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Cognition in the extended market order

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What does a Comparison between Latvia, Lithuania, Kazakhstan and Kyrgyzstan Tell about the Cognition and Institutions as Social Capital in the Extended Market Order?

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Abstract: *This paper considers cognition and institution as social capital. Its starts from the freedom of Economic report. It was noticed that the core tenants of the freedom of Economics are deeply embedded in the core tenants of social capital which also has strong linkages to culture. Culture also relates to the mind of the people and their way of thinking, by setting the framework within which all interaction that take place can be viewed as crucial elements underlying the lives of people in the larger social existence. Quantitative indicators of culture and institutions as social capital were imputed from the World value Survey and was considered in the four countries under consideration, it was noticed that trust among Latvians though may take time but once given, is very strong. This same cannot be said for Lithuania, Kazakhstan and Kyrgyzstan. This can explain to some extent trust in public institution and high rate of economic growth in Latvia than the other countries.*

1. Introduction

One of the foremost authors to use the term social capital in relation to social cohesion and personal investment was Hanifan (1916). In trying to define social capital, Hanifan contrast it with material goods and stated that ‘*I do not refer to real estate, or to personal property or to cold cash, but rather to that in life which tends to make these tangible substances count for most in the daily lives of people, namely, goodwill, fellowship, mutual sympathy and social intercourse among a group of individuals and families who make up a social unit... If he may come into contact with his neighbor there will be an accumulation of social capital, which may immediately satisfy his social needs and which may bear a social potentiality sufficient to the substantial improvement of living conditions in the whole community. The community as a whole will benefit by the cooperation of all its parts, while the individual will find in his associations the advantages of the help, the sympathy, and the fellowship of his neighbors (pp. 130-131).*’ In essence, Hanifan (1916) stressed that while material goods benefits individuals, a true sense of security is deeply embedded in social capital which benefits all persons living in the community. These benefits also extend beyond individual comfort to market transactions where exchanges are conducted based on trust and faithfulness and thus saves time from writing long contracts and all cost associated with it.

Even though Hanifan (1916) introduced the concept, social capital actually became the researchable area of interest after the work of Putnam (1993, 2000). Social Capital has a number of definitions: (Bourdieu 1983, Coleman 1994, Putnam 2000, The World Bank). However, with all these, one observed trend runs through i.e. the connectedness within and between social networks. The core idea shared in these definitions is that that social networks have value. Just as a screwdriver (physical capital) or a college education (human capital) can increase productivity (both individual

and collective), so do social contacts affect the productivity of individuals and groups.

Most authors have broadly outlined the benefits of social capital. Some of these may include promoting societies to prosper economically and for development to be sustainable (World Bank, 1999), help in the facilitation of the creation of human capital (Coleman, 1988), reduces crime, improve upon health of members of the society and increases economic growth (Halpern 2009) and allows members of the society to solve collective problem easily. Others benefits include oiling the wheels that allows communities to progress smoothly (where individuals are trustworthy, business and social transactions are less costly), helping individual to achieve their goals through flow of helpful information (interconnectedness between members in a society is not just enjoying warm fuzzy tales). There is however, other demerits of social capital other researchers have identified. Halpern (2009) noted that individual in a group may have the motivation of working to exclude and subordinate others. Again, this experience of living and relating closely with others in the community can be crippling for most especially people who feel different in some significant way.

There are three types of social capital as identified by Woolcock (2000). These are Bonding Social Capital, Bridging social capital and Linking Social Capital. Bonding social capital refers to ties that exist between individual in similar situation. For instance relations that exist among nuclear family, close friends and neighbours. Bridging Social Capital refers to relations that exist between a more distance ties such as loose friends and workmates. Linking Social Capital also refers to relations between unlike people in different situation. These three distinct categories have one thing underlining concept: Social Capital operate through psychological and biological process (Putnam, 2000). This aspect brings in the idea of cognition. Strong interconnected among members of a society and all its attending benefits cannot be realized without the sensory

order. Generally, cognition refers to a mental process to getting information and understanding through thought, experience, and the senses. It is made up of the activities such as judgment, reasoning, memorizing, taking decisions, understanding, evaluating, and solving problems. Cognition can be conscious (with the attention of the mind) or unconscious (without the attention of the mind), concrete or abstract, intuitive or conceptual.

One of the formal mechanism through which human relations can be forged is institution. In defining Social Capital, Bourdieu (1983) stated that *it is the aggregate of the actual or potential resources, which are linked to possession of a durable network of more or less institutionalized relationships of mutual acquaintance and recognition*. The role of institution is known in the area of governance and sociology. Can institution whether formal or informal be viewed as social capital especially with regards to the market? In isolation these two areas of study – institution and Cognition – has been broadly researched into and major literature exist. However, as a unit very little work has been carried out. Since there is a close link between the two, as one has to exist before the other come into play (mind before relationship) analyzing these two concepts is important. These two can be link up to affect some or all aspects of human lives but what is of interest to this study is how the extended market order and exchanges (transactions) are affected. Can the two (institution and cognition) be view as social capital in market order? The analysis is carried out using two South-East Asian country and two Baltic States. The countries used in the study are Kazakhstan, Kyrgyzstan, Latvia, and Lithuania.

The main objective of the study is to access institution and cognition as social capital in the extended market order and to consider the role of culture in establishing formal institutions.

This study is divided into five parts. Part 1 is the introduction, part 2 gives an overview of the countries used in the study. This has to do with the history of these countries. Part 3 considers the definition of institution and cognition, part 4 considers institution and cognition as social capital and part 5 deals with culture and the quantitative measure of culture

2. Historical Overview

2.1 History of Latvia and Lithuania

This section deals with the history of Latvia and Lithuania simultaneously because of the similarity of their historical background. However, where differences are, mention would be made of the country and difference clearly specified.

Mikhail Gorbachve launched the idea of ‘demokratizatsiya’ because he realized that the necessary economic reforms could not be implemented without public support. Latvia and Lithuania were predestined to play a special role in this process initiated by Gorbachve. This was because of their geographic location to the west and their increasing exposure to Western media. Therefore, when Gorbachev

paved the way for local political activities, a number of political forces were ready to exploit the new opportunities provided. This can be seen in the development of small groups who protested against centralism. Norgaard and Lars (1999) state that citizen of the Baltic states who lived abroad kept the fight of independence in their hearts and thus when the opportunity came, the citizen immediately ceased it. The movement that emerged in the middle of 1980s had a long tragic history. The few patriotic citizens who demonstrated against the soviet powers were imprisoned or deported to other parts of the Soviet Union. The first seeds of independence movement took the form of environment protests where small groups of workers organised protest that was later called the *Helsinki-86*. The Soviet authority responded with the usual threat of incarceration and expulsion and other forms of abuse against such people involved. The protesters still went on to arrange a public demonstration at Riga’s state of Liberty on 14th June 1987. This was in commemoration with the mass expulsion to other parts of the Soviet Union in June 1941. This demonstration sparked off similar ones in other countries like Lithuania. The most notable of these protects was when 3 million Balts citizen (40% of the total population) formed a human chain from Vilnius in the South through to Riga to Tallinn in the north (Norgaard and Lars, 1999)

In Lithuania, people such as technicians and engineers became part of the movement. The fear of the leaders of the communist parties that they will be disconnected from future development made then gave their support to these protests. With these support, the protest movement was able to organize a more established force. In 1988, a Baltic Forum movement were created in each of the two states. The main aim of this group was economic and political independence. In Feb 1990, an election was held and the nationalist came victorious, the Lithuania parliament declared that independence has been restored in 11th March 1990. A strong Moscow reaction came and economic blockade was initiated against Lithuania.

Latvia therefore became more cautions because it has large groups of Soviet immigrants who were far more negative about desire for independence. In 1950, the thaws of Soviet authority ensured that these states could revive some of their cultural and national identities. In Latvia, Soviet emigrant were stopped from entering the country. From these actions, the fight for independence was rejuvenated again. What aided the creation of independence states was the collapse of the Russian and German empires.

2.2 History of Kazakhstan

The Kyrgyz Autonomous Soviet Republic was set up in 1920 and was renamed the Kazakh Autonomous Soviet Socialist Republic in 1925 when the Kazakhs were differentiated officially from the Kyrgyz. The Russian Empire recognized the ethnic difference between the two groups. In the same year, the autonomous republic capital was reincorporated into Russian territory. From 1929 to 1934, during the period when soviet leadership Joseph Stalin was trying to collectivize agriculture. Kazakhstan endured repeated famines because peasants had slaughtered their

livestock in protest against soviet agriculture policy (Conquest, 1987)

Series of protest throughout to June 1990 cause Moscow to declare formally the Sovereignty of the central government over Kazakhstan. This action exacerbated tensions between the republic's two largest ethnic groups and in mid-August 1990, Kazakh and Russian nationalists began to demonstrate frequently around Kazakhstan's parliaments building. An election was therefore held in 1991, and Nazarbayev became the president of an independence state when the leaders of Russia, Ukraine and Belarus signed documents dissolving the Soviet Union. Kazakhstan thus declared independence from the Soviet Political structure completely.

2.3 History of Kyrgyzstan

Soviet powers were established in the region in 1918. In 1926, it became the Kirghiz Autonomous Soviet Socialist Republic. During the 1920s, Kyrgyzstan saw some cultural, educational and social change. Economics and social development was also notable. Many aspects of the Kyrgyz national culture were retained despite suppression of nationalist activity under Joseph Stalin. The ancestral Kyrgyz social structure was dominated by nomadic traditions governing political philosophies and socialization.

The early 1990s brought measurable change to Kyrgyzstan. The Kyrgyzstan Democratic movement had developed into significant political force with support in parliament. Despite these moves towards independence, economic realities worked against separation from the Soviet Union. While much cannot be said of events prior to independence, a lot can be said of event after independence. There were a lot of serious political developments which needed immediate attention.

After independence was gain in all these four countries, they began a major change towards the market system. Institutions and the general thinking of the people (cognition), proved to be an important social capital that the people relied on greatly.

2.4 Institutions Defined

Institutions are rules of behaviour guiding how people act, think and communicate. Institutions are generally defined as the 'rules of the game' or 'humanly-devised constraint that shape human interaction' (OECD 2007). Since human beings live in an uncertain world, they devise institutions to control their environment so as to bring some certainty and to minimise transaction cost. Institutions are divided into two – Informal and Formal institutions.

2.4.1 Informal Institutions

Informal institutions are largely self-enforcing through mechanism of obligation. An example could include simply following the rules, which is in the best interest of individuals who may find themselves in a situation in which everyone is better off through co-operation. Informal institutions also include norms. Generally, informal institutions are not codified but are widely accepted as legitimate and are therefore rules in use rather than just rules

on the books (De Soysa and Jutting, 2006). Informal institutions are thus

- Socially sanctioned norms of behaviour (attitudes, customs, taboos, conventions and traditions)
- Extensions, elaborations and modification of formal rules outside the official framework
- Self-enforcement mechanism of obligation, expectations of reciprocity, internalized norm adherence (standing operating procedures), gossip, shunning, ostracisms, boycotting, shaming, threats and the use of violence.

When it comes to changing informal institutions, one has to acknowledge that this is a tedious process that involves changing power relations and overcoming path dependency. Nevertheless, not all change of informal institution is as difficult to initiate as mentioned above (De Soysa and Jutting, 2006). Government can affect Norms that need changing by outlawing a particular pattern of behaviour but there are also some strong limitations to the role that a government can play in changing informal institutions.

2.4.2 Formal institution

Formal institutions are rules of behaviours guiding how people should act. In other words formal institutions are normally understood as rules encapsulated in formal legal and property right system (De Soysa and Jutting, 2006). Formal institutions are enforced by official entities (courts, judges, police officers, bureaucrats etc). An attempt to describe the rules of just conduct which emerge from the efforts of for example, judges to decide disputes is a classic example. This is because it has provided a model which legislators have tried to emulate. The judge is in this sense an institution (formal) of a spontaneous order. The development of rules often results when 'quarrels' broke out. Persons called to arbitrate may find it important to lucid those rules, which there exist difference of opinion. The reason of articulating these rules is to obtain consent to their application in a particular case. Therefore, although informal institution in the first instance would be established, their perfection will require the deliberate efforts of the formal institution. Indeed rules or laws as we know it today could not have developed fully without the efforts of such entities as courts, judges, police etc. The aim of the formal institution is to prevent as much as possible, the actions of different individuals from interfering with each other. The order that formal institution is expected to maintain is therefore not a peculiar state of things, but the occurrence of a process, which rests on some of the expectations of the acting persons being protected from interference by others (Hayek, 1952)

2.4.3 Cognition

We can understand the development of these institutions if we get a clear insight of what thinking processes goes on in the mind of individuals. This is called cognition. Cognition thus referred to the information processing view of an individual's psychological functions (Hayek, 1952). The meaning is linked to the development of concept, individual minds, groups and organizations. In short, cognition is the 'process of thought' or the 'mental process of knowing'. Hayek describes the process of thought as a neural order of the fibres, and of impulses proceeding in these fibres, which though undoubtedly part of the completed physical order, is

yet a part of it which is not directly known but can only be reconstructed. Through this process, there is a gradual formation of a 'map' reproducing relation between classes of events. This 'map' of the relationships between various kinds of events in the external world, which the linkages will gradually produce in the higher nervous centres, will not only be a very imperfect map, but also a map which is subject to continuous although very gradual change (Hayek). This reinforces the idea that the mind is not essentially a self-enclosed arena of subjectivity, but relates us in certain ways to the environment and especially to other people. Our subjective states relate us to the rest of the world and the general name of that relationship is intentionality. These subjective states include beliefs and desires, intentions and perceptions, as well as love and hates, fears and hopes. Intentionality is the general term for all the various forms by which the mind can be directed at, or be about, or of, objects and states of effects in the world (Searle, 1983). How these processes have evolved and affected the creation of institution is very important. The effects of these cognitive processes on institution and both thereafter becoming a vital social capital are the interest of this essay.

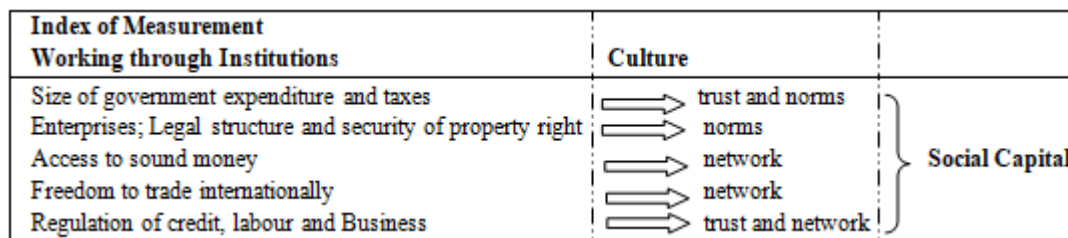
3. Cognition and Institutions as Social Capital

3.1 Culture and Institution as social Capital

According to Putnam (1993), Social Capital is defined as a cultural phenomenon, denoting the extent of civic mindness of members of a society, the existence of social norms promoting collective action and the degree of trust in public institution. In other words it refers to those resources inherent in social relations which facilitate collective action. Social capital resources include trust, norms, and networks of association representing any group which gathers

consistently for a common purpose. The denser the network, the more likely that members of the group will co-operate because networks, foster sturdy norms of generalized reciprocity, facilitate co-ordination and communication and embody past success at collaboration, which can serve as a cultural template for future collaboration. It is from this network that culture is formed. To include cultural practice as social capital that benefits individuals are is not a bad idea. Social capital can refer to anything from individual reasoning (cognition) to institutional network.

The extent to which institutions could be viewed as social capital is when we began to use it to measure economic freedom of individuals living in a society. That is what the index of Economic Freedom measures. The index published in Economic Freedom of the World is defined to measure the consistency of a nation's institutions and policies with economic freedom. The key ingredients of economic freedom are – personal choice, voluntary exchange coordinated by market, freedom to enter and compete in market and protection of persons and their property from aggression by other (Economic Freedom of the World Report 2009). The index measures the degree of economic freedom in five major areas; size of government expenditure and taxes, enterprises; legal structure and security of property right; access to sound money; freedom to trade internationally; and regulation of credit, labour and business. We can therefore say that, the indicators for the measurement of economic freedom, very much hinges on the institutional systems in place because all these aspects of measurements should work through institutions. A simple mapping between the index of measurement and culture and core tenants of institution as social capital can be undertaken as follows:



Source: Author (2018)

Let's quickly analyse the performance of these countries based on the index after which we analyze culture and institution as social capital. A true analysis of the ranking of these countries before and after the communist era will help in far extent to appreciate the working of institution and cognition. According to 1997 index of Economic Freedom, Latvia was ranked 69 and Lithuania ranked 80 while Kazakhstan and Kyrgyzstan had no ranking. In 2007, Lithuania was ranked 35 and Latvia ranked 44. Kazakhstan and Kyrgyzstan was ranked 50 and 71 respectively (Economic Freedom of the World Report, 2009). Weakness in the rule of law was pronounced among several nations that were part of the former soviet bloc, though some of these nations have made strides towards improvement.

The way human being themselves organise their society will determine whether they will be prosperous or not. Some

ways of organizing societies encourage people to innovate, to take risks, to save for the future, to find better ways of doing things, to learn and educate themselves, solve problems of collective action and provide goods. Others do not. The idea that the prosperity of a society depends on its institution and cultural evolution goes back at least to Adam smith discussion of mercantilism and the role of markets. We can think of these institutions as consisting of an inter-related cluster of things. There must be enforcement of prosperity rights for a broad cross-section of society so that all individuals have an incentive to invest, innovate and take part in economic activity. There must also be some degree of equality of opportunity in society including such things as equality before the law so that those with good investment opportunities can take advantage of them. One can also think of other institutions for instance market or even language. How these institutions are trusted to operate under prevailing

norm and how are interconnected to each other is very important for the proper functioning of any society. If the existence of social norms such as property right which promotes collective action evolved from institution, then we could as well say that institutions are vital social capital. It is important to even recognise that where there is collectivism (communist) but institutions are allowed to work in its 'natural' role, for example in the case of China, individuals tend to benefit from any economic gains.

Culture is viewed as a key determinant of the values preferences and beliefs of individuals and societies (Nahapiet and Ghoshal, 1998). At some level, culture can be thought to influence equilibrium outcome for a given set of institutions. Possibly there are multiple equilibrium connected with any set of institution and difference in culture mean that different societies will coordinate on different equilibrium (Lewin, 1947). Alternatively, different cultures generate different sets of beliefs about how people behave and this can alter the set of equilibrium for a given specification of institution. The most famous link between cultural factors is that proposed by Weber (1930) who argued that the origins of industrialization in Western Europe could be traced to the protestant reformation and particularly the rise of Calvinism. The protestant sets of beliefs (hard work) brought the idea of capitalism. Again we realized the working of a network of connection as observed when we defined social capital. The term culture used here is not simply an independent force imposing itself on social institution and individual behaviour, rather is intimately connected to social institutions and individual behaviour. For example police and court system would be incapable of enforcing property right and contracts, if most members of the society did not accept the legitimacy of the institutional rules (Chamlee-Wright, 1997). All the core tenants of social capital such as norms, trust and network are deeply rooted in the explanation of culture. If any of these tenants are taken away, culture will lose its sense of meaning. Chamlee-Wright (1997) states that cultural and economic process do not neatly separate out from one another. Such 'preference' for caution, trust and ethnic identity are not neutral. Rather, the specific cultural context shapes and directs individual's economic choices and market process. Understanding culture as social capital is to understand it in terms of a framework of meaning, an aspect of virtually any causal factor one might identify, not a separate causal factor of its own. Social capital could be placed as culture. We could consider social capital as a cluster of cultural characteristics which create and maintain mutual trust and co-operation within a community or a social group. In this sense social capital is born out of everyday interaction.

In Latvia, restrained behavior, including lowered voices and the avoidance of eye contact, is expected in public places (Granovetter, 1973). Self-control, particularly with regard to anger, is highly valued. Relationships between same-sex friends and family members are characterized by a high degree of intimacy, body contact and the use of affectionate diminutives. Latvians may seem somewhat anti-social to others, but in fact it's simply that Latvians need more time to develop trust and friendship. Once that trust is developed, they tend to be more co-operative in any system or institution. It is not surprising that, Latvia trust their public

institution than any of the four countries used in the study. In Latvia, ethic consciousness is very pronounced, sometimes even predominating over national or religious consciousness. This may explain why Latvia performed better in moral attitude or civic mindedness in table 3 than three rest of the countries and why Latvia also performed better than rest of the countries on the FEW reports. This shows culture and institution as social capital in Latvia.

In kazakhstan, people have a long tradition of peace, tolerance and co-existence. Kin groups are central to the life of almost every Kazakh life. Extended families are large social support networks. The strong bond between family members made it easier for the establishment of civil society groups in Kazakhstan. One major importance of this bond is that it led to the establishment of a traditional means of conflict resolutions which was later implanted into the Kazakhstan constitution with little modifications. The following culture 'institution' existed and still exists

- Khan's Power
- Council of Elders (aksakals)
- Assembly of peoples of Kazakhstan (a constitutional provision established in 1995)
- Court of bii

The art and culture of a nomadic society such as Kazakhstan are more than art and culture in their contemporary meanings. Rather, they are the means that assure preservation of the fabric of the society. This has helped to shape Kazakhstan society and proven the point that culture and institutions are really social capital in Kazakhstan.

Lithuanians are a reserved people with respect for tradition. They generally will not go out of their way to greet someone they do not know; people on public conveyances do not look directly at someone else unless they are friends. Membership in groups helps some people improve their standard of living. Strong social networks and extended relationships with family and friends are an important part of life. Because of this, the family is the centre of the social structure, the obligation to family is a person's first priority and the family forms the basis around which all other parts of life revolve. It is not surprising that business tend to be family concentrated. This style of business ownership might also be a contributing factor to the establishment of many industries in Lithuania during the Soviet era. The culture of very strong family relations proves culture as social capital in Lithuania.

In Kyrgyzstan, traditional occupation for many centuries has been nomadic cattle breeding. Nomads lived in a total harmony with the nature, did not build cities and roads, and did not develop the industry. Scientific and technological progress was almost absent and life does not undergo significant changes over long time. As a result of this way of life, a certain national culture has been formed. Classic Kyrgyz is unhurried and unconcerned and likes to leisurely drink tea, talk about that and this. This norm (culture and informal institution) has affected the working of formal institution a lot and this explains why Kyrgyzstan is lacking behind among the four countries according to the EFW report.

Economic performance depends on personal, cultural and institutional factors, on people's aptitudes, attitude and motivations. Where these are favourable, capital will be generated locally or attracted from abroad. Poverty and prosperity are not usually matter of land but depends on social satisfaction, culture and institutional arrangements (Bauer, 200).

3.2 How culture relates to the minds of the people

Culture plays a crucial role in shaping our mental models, our moral standards, our aesthetic sensibilities and in general the context that give meaning to our lives. Culture is a society's collection of meanings which emerges through social interaction and which allows the individual to interpret (relating to the mind) his/her own circumstance (Hayke, 1952). The interpretive processes result in patterns of behaviour across individuals. Individual does not wholly choose his/her culture. The individual inherits a language, community, values and ethics. While the individual does not choose that cultural influences which shape his/her thinking/perspective she/he has it within her grasp to challenge inherited cultural norms. Learning how to 'read' any particular cultural context is the process which makes use of tacit or inarticulate knowledge (Lavoie and Chamlee-Wright, 2000). Hayek (1948), made this point about knowledge. He point out that individual also make use of inarticulate knowledge, perhaps derived from the experience or map of many years within a particular environment, which enable him to make sense of all the many bits of information available to them. The different experience or map which will thus be formed in different brains will be determined by factors (culture) to each other, but will not be identical.

How knowledge or messages or experience play into individual's everyday reasoning and/or lives – their choices, attitudes, judgments and perceptions is very important. For example how messages and experience about capitalism provided a sort of 'social cement' in Latvia and Lithuania that bonded families to each other. This is because of the multiplicity of meaning that a message might take on because of the different functioning of the brains of individual and/or of groups in similar or different cultural setting. In the process of experience this does not begin with perceptions, but necessarily precedes them: it operates on physiological events and arranges them into a structure or order which becomes the basis of their 'mental' significance; and the distinction between the sensory qualities, in terms of which world, is the result of such pre-sensory experiences. We may express this also by stating that experience is not a function of mind or consciousness, but that mind and consciousness are rather products of experience (Hayek 1952).

Culture as a whole orientation to the world is a way of living that necessarily involves ethical choices. Images and symbolic message we receive and send through culture profoundly shape the way we think. These ways of thinking, by setting the framework within which all interaction will take place can be viewed as crucial elements underlying the quality of our lives in the larger social existence. Suppose we are to relate the way of life to the method of farming in

Kyrgyzstan. We would understand that well if we understand the thought of the people about certain objects like 'horse'. These were very important as a means of transport and even though its services might be needed on the farm, will never be used on it. The thinking of the Kyrgyz man has defined his way of existence.

These objects and images are reflective of culture and help shape the way we make decision. In short, they are the way we interpret our world through cognitive actions.

4. Quantitative Indicators of Culture

Before we proceed with this section, it must be pointed out that the main limitation to this quantitative measurement is the inconsistency of data used. Even though data was from World Value Survey, there were still years where data was available. This made general conclusions very difficult but we still made sense out from the figures available. Leading Eastern European dissidents (Georgy Konrad) have lamented the absence of a fully developed, vibrant civil society in Communist and post-Communist countries. This deficit posed a major obstacle on the path of political and economic transition. All Communist countries had experienced a phase of stark, totalitarian rule; and even after severe repression ended with the Stalinist era, participation in public affairs remained forced and ritualistic. Public institutions were perceived as alien. Distrust in public institutions is thus one of the most pernicious legacies of Communism. In short, Communism seems to have left as legacy the perception that while each individual might profit from 'informal social capital', private returns to civic participation and other forms of "formal social capital" would be low. Despite potentially very high returns to civic mindedness and cooperation during the transition, it would not be easily established – thus providing one possible reason for the disappointing economic performance of many transitions. People therefore tended to retreat from the public sphere into privacy; into the realm of relatives and immediate friends; or into innocuous groups promoting non-controversial cultural and leisure activities. Much has been said about culture as social capital in four economics in the pervious section. In this section, we impute quantitative indicators of culture as social capital and this analysis will be done in the light of the transition from communist system to market system. In the empirical work that follows, we benefit from the availability of data from the 1990, 1995 and 2011 World Values Survey (WVS), which included transition economies to construct measures of moral attitudes, trust and civic participation. The figures given are percentage points out of the number of people interviewed in the country. The key question on trust is as follows: "Would you agree that people can generally be trusted or would you say that you cannot be too careful about other people?"

Table 1: Response to the above question

Country	1990	1995	1997	2011
Latvia	19.0	24.7	23.9	n.a
Lithuania	30.8	21.9	21.3	n.a
Kazakhstan	n.a	16.0	n.a	38.3
Kyrgyzstan	n.a	15.2	n.a	36.3

Source: World Value Survey

Table 1 shows the average score of trust for the four countries in 1990 and 1995. The main findings are that in Latvia, trust was generally low in 1990 than in Lithuania. But these values seem to have tilted slightly towards in favour of Latvia in 1995. Again trusts in anonymous individuals are also relatively low in Kazakhstan and Kyrgyzstan where they seem to have a much more contracted family/clan system. Social network were much stronger in the families/clan but reduces considerable away from the family. The reason for low level of trust especially between anonymous individuals in these four countries is the

nature of Communist rule in all countries. Communism, like all authoritarian governing systems, thrives best when exercised in an environment of great distrust. The institutional mechanisms of distrust abound in communist countries, as in all totalitarian regimes, and consisted of a mixture of ideological indoctrination, cooptation through dependence on the party for one's livelihood, and brute coercion.

Ascribed and process-based trust in transition economies

Table 2: Figures on Ascribed and Process-based trust

Country	1990		1995		2011	
	Reliance on family	Reliance on friends	Reliance on family	Reliance on friends	Reliance on family	Reliance on friends
Latvia	72.52	16.38	68.06	24.29	n.a	n.a
Lithuania	65.31	19.01	73.97	21.89	n.a	n.a
Kazakhstan	n.a	n.a	86.00	21.00	93.2	25.6
Kyrgyzstan	n.a	n.a	n.a	n.a	95.5	17.1

International, cross-country surveys on attitudes and opinions are plagued with numerous difficulties of interpretation. The results presented here should therefore be accepted with some caution. One major conclusion imposes itself nonetheless: in Latvia, individuals forged strong mutual ties at the level of family and close friends, but rarely did they venture out of this well-defined circle in 1990 than in 1995. Thus Latvians trusted anonymous people as they moved towards the market system. But that seems to be a complete opposite in the case of Lithuania. In Kazakhstan, reliance and trust in the family was still strong even under the market system.

government, press, army, legal system, civil service, trade unions, enterprise sector, church and others. Scores range from 1-4, with 4 representing a lot of confidence and 1 no confidence. Space will not allow the researcher to show the table but the average score for the two counties are presented as 2.36 for Latvia and 2.29 for Lithuania. This explains that Latvians tend to trust more anonymous individuals and this is in line with the previous conclusion. Even though values for Kazakhstan and Kyrgyzstan are missing, we could as well conclude that, their value will be much closer to 1 because of the huge mistrust in anonymous people

The World Values Survey asks respondents to rate their degree of confidence in a number of institutions, including

On the moral attitude or civic mindedness, respondents were asked to record the frequency with which they engaged in activities that implied a disregard for the common good.

Table 3: Results of the response to the question above

Country	Avoiding transport fare	Cheating on taxes	Buying stolen goods	Accepting bribes	Average Index 1990	Average Index 1995	Average Index 2011	Altruism
Latvia	6.87	7.42	8.83	9.01	8.81	8.04	n.a	76.86
Lithuania	7.88	7.87	9.20	9.05	8.86	8.50	n.a	77.87
Kazakhstan	n.a	n.a	n.a	n.a	n.a	n.a	3.32	32.00
Kyrgyzstan	n.a	n.a	n.a	n.a	n.a	n.a	3.21	

It seems that compared with citizens in Lithuania, Latvian citizens are more 'civic-minded' than Lithuania citizens. And it is quit logical because the more one has a trust in a system; the more efforts will the person put in to ensure the sustainability of the system. However, when asked about their attitudes towards the needs of others, citizens in Latvia do not seem to differ that much from Lithuanian citizens. Again, we can make an inference from this and apply to Kazakhstan and Kyrgyzstan. We shall expect that values for these countries in all four areas will be relatively higher because of people general mistrust.

5. Conclusion

The study set out to establish the point that cognition and institution are social capital in the extended market order in four countries. Cognition was largely defined by culture in the study. The analysis showed that institution played an important role in the lives of individuals and that there was a

positive association between proper institutional role and economic welfare of individuals. Cognition as defined by culture also formed the foundation for which some formal national institutions were formed as seen in Kazakhstan. Quantitative measures of culture were considered in the last section of the study.

The study recommends that, these elements (cognition and institution) in measuring economic performance and welfare should be considered since its impact on welfare cannot be overlooked. These two elements create a value which is built in social capital that has a greater influence in people. In measuring social capital, these two elements should be considered as major.

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