since its formation as a state there were a lot of immigrants from different countries with different cultural backgrounds, language, ethnicity and religion. Qatar was expected to be seen in a higher place, i. e. as a more trustful society. Perhaps, its current position is explained by the high level of labor-immigrants taking benefits from the oil-prosperity. Positions of former-USSR countries (Armenia, Azerbaijan and Georgia) are quite expected because of their economic recession and not strong enough political course. As far as Jordan, more earlier surveys put this country in much higher positions in terms of trust. Perhaps, under the impact of the Syrian refugee crisis, Jordan has seen its trust score change 34 points, i. e. the levels of trust in Jordanian society dramatically decreased. Lebanon could have occupied higher position if there were no recent wars with all the consequences. Additionally, this country is not homogeneous in religious terms.

The implications of trust and further research

Now let's examine casual chain linking homogeneity to trust, to governance and economic progress. It is assumed by social scientists that there is a track leading from homogeneity in a society to levels of trust, from levels of trust to the quality of governance, and from the quality of governance to economic growth and prosperity. There is a hypothesis that the more homogeneous a country in terms of ethno-linguistic and religion fragmentation as well as income equality, the higher is likely to be the level of trust in a society [8, 121] (for example, high income Kuwait and unstable Iraq are in the same top trust decile). Large differences in a society make it more difficult to create bridging capital, i. e. out-group social relations, that decreases a level of trust.

Furthermore, in a high trust society non-group members may act in the belief that they will act in the interest of a society as a whole, which is a factor of a good governance. Logically, good governance should lead to better economic performance. Efficient, predictable and transparent governance create conditions of confidence for citizens. In their turn, citizens will be willing for savings as well as support taxation if they expect certain returns in the future. Investment scenarios by business will be improved, and the extra capital will act as a transmission belt for economic growth and prosperity.

Economic growth allows greater expenditures. Extra levels of public provision, especially in education, also contribute to higher levels of trust. Moreover, knowing that institutions work removes the need for bribery and corruption, which increases levels of interpersonal trust in a society.

Mentioned links are quite logical. The next step of analysis, which is an objective of the following study, is to statistically verify these links with the help of correlation and regression analysis. We will be looking at the casual connections between trust and other social, political and economic variables.

References:

1. Amit Chaudhuri. Sustaining cooperation in laboratory public goods experiments: a selective survey of the literature: *Experimental Economics*, 14, Volume 1, 2011, 47–83.
2. Edward L. Glaeser, David I. Laibson, Jose A. Scheinkman, Christine L. Soutter. Measuring trust: *The Quarterly Journal of Economics*, 115, Volume 3, 2000, 811–846.
3. Joyce Berg, John Dickhaut, Kevin McCabe. Trust, reciprocity and social history: *Games and Economic Behavior*, 10, Volume 1, 1995, 122–142.
4. Michael Woolcock. The Rise and routinization of social capital, 1988–2008: *Annual Review of Political Science*, Volume 13, 2010, 469–487.
5. Noel D. Johnson, Alexandra A. Mislin. Trust games: a meta-analysis: *Journal of Economic Psychology*, 32, Volume 5, 2011, 865–889.

6. Oliver E. Williamson. The new institutional economics: taking stock, looking ahead: *Journal of Economic Literature*, 38, Volume 3, 2000, 595–613.
7. Omar J. Alhanaqtah. Analysis of divergence of Western Asia in terms of economic globalization, trade and foreign direct investment: *Economy and Business*, Volume 10, 2016, 366–374.
8. Richard T. Griffiths. *Configuring the world: a critical political economy approach*. Leiden, 2016.
9. Robert D. Putnam. *Bowling alone. The collapse and revival of American community*, New York, 2000.
10. Robert D. Putnam. Bowling alone: America's declining social capital: *Journal of Democracy*, 6, Volume 1, 1995, 65–78.
11. Veronika V. Alhanaqtah. Configuring Western Asia in terms of population, capital income and human development: a critical political economy approach: *Economy and Business*, Volume 10, 2016, 375–389.
12. World Values Survey database. Mode of access: <http://www.worldvaluessurvey.org/WVSContents.jsp>

*Tukhashvili Mirian,
Professor, Department of Macroeconomics,
Ivane Javakhishvili Tbilisi State University,
Tbilisi, Georgia
E-mail: tuxamiri@yahoo.com*

Socio-economic revitalization problems in the Turkish-Georgian border region

Abstract: The article discusses the study of the problems of economic revitalization, labor market formation and demographic development in the Georgian-Turkish border region. In the period of the Soviet Union the transition from completely closed borders to extremely liberal boundary conditions, the radical development of communication systems in the post-Soviet period has completely changed the perspective of socio-economic development in this border region. In the article there are scientifically grounded ways of socio-economic development of the region.

Keywords: labor market, Georgia, Turkey, migration, border region.

Introduction

The collapse of the Soviet Union and extreme political tension between Russia and Georgia firmly closed the Georgia's open border gate with Russia and the southern firmly closed border gate with Turkey opened. The frontier quarantine region which included five administrative districts of Samtskhe-Javakheti region and four administrative districts of Adjara Autonomous Republic moved to active economic position from the situation of prolonged economic and cultural isolation that opened up great opportunities for development. One of the main factors and basis of this became exemplary political relations between two neighbor countries, the acknowledgment of neighbor country's territorial integrity.

Study Results

The border region with Turkey with its natural and industrial resources is a very complex geographical area which is characterized by vertical zonation, rapidly developing communication system, ethno-demographically mixed population that create many

peculiarities in the development of labor markets in the border region.

Regional labor markets in all three variations are in the interconnected Turkish-Georgian coastal labor markets area and their formation can be viewed separately in case of necessity.

In the concept of socio-economic development of the coastal regions which also includes labor markets, it is imperative to take into consideration external factors of labor market formation: population natural increase and population migration, their impact on the labor markets formed here.

The border region under review consists of ethno-demoregions which in the past had obviously different demographic parameters from the entire population of Georgia, with high fertility and strictly determined directions of population migration.

In the period of the Soviet Union in the quarantine situation it was possible to enter the region freely only in exceptional case and by special temporary pass. Stimula-