Altruism, social potential and regional development

*Altruizmus, sociálny potenciál a regionálny rozvoj*

G. KOVEKOVÁ

*Technical University of Košice, Košice, Slovak Republic*

**Abstract:** This paper is devoted to methods for specification of region. We provide examples for the Košice region that is described by the accessible characteristics. Our main objective is to consider broadening of these characteristics for more endogenous factors such as altruism or social capital. We would like to examine these endogenous characteristics within the model of Public Private Partnership also called Common Public Procurement. Furthermore, we analyze the pure and impure altruism in the context of the application of Public Private Partnership. This short study results in the conceptual diagram that shows how the social capital works in general, the description of the diagram gives further important details and allows understanding of the evolved concept.

**Key words:** social capital, altruism, Public Private Partnership, regional development, rural development, less-favoured areas

**INTRODUCTION**

A country is created by the complex of objects, living or not-living elements. Population is a specific part of the country because it is both object and subject at the same time. As an object, it has a passive function, but as a subject, it possesses an active role. This means that people, to a certain extent, interfere with the nature and they have an influence on it. One would say that people are not living in accordance with the nature.

In this paper, we are going to deal with nature and man, who must to choose how (s)he is going to react in the country system.

**SUBJECT**

In this work, we are concentrating on the methods of region specification. We are going to provide examples from the Košice self-governing region that is herewith described via the available characteristics. Our main aim is to reconsider the enhancement of those characteristics by endogenous factors such as altruism or social capital. It is these endogenous characteristics we want to examine within the model of Public Private Partnership (PPP) that is also being labelled as Common Public Procurement.

**METHODOLOGY**

In order to classify the region, we will use the method of points, which we want to extend by two criteria. These two criteria are examined by the survey of materials. By means of their systematisation in the diagram, we deduce the conclusions valid for Public Private Partnership model (PPP). Since we consider making use of this model in
the examined region characteristics of which are studied by the method of points, it is appropriate to evaluate the region from the standpoint of preconditions for the PPP model application, to which among others also social capital and altruism belong.

The implementation of the determined aim required the acquisition of basic data from various sources, mostly the studies of the VUEPP\(^3\), the magazine Agricultural Economics and Statistical Yearbooks etc. We grouped the basic materials into the analytical tables and for the purpose of region classification, we made use of the method of points.

“The basic method of the region specification is the method of points. It enables to calculate the value of criteria in reality mutually uncountable by means of transforming the values of these criteria to a specific number of points” (Matoušková et al., 2000: 74–75).

According to Hrabánková, these criteria are as follows:

1. **Natural:**
   1.1 natural conditions (the area of farmland, percentage of arable land, soil productivity, production region, territorial slope average over 7°)
   1.2 environmental conditions (National Protected Areas, National Trust Estate (in ha, %), Natural Water Accumulation Protected Areas (in ha, %), Hygienic Protection Zones (in ha, %), emission of SO\(_2\) (in ha, %))
   1.3 demographic conditions (average population, structure of population (0–14, productive age, post-productive age), natural population growth, migration rate in years, total migration rate

2. **Social:**
   2.1 socio-territorial conditions [area of the district, structure of settlement (number of categories), population density per sq km, level of infrastructure (number of flat categories), percentage of commuters]
   2.2 socio-economic conditions (unemployment rate, number of job applicants, number of new jobs, possibility to place the applicants, total number of economically active population, share of workers in agriculture in the total economically active population, decrease of workers in agriculture, average salary in agriculture)

3. **Economic:**
   3.1 gross agricultural production in comparable prices in the year 19XX
   3.2 gross agricultural production per 1 ha of farmland
   3.3 gross agricultural production per 1 inhabitant
   3.4 market potential – non-agricultural branches (industry, construction, services) (Hrabánková 1996: 74–75).

Hrabánková as well as Matoušková agree on the points necessary to be determined at the beginning of the region delimitation:

- the purpose of region specification and description,
- appropriate criteria assigned to this purpose,
- particular indicators corresponding to the criteria.

By means of criteria supplement we would adopt the method of points of region classification to the purpose, which is the constitution of PPP.

**RESULTS**

**Proposal of methodology**

The selection of region is determined by the fact, that this region is marginal and backward. It is the area known

<table>
<thead>
<tr>
<th>Table 1. Criteria overview</th>
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</thead>
<tbody>
<tr>
<td><strong>Criterion/Indicator</strong></td>
</tr>
<tr>
<td>Inclusion in mountain area</td>
</tr>
<tr>
<td>Inclusion in less favourable areas</td>
</tr>
<tr>
<td>Gross agricultural production</td>
</tr>
<tr>
<td>Populations – population growth</td>
</tr>
<tr>
<td>Unemployment – (u)</td>
</tr>
<tr>
<td>Wages – real wage index – (i)</td>
</tr>
<tr>
<td>Length of roads – road network density</td>
</tr>
<tr>
<td>Road network density coefficient ((k))</td>
</tr>
</tbody>
</table>

Source: Own elaboration

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\(^{3}\) Research Institute of Agriculture and Food Industry Economics.
for its fertile East-Slovak lowland. Therefore, the examination from the perspective of less favoured areas (LFA) should be included in the specification of the region. We want to assess the possibilities of the region development in relation to agriculture and infrastructure. According to the determined purpose of the region delimitation, we specify the criteria and their indicators as follows in Table 1.

1. The calculation in points is listed in Table 1.
   - criteria evaluating agriculture were assessed by value 3
   - criteria evaluating demography were assessed by value 1
   - criteria evaluating infrastructure were assessed by value 2

2. Marginal number of points is when the region can be classified among marginal and backward ones, i.e. regions with certain socio-economic problems. This number equals to 43 and more points.

3. Thus we can find out how homogeneous is our selected region.

**Examples of characteristics – use of point evaluation or methods of points**

Due to the extend of this paper, we are unable to present the precise data for the LFA, unemployment, infrastructure etc. (the data are available upon request, they were elaborated on the basis of the above mentioned studies of the Research Institute of Agriculture and Food Industry Economics and other sources). After all, we would like to modify them by the means of new characteristics of social capital and altruism.

We have elaborated evaluation in points according to the above-described methodology. The results of the evaluation in points are specified in Table 3. The total of points determines how much backward the region is. The most backward seems to be the district of Sobrance and Košice-surroundings (suburban areas) (51–50 points). A relatively good is the socio-economic situation in Gelnica and Spišská Nová Ves (30–37 points).

**DISCUSSION ON METHODOLOGY**

The already mentioned indicators (Table 1) are currently used. I reconsidered their completion by the criteria of

<table>
<thead>
<tr>
<th>District</th>
<th>Area sq km</th>
<th>Number of settlements</th>
<th>Population</th>
<th>Population density per sq km (to 31. 12. 2001)</th>
<th>Growth of population (%)</th>
<th>Unemployment (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gelnica</td>
<td>584</td>
<td>20</td>
<td>30 332</td>
<td>51</td>
<td>0.53</td>
<td>29.33</td>
</tr>
<tr>
<td>Košice I.</td>
<td>87</td>
<td>1</td>
<td>68 549</td>
<td>756</td>
<td>1.15</td>
<td>15.62</td>
</tr>
<tr>
<td>Košice II</td>
<td>81</td>
<td>1</td>
<td>82 913</td>
<td>1017</td>
<td>4.02</td>
<td>16.54</td>
</tr>
<tr>
<td>Košice III.</td>
<td>18</td>
<td>1</td>
<td>31 797</td>
<td>1787</td>
<td>-0.76</td>
<td>18.87</td>
</tr>
<tr>
<td>Košice IV.</td>
<td>59</td>
<td>1</td>
<td>58 782</td>
<td>1028</td>
<td>-7.91</td>
<td>15.98</td>
</tr>
<tr>
<td>Košice – okolie</td>
<td>1 533</td>
<td>112</td>
<td>105 882</td>
<td>66</td>
<td>6.53</td>
<td>29.52</td>
</tr>
<tr>
<td>Michalovce</td>
<td>1 019</td>
<td>78</td>
<td>109 332</td>
<td>106</td>
<td>1.27</td>
<td>30.17</td>
</tr>
<tr>
<td>Rožňava</td>
<td>1 173</td>
<td>62</td>
<td>61 808</td>
<td>52</td>
<td>-0.03</td>
<td>32.33</td>
</tr>
<tr>
<td>Sobrance</td>
<td>587</td>
<td>47</td>
<td>23 173</td>
<td>152</td>
<td>-4.35</td>
<td>35.08</td>
</tr>
<tr>
<td>Spišská Nová Ves</td>
<td>538</td>
<td>36</td>
<td>92 322</td>
<td>44</td>
<td>5.86</td>
<td>25.7</td>
</tr>
<tr>
<td>Trebišov</td>
<td>1074</td>
<td>82</td>
<td>103 080</td>
<td>94</td>
<td>2.29</td>
<td>32.72</td>
</tr>
<tr>
<td>Košický kraj</td>
<td>6753</td>
<td>438</td>
<td>767 970</td>
<td>113</td>
<td>1.88</td>
<td>25.82</td>
</tr>
<tr>
<td>SR total</td>
<td>49 035</td>
<td>2 883</td>
<td>5 402 547</td>
<td>110</td>
<td>19.12</td>
<td></td>
</tr>
</tbody>
</table>

Source: Profil Košického kraja (2002); www.mesa 10.sk
altruism or social capital as it is suggested in the introduction. Especially in the case of altruism, it is stated that this concept is “difficult to measure” as trust and cooperation are difficult to measure. We do not possess any reliable indicator for its measurement partly because altruism is difficult to be observed. But the game theory is being used very often to observe altruism.

According to sociologic dictionary, the definition of altruism is the following: “moral principle prescribing to inhibit own egoism, un-venal service for neighbour, willingness to offer own interests in favour of others, decent principle according to which the welfare of other and the other her/himself is morally more important than your ‘own I’ and own welfare i.e. real behaviour knowingly or unconsciously based upon those principle or relevant to them” (Maříková et al. 1996: 51, translated).

The encyclopaedia of general psychology mentions altruism as the behaviour that is tending to be social: “It is the behaviour in favour of another person, often joined with own suffering, it is seen either as a part of cooperation, or in case when a high need (reward) can be expected in return for cooperation or you can expect the punishment for not cooperating” (Nakonečný 1997: 337, translated).

The understanding of altruism is different, we can distinguish two poles: “pure altruism, where the actual act of giving improves the welfare of the giver, and impure altruism, where the improved welfare of the recipient is a term in the utility function of the altruist” (Wicinas 2001).

In the given context, we are going to look at what is the sense of the Adam Smith’s utterance: “Because the entrepreneur follows his/her own egoistic interests thus (s)he is producing more altruism than (s)he would have deliberately wanted”. This quotation is shortened and extracted from the context as well as it was done in the book of P. Samuelson. We will quote here the original version that P. Samuelson is quoting from Smith’s Wealth of the Nations.

“Every individual endeavours to employ his capital so that its produce may be of the greatest value. He generally neither intends to promote the public interest, nor knows how much he is promoting it. He intends only his own security, only his own gain. And he is in this led by an invisible hand to promote an end, which was no part of his intention. By pursuing his own interest he frequently promotes that of the society more effectually than he really intends to promote it” (Smith, in: Rankin 1998a).

In order to compare, here follows the original of A. Smith chapter II, book IV in Wealth of the Nations: “As every individual, therefore, endeavours as much as he can both to employ his capital in the support of domestic industry, and so to direct that industry that its produce may be of the greatest value; every individual necessarily labours to render the annual revenue of the society as great as he can. He generally, indeed, neither intends to promote the public interest, nor knows how much he is promoting it. By preferring the support of domestic to that of foreign industry, he intends only his own security, only his own gain. And he is in this led by an invisible hand to promote an end, which was no part of his intention. By pursuing his own interest he frequently promotes that of the society more effectually than he really intends to promote it” (Smith, in: Rankin 1998a).

Source: Own elaboration

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\begin{array}{|c|c|c|c|c|c|c|c|c|c|}
\hline
\text{District} & \text{Slope and area} & \text{Inclusion in LFA} & \text{GAP-land level} & \text{arable level} & \text{Population} & \text{Population growth} & \text{Unemployment} & \text{Wages - realwage index} & \text{Length of roads - road network density} & \text{Road network density km/1000 inhabitants} & \text{Σ number of points (total)} \\
\hline
\text{Gelnica} & 1 & 1 & 1 & 1 & 2 & 2 & 3 & 5 & 1 & 30 & \\
\text{Košice I.} & 2 & 2 & 4 & 2 & 4 & 3 & 4 & 1 & 4 & 43 & \\
\text{Košice II} & 2 & 2 & 4 & 3 & 4 & 3 & 5 & 1 & 46 & \\
\text{Košice III.} & 2 & 2 & 4 & 1 & 4 & 3 & 4 & 1 & 42 & \\
\text{Košice IV.} & 2 & 2 & 4 & 1 & 4 & 3 & 5 & 1 & 44 & \\
\text{Košice-okolie} & 1 & 2 & 4 & 3 & 2 & 4 & 4 & 6 & 50 & \\
\text{Michalovce} & 2 & 3 & 4 & 2 & 1 & 3 & 4 & 4 & 49 & \\
\text{Rožňava} & 1 & 5 & 2 & 1 & 1 & 2 & 3 & 6 & 46 & \\
\text{Sobrance} & 2 & 5 & 3 & 1 & 1 & 1 & 3 & 6 & 51 & \\
\text{Spišská Nová Ves} & 1 & 1 & 3 & 3 & 2 & 3 & 4 & 3 & 37 & \\
\text{Trebišov} & 2 & 2 & 4 & 3 & 1 & 1 & 5 & 5 & 49 & \\
\text{Košice region} & 1 & 1 & 4 & 1 & 2 & 4 & 4 & 4 & 41 & \\
\hline
\end{array}
\]
Rankin points out the omission in quotation of the important author of economic publication – P. Samuelson: “Smith’s (but not Samuelson’s) invisible hand directed individuals to favour the domestic rather than the international economy, even on occasions when the profits to be gained from international trade were higher. He believed that a nation’s development depended on investment in local manufacturing and agriculture taking precedence over the international ‘carrying trade’” (Rankin 1998b, translation of the author).

We believe that A. Smith is pointing out “impure altruism”, which is bringing a benefit for entrepreneurs. There is a certain parallel in nature e.g. the woodpecker and a tree. While the first one is actively eating the worms (egoism), the other is passively cleaned from pests (impure altruism or unconscious, involuntary altruism as an externality). Rankin also acknowledges this when he motivates: “Smith is arguing that the guidance of the invisible hand is an amelioration of the problem of greed rather than an abdication of it” (Rankin 1998b). In other part of the paper, this economist – Rankin, who is working at the Institute of Technology in Auckland, states further Smith’s ideas: “Smith argued that capitalists have a deeper sense of their true self-interest than to greedily follow market signals as the only indicator of self-interest. It is clear from Smith’s three references to the word “society” that the metaphorical hand is guiding capitalists towards their true self-interest; a self-interest which contains a social component that the capitalists may not be fully conscious of” (Rankin 1998b).

As several researches are indicating, altruism is definitely influenced by environment, especially by culture. Jean Ensminger from the University of California has devoted her research to altruism, because she is of the same opinion on the mentioned concept. She adds to the concept that the trust and cooperation are crucial facts for economy to operate. Those endogenous facts are also very important in our research on Public Private Partnership. This is why the conclusions of J. Ensminger’s research are valuable for my work. J. E. had been using the game theory to measure altruism. Furthermore, her results are being compared with the researches carried out in other parts of the world. This gives us the opportunity to assume this (almost fully confirmed) hypothesis: “People living the way of life that has the character of market oriented economy have a greater propensity to altruism than the community of people, who are following the principles of e.g. hunters and gatherers.” (Amazon, New Guinea ...)” (Ensminger 2003, abridged). From that we can also derive the difference of rural and urban areas, where the people apply the Smith’s market principles only to a certain extent.

In my dissertation work on the topic of “The development of frontier regions”, there is the intent to analyse the conditions leading towards the establishment of PPP and the possible impact of PPP in the above mentioned region. Yet, we have found out what are the obstacles when establishing the PPP. Those findings are reflected in the general theoretic framework – scheme of notions – for social networks (as the PPP becomes one network). The scheme of notions (Figure 1) itself in general is why we have focused on social capital of individual (SCI) and social capital of collective (SCC) from the perspective of social network analysis. In this paper, we are trying to examine altruism, which is crucial for providing public goods (such as highways, hospitals, education, waste management etc.), which is supposed to be provided by PPP.

M. Novak in his book “The Spirit of Democratic Capitalism” unifies three systems: economy, polity and culture. Those three systems are joined with one common

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Figure 1. Scheme of notions

Source: Own work

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4 He is concerned about policy and history of economics, he lives in New Zealand
denominator called freedom. For the needs of this paper, I combine these three systems with the approach of Pierre Bourdieu who states that there is a volume of capital. This volume is equal to the sum of three types: social (SC), cultural (CC) and economic capital (EC). This intersection of two approaches is shown in the Figure 1, where we agree on that the regional development means an important change or several and incremental changes that are possible only with social capital – meaning people (or better residents) of the given area who own some social capital.

SC – we understand the sum of real and potential resources that certain person can use by the means of knowing other people. This means that the actors of regional development and above all the central people such as official deputies of a county i.e. the chairmen of the Higher Territorial Units, deputies of the public sector should be initiating the establishment of networks with high quality. This network ought to be able to finish the social changes with success – we can say with “public-profitable” outcome that has an utility for individual citizens.

We can agree upon the fact that the changes are important for the regional development. Particularly such changes that are enabled due to social capital, which we have already defined. I emphasize that social capital of collective has got the strongest share in the social changes of the community. But the community has got individual members, in our case the actors of regional development, who have certain “amount of social capital” and this volume spoils from the institutions to which the actor is an active or passive member.

The last question in the Figure 1 is “WHERE?” The meaning here is: Where can we find the social capital? We can find it when we examine the actor of regional development in her/his social network – network of relationships of the formal as well as the informal character.

We have come to the conclusion that the SC and CC can be researched by the means of inquiring. There are questions to be used:

– typical for Scott, who is quoting the Moreno (“Please specify four of your closest friends” – Scott 2003),
– and questions typical for the game theory (“How would you share this money – 2$ – with your partner?” – Ensinger 2003).

A special stress should be put on “corruption”, also called “pork barrel”’. For public procurement it is a “common” phenomenon and not only in our neighbourhood territories.

FINDINGS

By the means of research, we reached the following conclusions:

– By the means of a detailed questionnaire (for non-standardized interviews) aimed at examination of altruism and confidence in a group of potential partners of PPP, it is possible to represent better the network of suitable partners for well operating PPP.

– The alternative of the questionnaire might be games, which will evaluate their “altruistic” interests.

The problem is the preservation of anonymity of participants.

Thus we would manage to reach a real “blood count” of PPP. We would find out: “three major variables describing the features and type of relations in the social network; reciprocity, intensity and stability. (The degree of reciprocity influences transactional costs of exchange. Stability of a relation is determined by the frequency of contacts of people involved in it (activation of relationship). Family commitments for instance last for the lifetime, another commitments are time-limited. Intensity of a relation means a degree of strength in the relation. Or it is a degree of the relation multiplicity – then the ramifying relations are more intense since having a more diffuse character.)” (Buštíková 1999, translated).

With such a knowledge of conditions of the arising partnership, we know how to influence its weakest subjects so that they do not represent a threat to the common goal – generally regional development.

CONCLUSION

In London, where they have real and positive experiences with PPP, there was a conference on Public Private Partnerships that took place on October 16, 2002. I would like to quote from the speech of the chief secretary to the Treasury at the UK: “…(the named) who, recognising the need to harness the best of the private and public sectors to deliver on our commitment to better public services, have shown a willingness to take up the challenge to use and develop this significant mechanism for delivering high quality investment and improved outcomes for the benefit of users” (OGC 2002).

“…what counts is what works[PPP]. It’s time for everyone to accept that Public-Private Partnerships are here to stay and begin to appreciate the scale of their impact across the country” (OGC 2002).

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7 Pork in fact played such a central a role in 19th century rural life that the word was generally used as a synonym for wealth, and in particular, wealth derived form political graft and corruption. It was not that great a leap, therefore, to apply the image of a pork barrel to legislation aimed at benefiting politician’s own constituents (either figuratively or literally filling their “pork barrels”) and thus ensuring his re-election.
8 “It is possible to make use of the methods proposed by the analysis social networks also in the analysis of the communities in localities, in the survey of the relations among organizations, companies or formal institutions or relations of their significant representatives” Mitchell (1969) [cf. Scott 1991] regards as three most important…” Buštíková L.: The analysis of social networks, in Journal of Sociology 2/35, Prague. 1999.
These words would be nice to be heard spoken by one of our actors of regional development in a few forthcoming years.

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Contact address:

Ing. Gabriela Kolveková, Technická univerzita v Košiciach, Ekonomická fakulta, Némecovej 32, 040 01 Košice, Slovenská Republika
tel.: +421 556 022 286, e-mail: Gabriela.Kolvekova@tuke.sk