ENTREPRENEURSHIP AND SOCIAL CAPITAL IN ROMANIAN VILLAGES*

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Entrepreneurship could be considered for the present Romanian rural communities not only as a social innovation but also as a set of answers to milieu or environmental challenges. The complex relations between entrepreneurship as a social re-invention and social capital are analyzed on the basis of a large sample, representative for the Romanian rural population.

Entrepreneurship as social innovation

Being entrepreneur in an emerging market economy is a social innovation. It means learning a new role that is far from what communism taught the people to be. Learning in an adverse environment a new role - this is the great challenge of the rural entrepreneurs in Romania. The environment of the early 1990 was a deterring one by the economic poverty of the countryside, the decreasing demand on the urban markets due to the general economic decline and the downfall of the agriculture in the transition process from the inefficient agricultural cooperatives to a private farming

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devoid of basic resources for modern agriculture. Poor villages[1], low productive agriculture and a rural labor force with low specific human capital[2] for entrepreneurial decisions are the basic marks of the context of inception of free market economy in the countryside.

How frequent is the entrepreneurial behavior in rural communities? What are its mechanisms of adoption and diffusion? Who are the early adopters of the innovation, what is their economic, social and cultural profile? What are the structural constraints in the diffusion process? What are the factors influencing its diffusion, speed and selectivity? And the list of relevant questions for the topic could continue. For the purposes of this chapter it is enough to focus on the question of the role-played by the social capital in influencing entrepreneurial orientation of the rural population. In order to answer this it is necessary to get a broad picture of the main factors favoring rural entrepreneurial behaviors. Without such a picture it would be impossible to locate the relation that is of interest for this study. The picture is delineated as to be relevant for local community information collected in four community studies that are part of this research project.

The picture of the main factors favoring entrepreneurship will be designed first of all at the national level, by a secondary survey data analysis. One data set, produced by a survey on national representative probabilistic sample[3], will be used.

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[1] Infant mortality rate was of 25.6‰ for rural communes and of 18.5‰ for the urban ones in 1996.

[2] The percentage of rural working population that graduated no more than gymnasium or primary school is of 59% in 1997, compared to 40% for cities.

[3] The data set is given by a survey of the Open Society Foundation, accomplished in 1998 in Romania, in two waves (June and November). A three stage random sample with stratification in the first stage was used. The author of the paper is also the author of the sampling design for OSF survey. The stratification of the country's population is made by crossing 18 cultural areas of the country with 7 types of localities (low developed communes, middle developed communes, developed communes , towns of less than 30 thou., cities of 30-100 thou. inhabitants, cities of 100-200 thou. inhabitants and cities of more than 200 thou inhabit). The number of sampling points by strata is determined by dividing each sub-sample/stratum by a module of 10-15. The total volume of the sample is of 2465 persons.

Milieu challenges and entrepreneurial responses

Entrepreneurship could be considered for the present Romanian rural communities not only as a social innovation but also as a set of answers to milieu or environmental challenges. The most structured challenges are those of uncertainty, poverty, corruption and regional disparities (Table 1).

Table 1. Entrepreneurship from a challenge and response perspective

Environment challenges for business	Hypothetical answers in rural entrepreneurial behavior
UNCERTAINTY. Inflation, small public events with large consequences, difficulties to cope with structural reforms in the conditions of poverty. Poor information on demand, opportunities, legislation. The short life of many firms and the frequent failure in business activities.	Valuation of cautiousness. Being cautious in relations with unknown others. Increase of interpersonal distrust and of risk distrust during the entrepreneurship practice.
UNSTRUCTURED LEGAL ENVIRONMENT FOR BUSINESS. HIGH CORRUPTION	Increase of institutional distrust during the entrepreneurship practice
LOW DEMAND AND POOR RESOURCES. Low urban demand for agricultural products. High rural poverty	Diffuse entrepreneurial behavior. Formal and informal entrepreneurship
HIGH REGIONAL VARIATION OF BUSINESS OPPORTUNITIES	Region as a relevant factor for entrepreneurship. Development regions more important than cultural regions for business

In a highly uncertain social and economic milieu, being cautious in relation with others is a likely life strategy. In situations of societal transition it is not only the public scene with its events and regulations that is changing but also the behavior of people. Many are getting poor and some are getting richer. Adopting new life strategy for survival or for success is part of the general process of building a new society. The behaviors are not so more predictable. Post-communist transition in poor societies is in a way similar to a war situation. The rules of behavior are exceptional. You clearly relay on those that are very close to you (relatives and friends in society) and not so much on strangers. Due to changes in behavior patterns, many former acquaintances move closer to the situation of a stranger that you should consider carefully in interaction. High frequency of failures in business enterprises is a key factor fostering uncertainty and its answer – distrust, cautiousness.

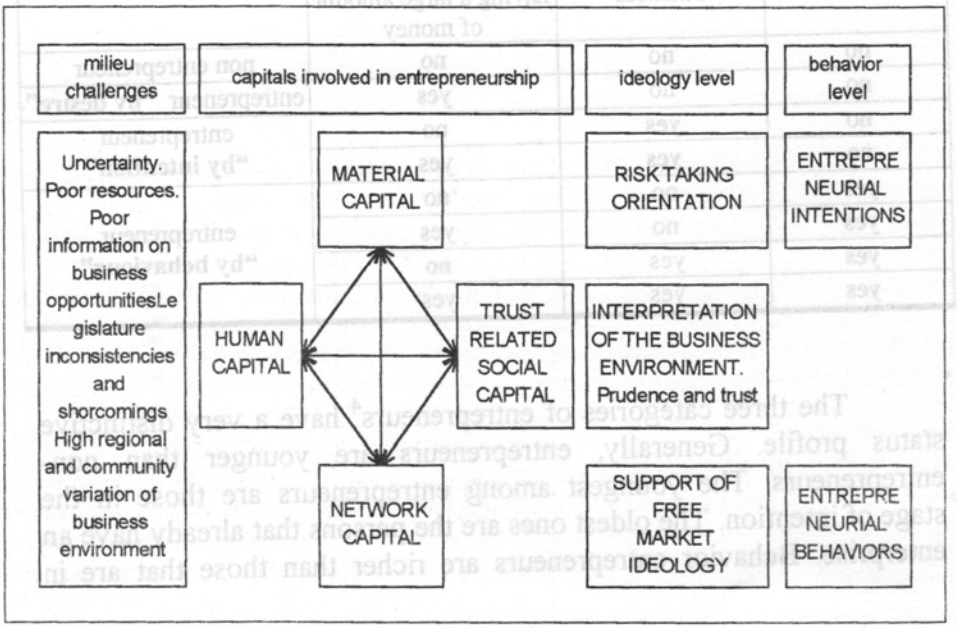
Different forms of capital - human, material, UTILITY relations and trust related - are expected to play a role in the initiation of a business and in its development, in coping with risks and uncertainties. But being entrepreneur is not a simple combination of different forms of capitals. Their main catalyst is expected to be of cultural nature. Risk taking or risk aversion and adoption of market ideologies are expected to act as key variables in the emergence of entrepreneurial behavior (Figure 1).

Under the challenges of milieu uncertainty, risk tolerance and distrust could go together. Distrust is a reaction to a negative definition of the environment. At the personal level, distrust is a negative definition of the social situation. At the community level, by aggregation, its function is to increase the transaction costs and, implicitly to reduce community social capital. Distrust is more a form of survival strategy as opposed to trust as an increase or development strategy. It is for the environment to transform a feeling of initial distrust into a spiral of growing negative definition of the people or to reduce its intensity once the positive signs accumulate during the practice of interaction.

Risk tolerance is a practical way of recognizing that the environment is new and is changing. It is a way of passing from a

latent modernity that existed to some social segments during communism to an active modernity of the capitalism.

Figure 1. Analytical components of entrepreneurial process



Entrepreneurs by desire, intention and behavior

The share of the actual entrepreneurs in the total adult population of the villages is very low, about 4%. The entrepreneurial orientation of rural population is not limited to this small share. It also includes the segment of the population expressing an intention to open an enterprise or that would desire at least having one. "Intention" and "desire" entrepreneurs (Table 2 **Table 2**) account for as much as 20% of the adult rural population.

Table 2. Operational definition of entrepreneurial types

Entrepreneurial behaviour			Type of entrepreneurs
has a private business	intends to open a business	would open a business having a large amount of money	
no	no	no	non entrepreneur
no	no	**yes**	entrepreneur **"by desire"**
no	**yes**	no	entrepreneur **"by intention"**
no	**yes**	yes	
yes	no	no	entrepreneur **"by behaviour"**
yes	no	yes	
yes	yes	no	
yes	yes	yes	

The three categories of entrepreneurs[4] have a very distinctive status profile. Generally, entrepreneurs are younger than non-entrepreneurs. The youngest among entrepreneurs are those in the stage of intention. The oldest ones are the persons that already have an enterprise. Behavior entrepreneurs are richer than those that are in

[4] For desire and intention rural entrepreneurs a percentage of about 2%-4% saying that they had an enterprise that is no more in place was recorded. In some cases this is a sign of the failure of entrepreneurial actions. In some others it is nothing else than a pure movement of the private enterprises between the legal and illegal status. One of the strategies of these units to avoid taxation is to declare interruption of activity, change of activity objectives. Impossible to say if the declared failure was a real one. For the behavior entrepreneurs the percentage of those saying that they had an enterprise before, which is no more in place now, is of 33%. The gap between behavior vs. desire and intention entrepreneurs from the point of view of experienced entrepreneurship is supportive for the idea that the behavior entrepreneurs are representative of the first wave of innovators adopting this type of life strategy. It is clear that intention and desire entrepreneurs did not experience this form of economic organization to a significant degree. They are very likely late adopters compared to behavior entrepreneurs that could be labeled as early beginners.

intention stage[5]. They are recruited, to a large degree, from former managers of the communist times and from the segment of present time managers.

Table 3. Intention to open a business by type of residence

Entrepreneurial type	Rural	Urban	Total
Non entrepreneur	73,9	56,5	64,3
Entrepreneur by desire	9,9	13,1	11,7
Entrepreneur by intention	11,8	22,7	17,8
Entrepreneur by behavior	4,4	7,7	6,2
Total %	100	100	100
N	1103	1355	2458

Source: Public opinion barometer of OSF, 1998

The whole set of data from table 3 suggests the image of a process in which the early adopters of entrepreneurship have been, to a large degree, former and present time managers. This is consistent with the general perception that at the roots of the process was the conversion of UTILITY of social relations got during communism into the material capital of private enterprises of the present emerging capitalism. In the same segment of entrepreneurship early adopters there is also a large

[5] A first analysis of the entrepreneurship orientation using the data from the first wave of OSF 1998 was developed by Sebastian Lazaroiu in I.Berevoescu, D.Chiribuca, M. Comsa, N.Grigorescu, A.Lazaroiu, S.Lazaroiu, M.Pana, L. Pop, S.M. Stanculescu, *Visions on Change: Romanians and the Transition Challenges*, Bucuresti: Nemira, 1999, (in Romanian), chapter 2.5. S. Lazaroiu is interested in the variation of entrepreneurship at the national level, without differentiation between urban and rural communities. He distinguishes only two categories of entrepreneurs from the point of view of risk taking. Our typology is designed on the basis of a different hypothesis, namely that desire, intention and accomplished behaviors are relevant stages in adopting the entrepreneurship as a social innovation. Even if the data and the approaches are different, some of the conclusions of both analysis are common. He identifies as relevant predictors of entrepreneurship age, individual modernity and Scope of useful RELATIONS. Low interpersonal and institutional trust of entrepreneurs is also noticed in both analyses.

share of persons with larger plots of land. Theoretically, the larger area of land owned by entrepreneurs could be considered also as a consequence of enrichment. Both aspects have been, very likely, in place: entrepreneurs had larger holdings from the beginning of their career and extension of ownership during their career as entrepreneurs.

Behavior entrepreneurs are coming from rather well off households, with a rather large number of adult members. A greater number of adult members in the condition of old age families indicate the fact that the first rural entrepreneurs emerged from rural families that have been less affected by out-migration. In terms of specialty, the "pioneers" of rural entrepreneurship have been produced with greater intensity from the segment of agricultural specialists and economically trained people.

Table 4. Status profile of rural entrepreneurs

	Non-entre-preneurs	Types of entrepreneurs		
		by desire	by intention	by behavior
Mean age	51,93	39,56	36,27	42,53
Percent of man	44	56	62	61
Education score (mean on a scale of 1 to 7)	3,25	4,41	4,33	4,41
Mean score of durable GOODS index	0,58	1,27	1,19	1,37
Percent having private car	17	43	38	63
Mean area of own land (ha)	2,17	2,22	2,23	2,88
Index of LIVESTOCK (mean)	2,33	4,48	2,90	2,89
Index of education stock at the household level EDSTOCK (mean)	5,58	7,35	6,14	6,66
Number of adult persons in the household	2,70	3,09	3,12	3,22
Percent of persons that have been managers* during communism	9	17	15	27
Percent of persons that are managers* now	2	10	08	31

* Have at least three persons as subordinates.

Source: Public opinion barometer of OSF, 1998

Former agricultural engineers, technicians and economists of the agricultural cooperatives or enterprises have been among the first to engage in the new wave of entrepreneurship (Table 5). The second and third pool of their recruitment was more heterogeneous. The more recent the wave of entrepreneurship, the more heterogeneous its social sources.

The status profile of the three types of entrepreneurs is suggestive for the profile of the process of entrepreneurship diffusion. The behavior entrepreneurs signify the first wave. Intention and desire entrepreneurs could be considered as possible signs for the second and third wave of the process. The second and third waves will be no more those of the former or actual leaders. Non-managers will be more and more present on the scene of economic private development of the countryside. The third wave will be, very likely, dominated by people with no specialty, relying to a large degree on livestock agriculture as primary source for entrepreneurship. They are those that accumulated goods and other resources to be in the position to get into business.

Table 5. Entrepreneurs by specialty of last graduation

Specialty of last graduation	Non-entrepreneurs	Entrepreneurs			Total	
		by desire	by intention	by behavior	Row %	Count
none	$88,6^{+}$	$4,5^{-}$	$4,9^{-}$	$2,1^{-}$	100	533
technique	$58,5^{-}$	$16,3^{+}$	$19,8^{+}$	5,4	100	258
agricultural	69,7	6,6	14;5	$9,2^{+}$	100	76
economic	$48,9^{-}$	$21,3^{+}$	17,0	$12,8^{+}$	100	47
other	$61,4^{-}$	$14,8^{+}$	$18,0^{+}$	5,8	100	189
total	73,9	9,9	11,8	4,4	100	1103

Source: Public opinion barometer of OSF, 1998

For each of the cell of the table have been computed adjusted standardized residuals, as standardized difference between expected and observed counts. The + /-signs indicate a cell of significant

positive/negative association between column and row values for p=0.05. Example of how to interpret the cells: 12.8% out of the people that graduated economic schools, of medium or high level, are entrepreneurs by behavior. The association between being entrepreneur and economic graduation is significant for p=0.05.

Entrepreneurship and trust

Behavior entrepreneurs of rural communities are among the most distrustful persons. They do believe much less than other categories of population, in the fairness of other persons and in order institutions (police, law, army, Romanian secret service). Their ethnic tolerance and the trust in different status groups (journalists, managers, intellectuals) are among the highest. It is as if the entrepreneurs are saying – it is OK with groups that are different from ours. We do not like too much to interact with state institutions and individuals that are different". How to explain this gap between interpersonal and institutional trust vs. trust in ethnic or non-ethnic groups? Very likely, by the patterns of interactions related to their work. Order institutions that represent the state have a negative image in the minds of entrepreneurs.

Entrepreneurs interact with state institutions more than the other people for getting started the business and for running it. A time consuming and frequently corrupted bureaucracy leads easily to dissatisfaction and distrust. It is very significant the fact that about two thirds of rural entrepreneurs had in their families business that have been stopped. For desire and intention entrepreneurs the corresponding percentage is under 21%. The reasons of closing a business could be related to the market per se, the institutional context of the business, the transaction costs associated with circulation of inputs and outputs, the human quality of the partners etc.

Table 6. Trust indices by types of entrepreneurs and residence

	Indices of trust in				
	Other persons INTER-PERS	Status groups INTER-GROUP	Ethnic groups ETHNIC	Normative order institutions ORDER	Political dependent institutions POLITICAL
Rural sub-sample	-54	-4	-28	1	-23
Non-entrepreneurs	-50	-5	-29	3	-22
Entrepreneurs by desire	-61	2	-24	-3	-23
Entrepreneurs by intention	-66	-7	-31	-4	-28
Entrepreneurs by behavior	-73	0	-17	-13	-26
Urban sub-sample	-61	-5	-21	-13	-30
Non-entrepreneurs	-59	-7	-23	-11	-31
Entrepreneurs by desire	-63	1	-15	-9	-16
Entrepreneurs by intention	-67	-6	-21	-17	-36
Entrepreneurs by behavior	-61	7	-17	-23	-37
	-58	-5	-24	-7	-27

Source: Public opinion barometer of OSF, 1998

Negative values indicate distrust. All the indices vary between – 100 (maximum distrust) to 100 (maximum trust). Each figure is a mean for the persons of the reference group.

How is social capital really structured?

Social capital is an umbrella concept. It is like a building inhabited by several concept families. The rooms of the building (i.e. the dimensions of the concept) sometimes communicate, sometimes not. As seen from the outside, the building is similar in villages and in cities. When you look closer, from the inside, is the similarity image still valid? Is the social capital structured in the same way in villages and in cities? Who are, in analogy terms, the dwellers of the social capital building? Strictly speaking they are not persons. They are a kind of alien beings built up by relations. The inhabitants of social capital building are

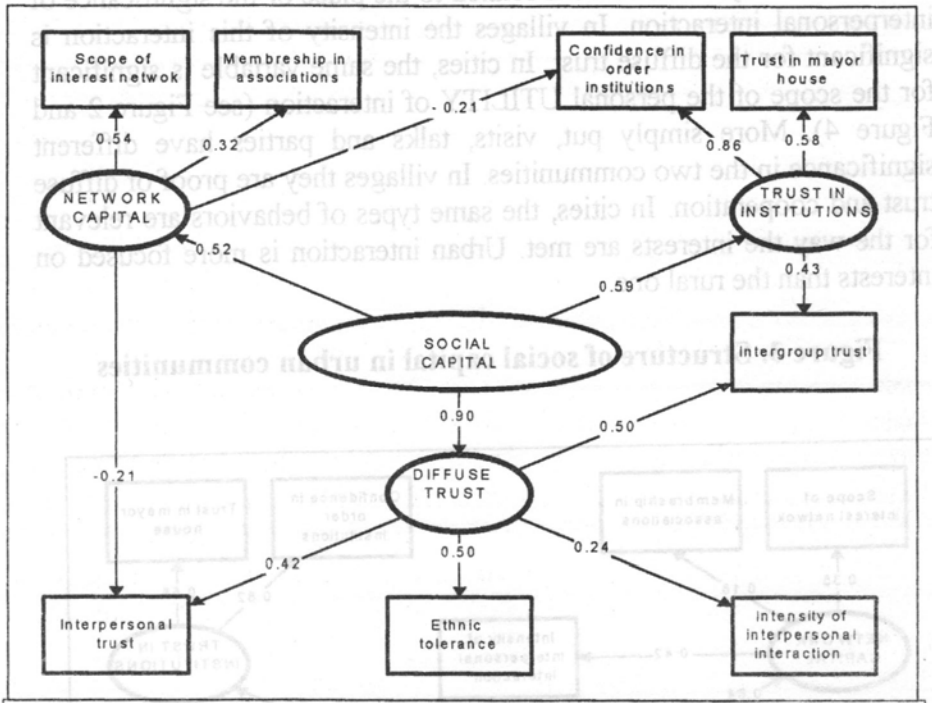
relations – among persons, among institutions or among persons and institutions. Survey data used for this chapter could speak only of some rooms of the building, namely those occupied by person to person or person to institutions or person to group relations. They cannot talk about institution to institution relations. Even the relations among persons or of the type person-institution are not fully visible by survey data. Here we get simply the narrative of the people about these relations not an objective image of them.

At least three "concept occupiers" inhabit the rural house of the social capital: institution trust, diffuse trust and interest UTILITIES or ties (Figure 2). Diffuse trust is the most important component of the social capital. This kind of trust is manifested especially by interpersonal trust, ethnic tolerance and interpersonal interactions for visits, discussions and parties. Ethnic tolerance seems to be the most important indicator of diffuse trust. If you trust ethnic minorities you are inclined to trust other persons generally and to interact more frequently with them by visits, talks or parties.

Trust in institutions is measured with the available data by trust in army, police, courts and secret service (labeled as order institutions), trust in mayor house and in some categories of institution actors (journalists, intellectuals and managers). The UTILITY is considered to be higher if the person is member in several associations and has a larger scope of relations for solving problems related to health, law, police, administration, banks and finding a job.

Rural social capital seems to be fractured in relation with interpersonal trust and confidence in order institutions. Interpersonal trust is associated positively with diffuse trust but negatively with UTILITY. The persons of high UTILITY in rural communities tend to be distrustful. Similarly, they have a low confidence in the majority of state institutions at the central level. The people of this category interact more than other categories of population with state institutions. In the context of a bad functioning of this formal frame of society organization, their distrust in institutions is a rather normal reaction. The finding is entirely consistent with the record of low interpersonal and institutional trust of rural entrepreneurs (Table 6).

Figure 2. Structure of social capital in rural communities



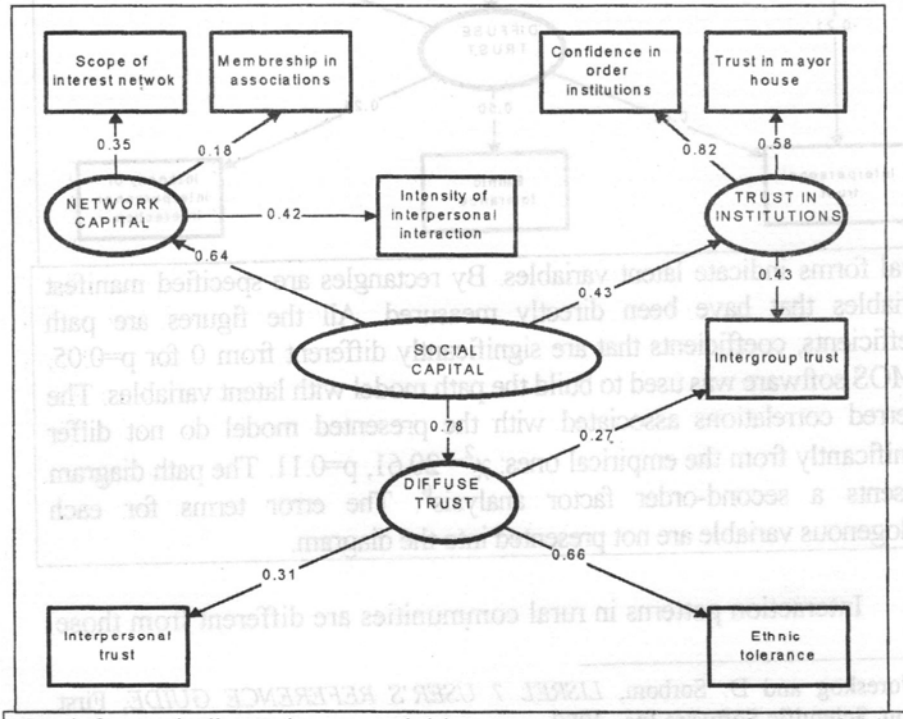
Oval forms indicate latent variables. By rectangles are specified manifest variables that have been directly measured. All the figures are path coefficients, coefficients that are significantly different from 0 for p=0.05. AMOS software was used to build the path model with latent variables. The inferred correlations associated with the presented model do not differ significantly from the empirical ones: χ^2= 20.61, p=0.11. The path diagram presents a second-order factor analysis[6]. The error terms for each endogenous variable are not presented into the diagram.

Interaction patterns in rural communities are different from those

[6] K.Joreskog and D. Sorbom, *LISREL 7 USER'S REFERENCE GUIDE*, First Edition, Scientific Software Inc., 1989.

in cities. As a consequence it is expected to have a different structure of social capital in the two types of communities. The findings support such a view. One major difference is related to the place or the significance of interpersonal interaction. In villages the intensity of this interaction is significant for the diffuse trust. In cities, the same variable is significant for the scope of the personal UTILITY of interaction (see Figure 2 and Figure 4). More simply put, visits, talks and parties have different significance in the two communities. In villages they are proof of diffuse trust and cooperation. In cities, the same types of behaviors are relevant for the way the interests are met. Urban interaction is more focused on interests than the rural one.

Figure 3. Structure of social capital in urban communities



Oval forms indicate latent variables. By rectangles manifest variables that have been directly measured are specified. All the figures are path

coefficients that are significantly different from 0 for p=0.05. AMOS software was used to build the path model with latent variables. The inferred correlation associated with the presented model do not differ significantly from the empirical ones: χ^2=18.20, p=0.15. Three covariations that are not figured are allowed in the model, namely those between the error variables associated with: interest UTILITY relations-inter-group trust, association membership-interpersonal trust, trust in order institutions – UTILITY relations.

The urban social capital is less fractured than in the case of villages. For city dwellers the interpersonal trust does not relate negatively any more to the UTILITY social capital. Similarly, the institution trust is not negatively related to the intensity of the UTILITY relations as in the case of village population.

What are the roots of social capital?

Social capital is status, value, residence and region rooted. The configuration of the roots is different function of the type of social capital. Even if one considers a large array of possible conditioning factors, the explained variation of trust (Table 7, Table A2) is very low which means that it has deep cultural roots that are difficult to identify. The few predictors that are measurable and significant are to be considered carefully, as they could be a useful basis for understanding the phenomena of social capital.

Education tends to show up as a predictor that is inversely related to trust indicators for interpersonal and institution interaction, in the case of rural communities. Higher educated people of the villages have a larger scope of interest relations but are more distrustful. Trust in institutions is particularly low for more educated people in the countryside. Ethnic tolerance does not show up to be higher for rural people that are more educated. But the relation holds for urban educated people: they are more tolerant to other ethnic groups.

Table 7. Predictors of trust variables for people in rural communities

Predictors	Dependent variable in multiple regression models				
	Trust in ORDER institutions	Trust in MAYOR house	INTERPERSonal trust	ETHNIC tolerance	INTER-GROUP trust
AGE	(-0.00)	0.11	0.07	0.07	0.13
Education	-0.13	-0.08	-0.08	(0.04)	(0.05)
MAN (1 yes, 0 no)	(0.04)	(0.03)	(0.00)	(0.03)	(-0.02)
Durable GOODS	(-0.04)	(0.00)	(-0.04)	(-0.05)	(0.03)
County development COUNTDEV	-0.09	(-0.06)	(-0.02)	0.06	(-0.02)
Risk aversion RISCAV	0.10	0.08	(-0.02)	(0.01)	(-0.02)
Satisfaction with its own income	0.11	0.10	(0.05)	0.07	0.11
Location in central or west regions of the country CENTWEST	0.09	0.08	0.07	0.23	(0.05)
R^2	0.05	0.04	0.02	0.08	0.03
Average	0.94	0.59	-54.25	-28.09	-4.39
Standard deviation	45.45	66.01	53.34	36.12	41.64

Source of primary data: Public opinion barometer of OSF, 1998. Volume of rural sub-sample N =1103. All the path coefficients that are not included into () are significant for p=0.05.

Subjective well being of the countryside people is more relevant for trust attitudes than the objective well being. Having a higher self defined material status is favorable for more trust in institutions, for ethnic tolerance and for trust in different groups that are institution actors (journalists, intellectuals, managers).

Ethnic tolerance that is one of the key indicators of the diffuse social capital in rural and urban communities is mainly explained by regional factors, by regional culture and development. Location of the person in central and western areas of the country (Transilvania, Banat and Crisana-Maramures) is a factor favoring ethnic tolerance (Table A3).

It is especially in rural areas that regional location counts for tolerance. Rural population in counties that are more developed and in communes that are more heterogeneous from the ethnic and religious point of view are more tolerant to other ethnic groups. Lack of tolerance or low levels of it are specific to low developed areas of homogeneous population located in the Eastern and Southern parts of the country.

Among the status variables, subjective well being is one of the most relevant for ethnic trust. Being well off by your own definition is favorable to ethnic tolerance in rural and urban communities. Objective possessions does not count significantly. Education is not linearly related to ethnic trust. University educated people in cities and in the countryside are more tolerant. In villages, low educated people are also more tolerant. Middle level educated people in villages are among the most intolerant (Table A 4).

Risk aversion is negatively related to ethnic tolerance only for urban population. The higher the propensity to accept the risk the higher the ethnic tolerance. Low risk aversion is a basic characteristic of individual modernity[7]. As this predictor is significantly present only in the case of urban population one could formulate the hypothesis that ethnic tolerance is closer relate to modernity culture in cities than in villages. Rural tolerance and, generally, the diffuse social capital is more dependent on personal status than on personal culture which is independent of the status.

The density of social relations in which the person is involved has a direct utility component (UTILITY index) given by the number of possible useful connections to solve practical problems and a potential utility face associated with the frequency of INTERPERSONAL interactions. Utility relations are denser for higher educated people of rich material possession, located in the central and western parts of the country and having leadership experience before 1989 (Table 8). Culturally speaking, these persons are risk takers, open to new experiences and

[7] Openness to new experiences was proved to be a key marker of the individual modernity syndrome, Alex Inkeles "Making Men Modern: On the Causes and Consequences of Individual Change in Six Developing Countries", in Alex Inkeles, Masamichi Sasaki (eds.) *Comparing Nations and Cultures. readings in a Cross-Disciplinary Perspective*, Prentice Hall, 1996, p.572.

practice a high exposure to mass media. This is the profile of well-connected people, no matter if they are located in cities or in villages.

Table 8. Predictors of social network variables

Predictors	Dependent variable – density of UTILITY relations		Dependent variable – intensity of INTER-PERSONAL interactions	
	rural	urban	rural	urban
AGE	(0.04)	-0.12	(-0.04)	-0.12
MAN (1 yes, 0 no)	-0.06	(-0.02)	(0.04)	(-0.01)
Durable GOODS	0.15	0.16	0.08	(-0.01)
Risk aversion RISCAV	-0.06	-0.08	(0.03)	(-0.03)
Location in central or west regions of the country	0.08	0.08	0.06	(0.01)
Education	0.19	0.19	-0.08	(-0.04)
CHIEF during communism (1 yes, 0 no)	0.09	0.05	(-0.01)	(-0.03)
Subjective HEALTH	0.07	(0.03)	(0.05)	(0.06)
MEDIA consumption	0.14	0.06	0.11	0.10
RELATIVES oriented	(-0.05)	(-0.04)	0.13	0.09
R^2	0.21	0.18	0.05	0.04

Source of primary data: Public opinion barometer of OSF, 1998. All the path or standardized regression coefficients that are not included into () are significant for p=0.05.

Some residence markers are to be mentioned. In cities, people of good connections are younger. In villages, surprisingly enough, they are females. The finding is valid only in the hypothetical conditions of controlling for other status variables, especially for education. Up to high-school level, the male and female involvement in utility networks is quite the same. At this level of education, the females are more involved in utility relations than men. On a scale from 0 to 6, the average utility index is 3.5 for rural females versus 2.6 for rural males. The second component of the networks involvement – intensity of INTERPERSONAL interactions – has a different causal profile. In the countryside, the persons that are the most active in visits, discussions and gathering parties are rather rich persons of low

education, located in the central-western regions of the country. Relatives mainly constitute their network. For city dwellers, the intensity of interpersonal interactions is mainly conditioned by the strengths of ties with the relatives.

Which are the roots of entrepreneurship?

Entrepreneurial orientation is higher for young persons that are rich in useful relations and material capital. Education per se is not a favoring factor of entrepreneurship. What matters is the "personal relative to family[8] education". Personal education could be higher, equal or lower to the score for education stock of the family. A kind of education inconsistency at the family level is favorable to entrepreneurial orientation in the case of young male persons having a higher education status than the rest of other family members. From this point of view one can consider that being better educated than the rest of family members is a challenging situation favoring entrepreneurial orientation. Entrepreneurs do not tend to be the most educated persons in community but the most educated persons in families of relatively low education. UTILITY relations are also a key variable favoring entrepreneurial orientation. Its role seems to be higher in villages than in urban communities.

Geographic location does not seem to be a relevant factor for entrepreneurship once one controls for age, education, social network and risk aversion. This is a significant difference in comparing explanatory factors for social capital and for entrepreneurship. Social capital is strongly rooted in geographical location. Entrepreneurship does not dependent so much on regional culture that is independent of status variables.

As expected, urban and rural entrepreneurs are risk takers, open to new experiences and supporters of privatization ideology. Rural entrepreneurs, more than the urban ones, have a high potential of civic action, declaring themselves ready to protest in public spaces if necessary.

The above mentioned factors are favoring entrepreneurship in

[8] A household could include several families. As the share of multi-family households is very low in Romania (92% of the family households are formed by only one nucleus family, in accordance with 1992 census data), we used here " family" and "household" as interchangeable terms.

different configurations for different types of entrepreneurship (Table 10). Behavior entrepreneurs are especially rich in relative education, network and material capital. Ideologically they are pro-privatization oriented. Intention entrepreneurs, those that are decided to open a business, have the most specified causal profile. They are young men, rich in material and social relations, with a low risk aversion and high ability of being active in public spaces. Desire entrepreneurs have the most diffuse profile. They are young people of good material condition, supporting the ideology of privatization.

Table 9. Predictors of entrepreneurial orientation

Predictors	Rural sample		Urban sample	
	unstandardized regression coefficients	standardized regression coefficients	unstandardized regression coefficients	standardized regression coefficients
Constant term	(0.22)	*	0.78	*
AGE	-0.01	-0.15	-0.01	-0.24
MAN (1 yes, 0 no)	0.18	0.11	0.19	0.09
Education	(0.01)	(0.01)	(-0.01)	(-0.01)
Personal relative to family education EDRELATIV	0.17	0.08	0.20	0.08
Durable GOODS	0.15	0.15	0.14	0.13
UTILITY Density of useful relations	0.08	0.15	0.05	0.10
Location in central or west regions of the country	(0.04)	(0.02)	(0.07)	(0.03)
Would PROTEST in public spaces if necessary	0.04	0.06	(0.02)	(0.02)
Risk aversion RISCAV	-0.10	-0.10	-0.10	-0.09
PROPRIV in favor of privatization	0.09	0.11	0.08	0.08
R^2	0.23		0.18	
Number of cases	1083	1083	1347	1347

Source of primary data: Public opinion barometer of OSF, 1998. All the coefficients that are not included into () are significant for p=0.05.

It seems that desire entrepreneurs are mainly relatively well off persons supporting the ideology of privatization. They do not have a very specific status profile. They differ from the other two types of entrepreneurs by not having serious social relations able to help them to develop the business. Culturally speaking, the highest profile from the cultural point of view is that of intention entrepreneurs. It is only in their case that risk aversion is particularly low.

Table 10. Factors favoring (+) or deterring (-) entrepreneurial behaviors

	Behavior entrepreneurs	Intention entrepreneurs	Desire entrepreneurs
AGE	0	-	-
MAN (1 yes, 0 no)	0	+	0
Education	0	0	0
Personal relative to family education EDRELATIV	+	0	0
Durable GOODS	+	+	+
UTILITY Density of useful relations	+	+	
Location in central or western regions of the country	0	0	0
Would PROTEST in public spaces if necessary	0	+	0
Risk aversion RISCAV	0	-	0
PROPRIV In favor of privatization	+		+

Source of primary data: Public opinion barometer of OSF, 1998.

Each column of the table summarizes the results of a logistic regression model with type of entrepreneur as dummy dependent variable. Insignificant coefficients for p=0.05 are marked by 0. The increase of odds for the event of being entrepreneur of the type marked by column variable is symbolized by +. The decrease of odds for the event associated with the dependent variable and the row predictor is marked by -. Example

of how to read the table: the odds of being a behavior entrepreneur are increased by an increase in UTILITY, controlling for all the other predictors.

Leasing in agricultural entrepreneurs[9]

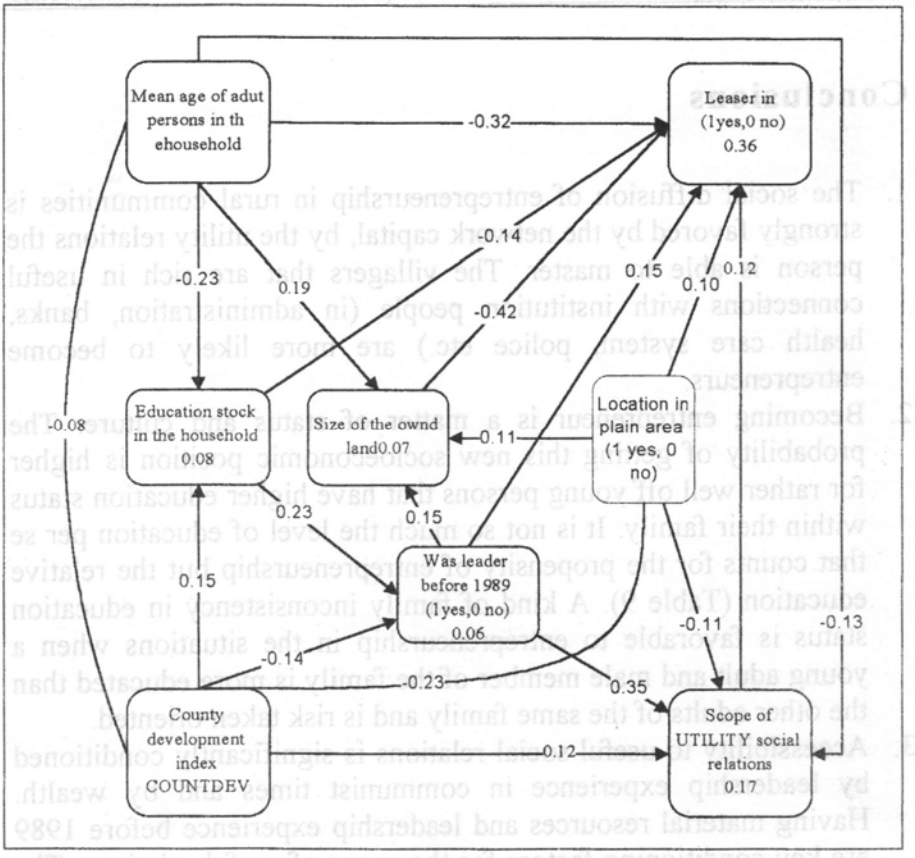
The characteristics of the rural entrepreneur are particularly relevant in the case of the persons that are leasing (Figure 4). As all other entrepreneurs, they are coming from households that are rich in useful social relations. Leadership experience in the communist period is here of direct relevance. The influence of this variable on agricultural entrepreneurship is not only through the medium of network capital but also directly. Leasing in is favored by holding a small area of agricultural land. It is as if leasing in shows up to be an economic answer to a family status inconsistency, to the situation of tension between low land and education resources contrasting with high capital of useful relations. The emergence of such a behavior answer is especially bounded to the conditions of plain areas.

The presence of at least a person in the household who had a leadership position before 1989 has double significance for agricultural entrepreneurship. If the former leadership position is associated with small land ownership, the life strategy that is the most likely is that of leasing in. As a trend, former leadership position is associated with larger areas of owned agricultural land and higher education status at the family level. This kind of conjunction is not favorable to leasing in behaviors. The families in this situation promote other life strategies.

Leasing in is to a large degree function of household status. It is the land, education, age and social relations of the household that counts for adopting the role of agricultural entrepreneur.

[9] This subchapter is based on a more extensive analysis presented in Dumitru Sandu "Who are the entrepreneurs of transition agriculture?", in *Sociologie Romaneasca*, 1/1999.

Figure 4. A path model of the role of leaser in



Source of primary data: Public opinion barometer of OSF, 1998. The analysis is on a sub-sample of 803 rural households. The selection criterion into the sub-sample was that of an agriculture private enterprise of at least 0.10 ha. 8% out of the total sub-sample are leasing in land, by formal or informal arrangements. The path model is tested by LISREL 8 and ML estimation in order to manage the implications of having endogenous dummy variables. All the figures are path coefficients that are significantly different from 0 for p=0.05. The inferred correlation associated with the presented model do not differ significantly from the empirical ones: χ^2= 12.31, p=0.14. Non-

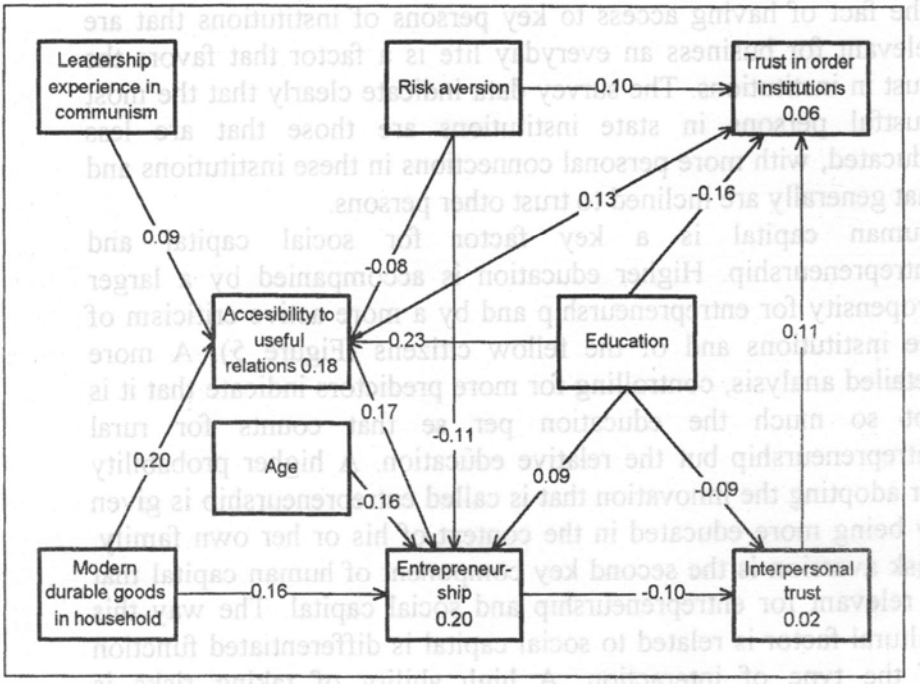
oriented arrows signify a covariation relationship. Within each variable rectangle are marked the multiple determination coefficients.

Conclusions

1. The social diffusion of entrepreneurship in rural communities is strongly favored by the network capital, by the utility relations the person is able to master. The villagers that are rich in useful connections with institution people (in administration, banks, health care system, police etc.) are more likely to become entrepreneurs.
2. Becoming entrepreneur is a matter of status and culture. The probability of getting this new socioeconomic position is higher for rather well off young persons that have higher education status within their family. It is not so much the level of education per se that counts for the propensity of entrepreneurship but the relative education (Table 9). A kind of family inconsistency in education status is favorable to entrepreneurship in the situations when a young adult and male member of the family is more educated than the other adults of the same family and is risk taken oriented.
3. Accessibility to useful social relations is significantly conditioned by leadership experience in communist times and by wealth. Having material resources and leadership experience before 1989 are key conditioning factors for the scope of useful relations. The finding is consistent with the theories saying that a kind of conversion of leadership during communism into flourishing economic activity happened during post-communist-transition.
4. The practice of entrepreneurship in the conditions of an unstable economy and of a society marked by anomia phenomena (poor functioning of social norms for ordering social interaction) brings about a low level of interpersonal trust (Figure 5).
5. Being entrepreneur in a more advanced stage – from desire to intention, to early practice and later on to regular practice – is consistent with lower levels of interpersonal trust. The high

frequency of stopping and re-starting a business is a proof of how adverse is the environment for business.

Figure 5. A path model of entrepreneurship and social capital in rural communities



All the figures are path coefficients that are significantly different from 0 for p=0.05. AMOS software was used to build the path model. The inferred correlation associated with the presented model do not differ significantly from the empirical ones: χ^2= 13.85, p=0.24.

6. Social capital is the condition and effect of entrepreneurship. It is a conditioning factor by utility networks and effect by trust phenomena. It is especially interpersonal trust that seems to be negatively affected by the practice of entrepreneurship in a disorganized environment. The negative relation between

commitment to entrepreneurship and interpersonal trust show up only for rural communities. In urban communities the relation is insignificant from the statistical point of view. The difference between the two types of communities from this point of view indicate more adverse conditions for entrepreneurship in rural compared to urban communities.

7. The fact of having access to key persons of institutions that are relevant for business an everyday life is a factor that favors the trust in institutions. The survey data indicate clearly that the most trustful persons in state institutions are those that are less educated, with more personal connections in these institutions and that generally are inclined to trust other persons.
8. Human capital is a key factor for social capital and entrepreneurship. Higher education is accompanied by a larger propensity for entrepreneurship and by a more active criticism of the institutions and of the fellow citizens (Figure 5). A more detailed analysis, controlling for more predictors indicate that it is not so much the education per se that counts for rural entrepreneurship but the relative education. A higher probability for adopting the innovation that is called entrepreneurship is given by being more educated in the context of his or her own family. Risk aversion is the second key component of human capital that is relevant for entrepreneurship and social capital. The way this cultural factor is related to social capital is differentiated function of the type of interaction. A high ability of taking risks is favorable to the development of a large network of useful relations and to entrepreneurship. The same ability is accompanied by a low trust in institutions.
9. **From a practical point of view, based on the findings of this analysis, one could formulate the assessment that risk-taking ability is more important than interpersonal trust, in the given conditions of the Romanian countryside, for the diffusion of entrepreneurship**.
10. Entrepreneurship as any other social innovation started to diffuse by waves that have differentiated selectivity. One can recognize the characteristics of the first and second wave entrepreneurs at the

level of behavior vs. intention vs. desire entrepreneurs. Behavior or first wave entrepreneurs are especially rich in relative education, network and material capital. Ideologically they are pro-privatization oriented. Intention entrepreneurs, those who are decided to open a business have the best specified causal profile. They are young men, rich in material and social relations, with a low risk aversion and high ability of being active in public spaces. Desire entrepreneurs, those who do not intend to open a business but would open one if they had a large amount of money, have the most diffuse profile. They are young people of good material condition, supporting the ideology of privatization. They differ from the other two types of entrepreneurs by not having serious social relations able to help them develop the business. Culturally speaking, the most high profile from the cultural point of view is that of intention entrepreneurs. It is only in their case that risk aversion is particularly low.

11. Rural social capital is clearly structured by four dimensions: diffuse trust and cooperation, trust in institutions, and network capital and integration of formal institutions by their functioning. It is only the working of the first three dimensions that could be revealed by the survey data. Considering this limitation, the first conclusion is that the rural social capital is a working reality, not only an umbrella concept: diffuse trust, trust in institutions and network capital stem all from a unique latent dimension that could be labeled as social capital (Figure 2).
12. The rural social capital is more "fractured" than the urban social capital. Interpersonal trust in rural communities is negatively related to the intensity and scope of network social capital.
13. One major difference between the rural and urban social capital is related to the place or the significance of interpersonal interaction. In villages the intensity of this interaction is significant for the diffuse trust. In cities, the same variable is significant for the scope of the personal UTILITY of interaction (see Figure 2 and Figure 4). More simply put, visits, talks and parties have different significance in the two communities. In villages they are proof of diffuse trust and cooperation. In cities, the same types of behaviors

are relevant for the way the interest is met. Urban interaction is more focused on interests than the rural one.

14. Ethnic tolerance is one of the most powerful signs of the intensity of the social capital in a given urban or rural community. Integrating ethnic tolerance in the social capital analysis is of particular use for revealing the complexity of the phenomena of productive sociability. It is especially in rural areas that regional location counts for tolerance. Rural populations in counties that are more developed and in communes that are more heterogeneous from the ethnic and religious point of view are more tolerant to other ethnic groups. Lack of tolerance or low levels of it are specific to low developed areas of homogeneous population located in the Eastern and Southern parts of the country.
15. Risk aversion is negatively related to ethnic tolerance only for the urban population. The higher the propensity to accept the risk the higher the ethnic tolerance. Low risk aversion is a basic characteristic of individual modernity As this predictor is significantly present only in the case of urban population one could formulate the hypothesis that ethnic tolerance is closer relate to modernity culture in cities than in villages. Rural tolerance and, generally, the diffuse social capital are more dependent on personal status than on personal culture that is independent of the status.

Annex tables

Table A 1. Variables used for analyzing 1998 survey data set at national level

ADULT No. of adult persons (18+ years old) in the household
AGE Measure of how old is the person in accomplished years.
ASOCIAT Person is member in an association (1 yes, 0 no)
CENTWEST Location in the central-western part of the country in the historical regions of Transilvania, Banat or Crisana-Maramures (1 yes, 0 no). This is a region of higher ethnic diversity and level of development than other regions of the country.
CHIEF during communism (1 yes, 0 no), i.e., had at least three subordinate people
COUNTDEV A factor score of 6 indices of county development in 1995[10]. All the persons interviewed in a county have been assigned the value of the index.
EDRELATIV Personal relative to family education : ratio of the personal education score to the household education stock (= EDUCATION/EDSTOCK).
EDSTOCK Index of education stock in the household. Education score for each adult member of the family is coded 0 –no education, 4 –primary education, 8- gymnasium, 10 – vocational school, 12 – high school, 14 – post high school, 16 – university education. An average of the education score of the adult members of the household is computed as measure of the education stock.
EDUCATION 1 no school, 2 up to 4 grades, 3 gymnasium , 4 vocational school, 5 high school, 6 post-high school, 7 completed college degree

[10] The indices included in factor analysis are measures of human capital, running water infrastructure, labor use, material capital of the households in the country, health and aging (Sandu 1998).

ETHNIC index of confidence in other ethnic groups than its own. There have been 5 questions about the person's opinion (very good, good, bad, very bad) on five ethic groups (Romanians, Hungarians, Gypsies, Germans and Jews). Each 4 points scales have been recorded with 1 (maximum trust) , 0.5, 0, -0.5 and –1 (maximum distrust). The 5 scores are added, divided by 5 to give an average that is multiplied by 100 (range between –100 to 100).
FORMER manager in communism (1 yes, 0 no)
GOODS Counting measure of endowment of the household with valuable durable goods - color TV, refrigerator and automatic washer machine (range between 0 and 3).
HEALTH Satisfaction with his/her state of health (four points scale).
INTERACTION Index of interaction intensity. Interviewers are asked how frequently they pay visits to neighbors, relatives and colleagues (3 items); how frequently they spend time together and discuss everyday life problems with neighbors, relatives and colleagues (6 items). Each 4 points scales have been recorded with 1 (maximum frequency) , 0.5, 0, -0.5 and –1 (minimum frequency). The 9 scores are added, divided by 9 to give an average that is multiplied by 100 (range between –100 to 100).
INTER-GROUP Index of inter-group trust. Interviewers are asked about their trust in intellectuals, managers, journalists. Each 4 points scales have been recorded with 1 (maximum trust) , 0.5, 0, -0.5 and –1 (maximum distrust). The 3 scores are added, divided by 3 to give an average that is multiplied by 100 (range between –100 to 100).
INTERPERS Index of interpersonal trust for items of agreement with sentences saying that "you can trust most of the people", "most of the people are fair" and "most of the people try to help others". Each 4 points scales have been recorded with 1 (maximum trust) , 0.5, 0, -0.5 and –1 (maximum distrust). The three scores are added, divided by 3 to give an average that is multiplied by 100 (range between –100 to 100).
LIVESTOCK. Index of livestock development in the household computed as a weighted sum : (no. of cows+ 0.35*no. of swine+no. of sheep*0.12+0.04* no. of poultry).
MAN Gender recorded by 1 for male and 0 for female.

MAYOR Trust in the mayor house. Each point of the scale have been recorded with 1 (maximum trust) , 0.5, 0, -0.5 and –1 (minimum trust). The scores have being multiplied by 100 to reach an index of trust comparable to others ones in the analysis.
MEDIA consumption. Factor score of three items referring to frequency of reading newspapers, listening radio and watching TV. Each item is a 4 points scale.
MONEY Satisfaction with money he/she has on a scale from 1 not at all satisfied to 4 very satisfied
ORDER institutions confidence. Interviewers are asked about their trust in police, army, Romanian secret service, law institutions. Each 4 points scales have been recorded with 1 (maximum trust) , 0.5, 0, -0.5 and –1 (maximum distrust). The 4 scores are added, divided by 4 to give an average that is multiplied by 100 (range between –100 to 100).
PROPRIV. Pro-privatization measure constructed as a count index of the views that: "privatization is good for my family", "privatization will bring about the increase of well-being in the country" and "privatization process should be faster" (range of values between 0 and 3).
PROTEST. A counting index of agreement with statements that it is good to protest by written petitions, street marches, strike and hunger strike (range between 0 and 4).
RELATIVES. The most helpful persons are relatives (1 yes, 0 no)
RISCAVER. Risk aversion measured by a factor score of 3 items: agreement with the fact that habits should be the guide in life, agreement with the idea that a badly paid job is to be preferred if it is sure vs. a well paid but unsure job, agreement with the statement that old experienced things are better than the new ones. All the items are 4 points scaled. Non-answers are replaced by means of the items.
UTILITY. A counting index of the situations in which the persons would have connections to solve problems related to: health, law, administration, police, bank, finding a new job. The index takes values between 0 (no utility relation) to 6 (maximum utility involvement).

Table A 2. Predictors of social capital variables for people in urban communities

Predictors	Dependent variable in multiple regression models				
	Trust in ORDER institutions	Trust in MAYOR house	INTERPERSonal trust	ETHNIC tolerance	INTER-GROUP trust
AGE	(0.00)	(-0.00)	(0.05)	0.08	0.07
Education	(-0.04)	(-0.05)	(0.04)	0.09	0.07
MAN (1 yes, 0 no)	(-0.01)	(-0.04)	(0.03)	(0.02)	(-0.03)
Durable GOODS	(-0.04)	(-0.02)	(0.00)	(0.02)	0.06
County development COUNTDEV	-0.08	(-0.02)	(0.00)	(-0.00)	(-0.07)
Risk aversion RISCAV	0.09	(0.10)	(0.01)	-0.07	(-0.05)
Satisfaction with its own income	0.09	(0.09)	0.09	0.06	0.17
Location in central or west regions of the country	0.07	(0.08)	(0.05)	0.24	(0.00)
R^2	0.03	0.03	0.02	0.08	0.05
average	-13.21	-17.68	-61.28	-21.15	-4.69
standard deviation	47.46	0.81	62.03	38.97	40.87

Source of primary data : Public opinion barometer of OSF, 1998. Volume of rural sub-sample N =1355 All the path coefficients that are not included into ( ) are significant for p=0.05.

Table A 3. Full models explaining urban and rural ethnic tolerance

Predictors	Ethnic tolerance as dependent variable			
	urban sample		rural sample	
	standardized regression coefficients	unstandardized regression coefficients	standardized regression coefficients	unstandardized regression coefficients
Intercept	*	-48.25	*	-50.40
AGE	0.06	0.15	(0.03)	(0.06)
MAN (1 yes, 0 no)	(0.02)	(1.90)	(0.05)	(3.62)
Primary education	(0.01)	(1.87)	0.10	8.26
High-school education	(0.03)	(2.59)	(0.06)	(5.72)
University education	0.11	10.50	0.09	12.63
Durable GOODS	(0.02)	(0.74)	(-0.05)	(-1.98)
Satisfaction with his own income	0.06	2.98	0.08	3.53
Risk aversion RISCAV	-0.06	-2.39	(0.02)	(0.79)
Religious DIVERSITY in community	(0.05)	(0.96)	0.10	1.33
County development COUNTDEV	(0.00)	(0.00)	0.07	0.25
Location in central or west regions of the country	0.20	16.35	0.19	14.43
R^2	0.08		0.10	

Source of primary data : Public opinion barometer of OSF, 1998. All the path coefficients that are not included into () are significant for p=0.05. Standardized regression coefficients are comparable by column. Unstandardized regression coefficients are comparable by row, between the two models.

Table A 4. Ethnic tolerance by residence and education

Level of completed education	Rural sample	Urban sample	Total
Illiterate	-23	-24	-23
Primary	-25	-23	-25
Gymnasium	-33	-24	-30
Vocational	-29	-26	-27
High school	-28	-23	-24
Post-high school	-16	-15	-15
University	-24	-12	-14
	-28	-21	-24

Source of primary data : Public opinion barometer of OSF, 1998.Table values are means of the index of ETHNIC tolerance, with a possible variation between –100 (maximum intolerance) to 100 (maximum tolerance).