

Resilient Communities: The Impact of Social Helping Networks and Structure on the  
Differential Success of Rural Armenian Households

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by

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## CHAPTER 1

### Introduction

#### **1.1 Why is the study of the differential success of rural Armenian households and social helping network structure important?**

Applied social scientists have devoted a substantial amount of attention to the role of social helping networks in the development of social capital advantages for rural household economies. The central argument of this extensive body of literature is that households who can depend on others for assistance have a comparative advantage over those who cannot. The post-Soviet Armenian household most closely resembles that of the classic peasant moral economy in that small holder sale and production are dependent on manual labor and the need for a small group to work collectively over long periods of time in energy intensive tasks such as animal husbandry, meat processing and transporting agricultural products to market (Scott, 1976).

A large body of research literature exists in the context of post-Soviet rural Russia where multiple studies explain the contributions and differential success of rural household's resulting from their advantages of social capital (O'Brien and Patsiorkovsky, 2006; O'Brien, Patsiorkovsky and Dersham, 2000; O'Brien et al., 1996; O'Brien, Wegren and Patsiorkovsky, 2005; Round and Williams, 2010; Wegren, 2011). Armenia's being a former Soviet Republic is a reason to expect that the rural Armenian household would operate in similar fashion to those of rural Russia however; the path to the contemporary household structure of rural Armenian's is drastically different than any other post-Soviet state. Forced to adapt to economic, political and social change brought on by multiple

occupations throughout its history, the rural Armenian household has proven to be resilient in large part due to dense kin-based networks.

Armenia has a population of approximately 3 million with 40% of the population living in rural villages of less than 1,000 people, employed in agriculture (ICARE, 2015). Between 1991 and 1992, agricultural land privatization led to the creation of approximately 350,000 family-owned small farms (IFAD, 2009). A land with few natural resources and two of four economic borders closed, Armenia provides a unique opportunity to understand how the structure of social helping networks, contribute to rural economic development leaving some households and communities better off than others.

A growing body of literature (Bezemer and Lerman, 2004; Keshishian and Harutyunyan, 2013; Khodzhabekian and Papazian, 2009; Lerman and Sedik, 2010;) in international development research focuses on the role of social capital in providing economic opportunity to households through community participation. International financial institutions such as the World Bank and IMF, implement development programs in Armenia using a CDD (Community Driven Development) approach. A founding principle of the CDD approach is that social capital, in the form of social helping networks can be leveraged to change institutions. Armenian scholars have found that although participation is important to development, the level of social capital in rural Armenia does not determine the amount of household participation in community driven development. Social capital may not be lacking in rural Armenian communities where households do not participate in community level development projects, rather they do not have the time nor the resources to contribute (Babajanian, 2005; 2007; 2008).

This study seeks to both add to the existing body of knowledge related to social capital and its implications for the differential success of rural households in post-Soviet agriculture dependent communities of Armenia. The findings of this study will be used to better understand the challenges facing rural Armenian communities make recommendations for development project considerations and design more efficient approaches to rural development.

## **1.2 Organization of the Study**

This dissertation addresses two key themes of social capital in post-Soviet Armenia. The first, examines the significance of the evolution of social helping networks in rural Armenian households. A review of scholarly and grey literature, explains the structural evolution of household social helping networks to adapt to governing institutions imposed on Armenians by occupying forces throughout their history. The second, examines the extent to which the privatization of the Armenian economy has placed additional stress on the traditional kin-based helping networks resulting in increased inequality between households and communities.

This study consists of seven chapters and is organized as follows: This chapter outlines the scope of the study. The second chapter provides a review of scholarly literature of the central concept and theoretical underpinnings of the study – *social capital*. It consists of an overview of social capital and its definitions; including an analysis of four dimensions of social capital in development, explores forms and origins as well as metrics used to evaluate influence and strength. This chapter concludes with a

discussion of the negative effects of social capital such as corruption, collusion and opportunistic behavior perpetuating cycles of inequality.

Chapter three, examines externalities and historical events acting on the Armenian household and their impact on social helping network structure. The chapter specifically focuses on events chronologically from the pre-Soviet Armenian Genocide through the Spitak earthquake and Karabakh conflict at the onset of independence.

Chapter four, focuses on the transition from command to market economy, the formation of the Republic of Armenia and the impact of privatization on rural communities. The state of social helping networks within the rural agrarian economy in both Armenia and the greater post-Soviet context.

Chapter five describes the rationale of the research methods and hypotheses guiding the study. Two main hypotheses will be examined. The first, postulates that households with denser networks have better to economic opportunity. The second, states that households with higher levels of institutional and political trust have better economic opportunity. The critical empirical question then, is, to what extent are these complementary, mutually reinforcing or does one type of social capital tend to exclude the other type of social capital?

Chapter six reports on the descriptive statistics, frequency and regression analyses of survey data collected in four rural communities in the Syunik and Vayots Dzor regions of Armenia. A qualitative thematic analysis of eight focus group discussions in the same four villages is reviewed to inform the findings of the quantitative analysis; including

employment, gendered division of labor, family and state/governmental challenges to rural development.

Chapter seven discusses the key theoretical contributions of the study, limitations and practical application of findings. The chapter concludes with a note on the prospects for more efficient approaches to development in rural Armenia regarding equitable inclusion of community members and the ethical use of social capital.

## CHAPTER 2

### **Literature Review of Social Capital and Household Helping Networks**

#### **2.1 Introduction**

Social Capital provides a framework from which structural properties of networks relating to access to information, resources, the provision of social control and allowance of collective action can be evaluated as a causal mechanism for household economic success. Robert Putnam, popularized the term and introduced it to policy and development circles while James Coleman's analysis of the New York Diamond market and the Kahn el Khalili market in Cairo introduced the concept of network closure creating obligation, expectation and trustworthiness of structures (Coleman, 1988, Putnam 1993, 1995, 2001). Social capital does not have a fixed definition as it can be applied differently to each community and culture. For this study, I define social capital as, the norms and networks that facilitate collective action (Coleman, 1988; Woolcock, 1998; Woolcock & Narayan, 2000). This definition is aligned closely with Coleman, where social capital is valuable in the performance of certain actions but may be useless or even harmful for others. I combine Coleman's view of social capital with James Scott's moral economy. Scott's analysis of peasant rebellions in Burma and Annam serve as examples of the increased financial risk shouldered by the peasant household as colonial regimes increased taxes while economic opportunity failed to grow. The experiences of Southeast Asian peasants in Scott's analysis closely resemble the increased risk shouldered by Armenian households during the post-Soviet transition.

There is a great debate among academics seeking to use social capital as a metric for assessing its contribution toward economic development. There are three contrasting

approaches in the development context among which there must be cohesion to find the most efficient use of social capital as an applied concept for development. The macro-institutional approach, defines macro–institutional issues as “social capabilities”, “social cohesion” or “social infrastructure” (Woolcock, 2001). This approach divides micro-community and macro-institutional concerns. The second approach, seeks to establish a formal definition of social capital with emphasis on the sources of social capital. The third approach seeks to eliminate a definition entirely and to avoid the debate of whether social capital should be understood as a micro or macro phenomenon (Woolcock 2001). My approach, like Woolcock’s, views social capital with the firm definition of norms and networks that facilitate collective action embedded within a larger macro-institutional framework (Woolcock, 2001).

## **2.2 Social Capital, Theory and Practice**

Social capital places value to an individual’s family, friends and associates as assets that can be called upon in case of crisis and provide a buffer to assist in the weathering of economic hardship. The importance of networks available to an individual increase proportionally for groups in that groups having diverse social networks are better prepared to resist poverty, take advantage of new opportunities and resolve disputes among members of the community (Woolcock & Narayan, 2000). One of the main benefits of having a diverse social network is the ability to take advantage of new opportunities and to leverage networks for economic gain outside of the traditional closed networks limited to the immediate family.

The beneficial outputs of social capital are most visible when relationships are developed among heterogeneous groups. The World Bank’s Local Level Institution

Study (Grootaert & Narayan, 2000) identified a link between heterogeneous group membership and positive development. Positive outcomes of social capital at the micro level are social control or the observance of norms, family support and benefits derived from networks outside of the family (Coleman 1988; Narayan 1999; Portes 2000; Lee et al. 2005; Woolcock 1998). In rural communities, social control through the observance of norms eases the burden of monitoring individuals who rely on immediate family members and friends within the community. Strong ties between individuals and groups have a history of past business and personal interactions that can form a basis for trust (Aldrich & Zimmer, 1986).

Networks within the traditional peasant household were comprised predominantly of kin-based networks and were limited to family and friends within the community. Granovetter's "strength of weak ties" exposed the value of networks expanding beyond friends and family to "weak ties" that include organizations and acquaintances, used as a means to expand the network to different geographic areas creating new economic opportunity where networks of kin could not (Granovetter, 1973). The implicit value of social capital is evident in the concepts of "embeddedness" and "autonomy" as they occur at both micro and macro levels.

Embeddedness, asserts that the structure of interpersonal relationships in and among firms and individuals has more to do with the distinction of the firm than its organizational form (Granovetter, 1985). Autonomy, demonstrates the value of networks by looking to see that individuals have access to others outside of their communities at the micro level and that policy makers were connected to more than just industry leaders at the macro level (Woolcock, 1998). Granovetter's findings from his research in 1985

attributing social capital in the form of embeddedness and autonomy to economic development led to three key findings: all forms of exchanges are embedded in social relationships, embeddedness can take many forms such as social ties, cultural practices and political contexts which had a substantial influence on the abilities of individuals to pursue economic advancement (Zukin & DiMaggio, 1990). Benefits gained from embeddedness all have associated costs. In the case of small scale rural communities, the costs associated with becoming part of a more complex regional system as economies develop can leave many of the rural poor behind as they fail to integrate into a system that favors those with the access and knowledge to best adapt to economic change. This study focuses on micro level economic development through household networks and the impact of social capital on the household's ability to weather economic change.

This study, examines social capital as it pertains to micro-economic development with the household as the primary unit of measure. The two kinds of social capital that make up a household's network are kin-based ties or within a group and ties outside of a group. We refer to Deepa Narayan's definition of these two types of social capital as "Bonding" and "Bridging" ties (Narayan, 2000). Bonding ties, in a micro context, appear in the form ties of kin and members of a community. Bridging ties are those ties with individuals or groups outside of the community that are not as strong as bonding ties but make economic opportunity available where bonding ties could not.

I use the "synergy" view of social capital in economic development as set forth by (Narayan & Woolcock, 2000). Before I address the perspective of this paper, I will introduce four views of social capital as they pertain to economic development and the process used to design this study. The *Communitarian* view relates social capital to local

organizations, civic groups and other associations. In this context, social capital is inherently good and more of it is better. However, this view fails to consider communities or networks that are isolated such as many rural communities of the developing world. If they have a strong network comprised of groups and associations within their isolated community, severe limitations prevent the community from expanding economic opportunity. The *Communitarian* view of social capital also assumes communities are homogenous entities that accept all members (Woolcock & Narayan, 2000). The limited scope of the *Communitarian* view prevents its use in this study.

The *Networks* view places the emphasis of social capital in the context of networks of “bonding and bridging” ties within a community or among groups. It has raised the point brought up by Granovetter, that it is necessary for communities to have strong bonding ties while developing weak bridging ties. The greatest challenge of the *Network* view is to “identify the conditions under which the many positive aspects of bonding capital in poor communities can be harnessed while simultaneously helping the poor gain access to formal institutions and a more diverse stock of bridging social capital” (Woolcock, 2000).

The *Institutional* view takes the previous two views where social capital was viewed as an independent variable and flips it on its head, making social capital a dependent variable as the product of the political, legal and institutional environment in which it exists (North, 1990). The difficulty with accepting this view as a stand-alone framework is that we are to assume that macro-level institutions determine social capital in the context of micro-development. Figure 1, below illustrates the micro and macro

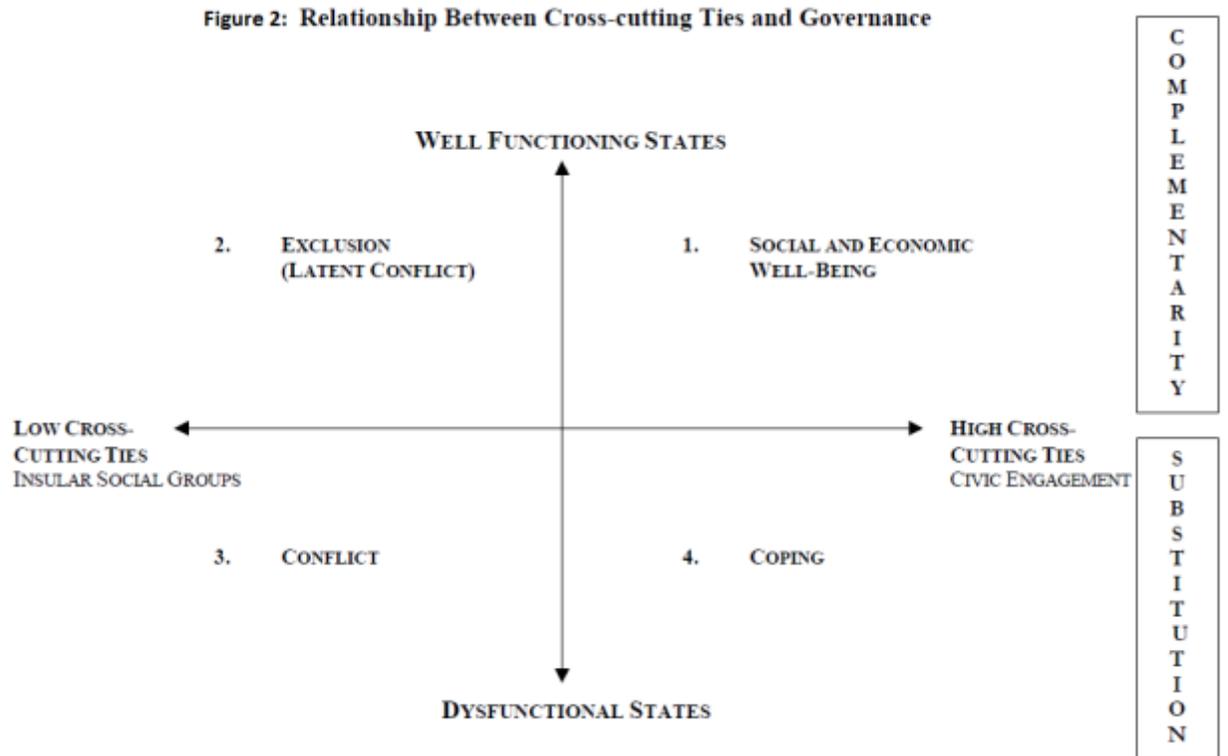
dimensions of social capital at the community level as expressed by Woolcock and Narayan (2000).

Figure 1. Dimensions of Social Capital at the Community Level

<i>Dimensions of Social Capital at the Community Level</i>		
<i>Extracommunity networks (bridging)</i>	<i>Intracommunity ties (bonding)</i>	
	<i>Low</i>	<i>High</i>
Low	Outcasts	Poor villagers
High	Recent rural-to-urban migrants	Successful members of microfinance programs

The final perspective of social capital and economic development is the combination of *Network* and *Institutional* views; the *Synergy* view. This view came to prominence in 1996 and was published in a special issue of *World Development*. (Woolcock, 2000). The *Synergy* view is most comprehensive and most applicable to contemporary development research as it recognizes the need for understanding the value of complementarity, which refers to the supportive behavior of public and private actors. Embeddedness refers to the nature and extent of ties between ordinary citizens and public officials, effectively combining *Network* and *Institutional* views (Evans, 1996). Deepa Narayan developed a framework for evaluating the relationship between social groups and governance. Figure 2. Taken from Narayan 1999 illustrates the relationship between crosscutting ties and governing institutions:

Figure 2. Relationship Between Cross-Cutting Ties and Governance



Narayan’s framework provides a method to explain how social capital acts under different forms of governance within a society. In quadrant 1 under well-functioning state and high cross-cutting ties, governing institutions complement informal social groups leading to positive economic and social development (Narayan, 1999). He places Scandinavian countries in this quadrant as they enjoy both social and economic development where institutions truly complement informal social groups.

Alejandro Portes makes a distinction between two sources of social capital that closely reflect the bonding and bridging ties of Narayan. One source, Portes calls “consummatory” social capital, which is the result of processes of socialization from families, kin networks and membership within class and employment groups (Portes, 2000). The second source he calls “instrumental”, explained as purposive exchanges

based on reciprocity. The concepts introduced by Portes complement Narayan's bonding and bridging ties in that consummatory social capital creates and reinforces networks through the process of socialization, which primarily occurs within networks of kin and immediate family. Social capital developed through the instrumental source is the result of exchanges based on reciprocity is seen in bridging ties that introduce new opportunities to a group or individual. Social Capital can be both beneficial and detrimental to individuals and groups depending on the institutions and systems within which it operates.

When countries, regions or communities have highly functioning governments but low crosscutting ties such as the United States (Exclusion, Quadrant 2 of Narayan's relationship between cross-cutting ties and government) where minority groups are poorly represented we see the governing institutions complementing the informal social groups of the group or groups in power. Countries in this quadrant may see marginalized groups organize to challenge the status-quo and will move into the first quadrant if they build bridges across social groups and open up society to include all groups. (Narayan 1999).

If the United States, used as our example from quadrant 2, were to maintain its current exclusion of minority groups and lose the high functionality of its governing institutions, it would devolve from quadrant 2 to quadrant 3. This quadrant is characterized by prolonged conflict, violence and civil war with the functionality of the state consistently dissolving. Primary social groups replace the now defunct institutions of governance and state authority is taken over by groups who use violence or coercion to acquire power.

Strong crosscutting ties and poorly functioning governments characterize the 4th quadrant. Nations in this quadrant have informal social networks substitute failed government institutions and providing services such as informal credit, contractual arrangements and community-run schools and health clinics (Narayan, 1999). Russia and other former soviet states immediately following the collapse of the Soviet Union fit into the 4<sup>th</sup> quadrant as Richard Rose (1995) found informal coping networks emerged because of the failed communist state.

The system of incentives used under communism in exchange for compliance is best viewed through the neo-traditional lens presented by Andrew Walden. Under neo-traditional communism, countries such as Armenia were subjected to distinctive institutional systems that enforced organized political control. The use of a systematic reward system based on political loyalty afforded devoted individuals with favors and career opportunities, only political officials were uniquely positioned to provide (Walden 1986). Walden found that the development of ties between institutions and the general populace were essential to sustain the influence of the shift from previous norms (Walden 1986). In response to the system of rewards set up by state institutions and politicians, a sub-culture emerged. Impersonal ties and informal networks of individuals were used to circumvent formal regulations and obtain goods from –low-level officials as well as personal ties independent of the party’s control (Walden, 1986).

Russians made up only half of the population of the Soviet Union and most non-Russians maintained their personal values and declared their loyalty to the Soviet Union only for fear of sanctions (Shlapentokh, 2006). The collapse of the Soviet Union and the transition from a command economy controlled from a centralized state authority to a

free-market economy resulted in the collapse of once dominant institutions and the loss of any sway over non-Russians, especially in the Caucasus and Balkans (Shlapentokh, 2006).

The popular development paradigm since the 1990s used by international development and aid agencies is known as Community Driven Development (CDD). This refers to development interventions, providing local community groups with resources and decision making responsibility in order for them to pursue their immediate primary needs (Babajanian, 2005). The CDD paradigm postulates that by involving community members in the development process they will be less dependent upon the state and local governments (Babajanian, 2005).

Figure 3. Conceptualization of Local Institutions in CDD in ECA

Post-Soviet Institutions	Civic Institutions
Trust is limited to kinship and friendship (bonding social capital) and does not extend to the society as a whole (weak generalised trust or bridging social capital).	Trust extends beyond the limits of family and kin relationships to the whole community/ society (bridging social capital); and family/ kinship ties do not preclude community-wide ties.
Social capital mostly serves individual/private interests and rarely public interests.	Social capital serves not only narrow individual but also collective/public goals.
People are distrustful and opportunistic and achieving collective action is difficult.	High levels of generalised trust make collective action and co-operation possible.
Limited citizen participation in formal and informal groups and associations.	Citizens participate in formal and informal groups and associations to pursue their objectives and interests.
Reliance on the state, informal social networks and often illegal practices in solving individual and collective goals.	Co-operation and partnerships with authorities (linking social capital) instead of reliance on authorities. Practices are based on the rule of law and the existing informal practices are not illegal or exploitative.

A study of the Armenian Social Investment Fund revealed that micro projects involving community members did not change the nature of existing institutions. It reinforced the existing institutions and the roles of local officials; leading the projects (Babajanian, 2005).

## **2.3 The Evolution of Social Capital in the Rural Armenia Household**

The structure of the contemporary rural Armenian family and their helping networks are the direct result of the reintroduction of the pre-Soviet patriarchal family as the primary unit of organization in rural communities (Matossian, 1962). The family and the Armenian church were responsible for the preservation of Armenian identity during approximately 700 years of occupation as Armenia was successively ruled by the Mameluks of Egypt, Mongolian Tartars, the Ottoman Turks, Safavid Persians and the Soviet Union (Ishkanian, 2003). Traditional values with an emphasis on established gender roles in the family structure served as a mechanism for the preservation of Armenian identity until Armenia established its independence from the Soviet Union in 1991.

### **2.3.1 Pre-Soviet Social Capital**

The 1800s and into the first two decades of the 19<sup>th</sup> century saw Armenians living as peasants in the Ottoman empire (Ishkanian, 2003). The family unit served as protector during famine, feud and warfare in addition to a source of identity and support within the community (Ishkanian, 2003). Homes of family members were built next to each other with the help of the entire community in rural villages to increase security. Children

were taught to develop a sense of duty and loyalty to family first, followed by kin, friends, neighbors and strangers (Villa, 1982; Ishkanian, 2003). In addition to the strict hierarchy of duty and loyalty, status within the family was clearly defined in accordance to patriarchal traditions.

The lowest status within the Armenian family was given to children and new wives who had yet to give birth to a son (Ishkanian, 2003). The birth of a daughter was met with condolences as tradition dictated a patrilineal line of inheritance. When a woman married, she acquired the identity of her husband's family and moved in to their home. In some cases, new brides remained mute for several years after marriage, using the children of the family as message carriers until the mother-in-law permitted the new bride to speak. Brides were often addressed as *nor hars* (new bride) rather than by their Christian name as a showing of respect to elders of the home and their subordination to men (Ishkanian, 2003). The subordinate status of women within the Armenian household was symbolically reinforced from birth. The umbilical cords of girls were buried within the boundary of the family's land with the hope that she will grow up to remain in the home as a respected mother and wife. The umbilical cords of boys were buried outside of the fence to symbolize the boy growing up to be successful and leave the home (Villa, 2003). In pre-Soviet Armenian families, the only path for women to increase their social status was to live long enough to become a powerful matriarch if they were fortunate enough to have a son (Ishkanian, 2003). Extended family and clans, making up the rural support networks were organized by the same patriarchal dominant ideology.

Clans within a community came together to celebrate all aspects of life; birth, marriage and mourning of death (Matossian et al., 1962). Relationship between clans

both within the village and from neighboring villages served as an exogamous mechanism to unite communities and reinforce the Armenian identity through the institution of marriage and the blessing of the Armenian Apostolic church. The church, served as an intellectual center and source of national identity in addition to a religious institution (Matossian et al., 1962). The pre-Soviet social structure had its foundation in the combination of the patriarchal family structure and the church. These two institutions would later be perceived as threats to the creation of a united Soviet identity and became the target of Soviet policy during the Russian occupation.

### **2.3.2. Soviet Economy of Favors, Blat Networks**

The central Soviet administration strived to create a united Soviet identity among the republics of the Soviet Union. To achieve this goal, they needed to replace institutions from which national identity could be preserved. In the case of Armenia, the two targets of the Soviet Union were the family and the church. The Armenian family was regarded as a potential source of resistance to creation of a united Soviet identity. Economic and educational policies were implemented throughout the Soviet Union to transform the family structure and increase the likelihood of adopting the Soviet ideology (Babajanian, 2008; 2009; Aliyev, 2013). The traditional, pre-Soviet role of women was that of the matriarch. Relegated to the home and forbidden from participation in labor or any kind of employment. Soviet Policy sought to change the family by including women into the workforce. Soviet policy dictated that all members of the family would be educated and participate in the local economy. On the surface, it appeared Soviet policy toward women's economic involvement was very progressive and supportive of gender equality. However, the purpose of these policies was to fragment the family and develop loyalties

outside of traditional familial networks (Babajanian, 2007). Women were encouraged to participate in both the workforce and formal education while still being held accountable for traditional responsibilities within the home. The role of the church was weakened through policies aimed at unifying Soviet republics and removed much of the political, social, economic and education functions provided by the church (Babajanian, 2007).

The command economy introduced collectivization and formed new collective village organizations (*kolkhoz*), further fragmenting the extended Armenian family (Babajanian, 2008). An economic system of networks built on reciprocity and friendship, known as the “economy of favors” or more commonly by the Russian, “*blat*” combined with traditional networks of kin, to compensate for the failure of the soviet system which rural Armenians were forced to depend upon (Babajanian, 2007; 2008). In Babken Babajanian’s 2007 study, he describes soviet network structure as having three distinctive characteristics:

- (1) Mutual help and solidarity networks: based on kinship, affection and friendship.
- (2) *Blat* Networks: based on diffuse social connections, friendship and reciprocal exchange.
- (3) Informal/Shadow economy: unofficial and illegal economic activities

The failure of the Soviet system to adequately provide support to its republics resulted in extreme poverty, forcing households to focus on their own survival needs with less time and resources to devote to their family and friends (Babajanian, 2007).

Matossian, suggests, support of extended families did not stop under Soviet occupation, rather families would pretend to divide their farmland as required by the Soviet *kolkhoz* while continuing to act as a single economic unit (1962). The formation of *Blat* networks established a compensatory mechanism for households, unable to depend upon pre-Soviet

kinship networks alone to acquire needed goods. An informal/shadow economy was preserved by *Blat* networks as Armenians used the combination of *blat* and shadow economy to procure goods the Soviet economy failed to provide (Babajanian, 2007; 2008). In 1965 – 75 the shadow economies of Armenia and Azerbaijan made up 60% of the total per capita income in those countries (Aliyev, 2013). The failure of the command economy to provide for rural communities, combined with Soviet identity policy resulted in pre-Soviet networks of kin becoming *blat* networks with discrete kinship ties. The collapse of the Soviet Union caused another transformation in the structure of social capital in rural Armenia. Pre-Soviet networks of kin returned to the fore front of social network structure after the failed 70-year collectivization of the Soviet Union. The return of the traditional, patriarchal family structure combined with modified *blat* networks formed the contemporary social helping network structure of the post-Soviet Armenian household.

#### **2.4 The Dark Side Post-Soviet Social Capital**

The collapse of the Soviet Union and the formation of the Republic of Armenia in 1991 ended the system of collectivization, resulting in privatization of all land and resources in the absence of a functioning government (ICARE, 2015). The formation of an independent Armenian state severely impacted the structure of social capital throughout the country leaving rural communities to once again depend upon networks of kin while maintain elements of *blat* developed during the Soviet occupation. (Babajanian, 2007;2008). A study of post-Soviet *blat* networks in the south Caucasus by Aliyev explains that there are clearly defined levels of strength within the structure of social capital in the south Caucasus that make them inherently different from *blat* networks in Russia and other parts of the former Soviet Union. He attributes the current structure of

south Caucasian *blat* networks to the rise of nationalism, armed conflict, economic shortages and ineffective governments (2013). The main principal of *blat* is interpersonal trust and for this reason Aliyev states that the structure of post-Soviet networks is determined by the following four factors listed in order of relationship strength:

Figure 4. Levels of Blat Networking in the South Caucasus

	<b>Type of Blat-relations</b>	<b>Strength of Blat-relations</b>
(1)	Kinship – family, extended family, blood relatives	Strong, homogenous, hierarchical
(2)	Friendship – close and distant friends, acquaintances, contacts	Fairly strong, reciprocal
(3)	Place of origin – residence, place of birth, community	Circumstantial
(4)	Ethnicity and nationality	Weak

The end of Soviet occupation removed the centralized provision of goods afforded to Armenian households during the 70 years under Soviet rule. In the absence of governmental support, households were forced to depend on family and kin as the centralized social and economic support of the Soviet Union was no more. *Blat* networks of friendship and reciprocity retained their strength but prior to the Soviet occupation, family, was the only network necessary and therefore retained the greatest strength. The household's origin was the 3<sup>rd</sup> strongest relation. Members of the same community or being able to establish ones being born in a village is a circumstantial relation which is highly dependent on the family reputation within the community. The weakest level of contemporary *blat* networks, is classified as being from the same nationality or ethnicity (Aliyev, 2013). The contemporary structure of social capital in rural Armenia is the result of multiple occupations, natural disaster, war and famine. The merger of pre-soviet (bonding ties) and soviet (bridging ties) forms of social capital is essential to the survival

of the contemporary rural Armenian household's ability to weather economic hardship and survive under the current challenges facing the country. Academics have long studied the positive aspects of Social Capital, but only recently has the dark side of social capital come into scholarly discourse.

Putnam identifies the negative outputs of social capital at the community level as he cautions that community ties can restrict freedom and encourage intolerance (2000). The previously discussed value of bonding ties takes place within an established, close-knit group. The resulting closeness can exclude outside influence and preserve damaging group norms (Ayios, Jeurissen, Manning, & Spence 2014). In the case of Armenia, the concepts of nepotism, coercion and corruption can be explained as the negative result of social capital carried over from the Soviet era where community members have come to understand these detrimental factors as acceptable norms.

The transition to a market economy shifted the nature of Blat networks from the Soviet moral/ethical to the post-Soviet monetary (Williams and Onoshchenko, 2015). Personal networks resulting in nepotism, cronyism and corruption stifle the meritocratic process (Williams et al. 2015). Individuals in positions of power during the USSR leveraged their connections to exploit the period of uncertainty in the early 90's to create what Hale calls, a "single power pyramid" (2012).

Hale asserts that we view the Soviet transition in terms of regime dynamics rather than regime type or change. He correctly postulates that highly clientelistic, western societies, where formal institutions promoting stability and openness have a different effect in the former USSR (Hale 2012). The power politics are a battle of extended

personalized networks rather than formal institutions with leaders having incentives and social resources favorable for arranging the most important networks in society around a single center of power (Hale 2012). Leaders used networks to vie for power and marginalize any who opposed them; this was the case of Armenia in 1998 when Levon Ter-Petrossian was ousted in favor of Robert Kocharian.

A 2014 study of health care accessibility by Morris and Polese found that in Organization for Economic Cooperation and Development (OECD) countries, fiscal fraud is the result of the lack of oversight and the failure of citizens to see the advantages in playing by the rules. The state fails to act as a redistributor of welfare leaving many of the subjects without free or affordable healthcare options in a privatized market (Morris & Polese 2014). The elites seize power and design institutions in a way that benefits them most.

At the organizational level, the dark side of social capital prevents the growth of Third Sector Organizations (TSO, synonymous with NGOs), defined as organizations that do what the government is not doing well or is not doing at all (Ljubownikow, Crotty, & Rodgers 2013). Soviet regimes used these kinds of organizations to establish a social control mechanism allowing the state to control social life. When the Soviet Union dissolved, participants who were previously coerced, lacked the experience of nor the will to volunteer (Ljubownikow et al., 2013). The larger negative implications are that of disproportionate funding of TSOs from external donors. The lack of national funding made TSOs largely dependent upon external donors. The vertical nature of this relationship allowed educated elites to learn how to access money from foreign donors.

The same TSOs received funding while others were left underdeveloped (Ljubownikow et al., 2013).

Social Capital in its entirety needs to be understood for sustainable solutions to challenges facing rural Armenians are to be developed. The benefits of creating resilient communities based on bonding and bridging social capital can help to weather economic shocks while using bridging capital to create household opportunities outside of the community. However, overcoming corruption at the national level and avoiding limiting community and household growth from nepotism and cronyism is a serious challenge for post-Soviet states.

## **2.5 Conclusion**

This chapter introduced social capital which I align closely to the work of James Coleman, defined as “norms and networks that facilitate collective action” (Coleman, 1988). Social Capital has no one definition and for that reason I have selected the definition that most accurately describes the conceptualization of social capital in this study.

In section 2.2 I discuss the variability of social capital in theory and practice. Beginning with Granovetter’s seminal work entitled “The strength of weak ties” to explain the value of helping networks beyond the traditional kin-based networks found in the traditional peasant household. I discuss the concepts of “embeddedness”, asserting that the structure of interpersonal relationships in and among firms and individuals has more to do with the distinction of the firm than its organizational form and “autonomy” as demonstrates the value of networks by looking to see that individuals have access to others outside of their communities at the micro level and that policy makers were

connected to more than just industry leaders at the macro level (Granovetter 1985; Woolcock 1998). These led to three key findings for social capital as it relates to economic development: 1) all forms of exchanges are embedded in social relationships 2) embeddedness can take many forms such as social ties 3) cultural practices and political contexts which had a substantial influence on the abilities of individuals to pursue economic advancement.

I proceed from Granovetter with a discussion of Narayan and Woolcock's use of social capital for the World Bank. Using their *Synergy* view of social capital combining the *Institutional* view where social capital is a dependent variable as the product of the political, legal and institutional environment in which it exists (North 1990) and the *Networks* view placing the emphasis of social capital in the context of networks of "bonding and bridging" ties within a community or among groups. This is the most comprehensive of the four views posed by Woolcock and Narayan and is most applicable to this study.

Section 2.3 discusses the evolution of social capital within the rural Armenian household beginning in the pre-soviet era and culminating with the current transitional government. The pre-Soviet Armenian household was heavily dependent on the family unit and kin-based networks to operate as a minority group within the Ottoman empire. I discuss the traditional gender roles of men and women as being clearly defined where men are responsible for the monetary support of the family and women are responsible for all domestic aspects of daily life.

Section 2.3.2 discusses the Soviet occupation and introduction to the *blat* economy of favors where households maintained their kin-based networks but also extended to members of the community and even friends outside of the community to acquire goods the Soviet economy failed to provide. A study by Babken Babajanian in 2007, described the Soviet network as having the following distinct structure:

- (1) Mutual help and solidarity networks: based on kinship, affection and friendship.
- (2) Blat Networks: based on diffuse social connections, friendship and reciprocal exchange.
- (3) Informal/Shadow economy: unofficial and illegal economic activities

Concluding with section 2.4, provide a discussion of the dark side of social capital. The most recent scholarly literature pertaining to social capital, addresses the societal weaknesses inherent in closed networks. A study of post-Soviet *blat* networks in the caucuses found that the transition period of the early 1990s left national institutions and economic sectors vulnerable to opportunistic families who had been in positions of power during the Soviet Union. These families leveraged their networks to seize control of entire economic sectors resorting to corruption in the form of nepotism and other mechanisms of collusion to maintain control. This caused economic power to be in the hands of a few while rural households struggle with little means to overcome the monopolistic tendencies of those oligarchs in control.

## CHAPTER 3

### **100 Years of Hardship: From Genocide to Transition**

#### **3.1 Introduction**

To understand the evolution of the structure of Armenian social capital it is important to recognize the traumatic events Armenians have endured in the past 120 years. This chapter will explore the impacts of the genocide of Ottoman Armenians, Soviet Occupation, Spitak Earthquake and the Karabakh conflict on the rural Armenian household.

The early 20<sup>th</sup> Century found Armenians living peacefully as a minority of the Ottoman Empire. Centuries of war had scattered the Armenian population throughout the region and families depended largely on networks of kin or bonding ties to survive. The Genocide of Armenians by the Young Turks during the early years of the First World War was responsible for the deaths of approximately 1.5 million ethnic Armenians and the displacement of hundreds of thousands. Armenians fell under the protection of Russia in 1918 and were acquired as the Armenian Soviet Socialist Republic in 1920. The two years of independence between 1918 and 1920 would be the last time Armenia would be a sovereign nation for the next 70 years.

Armenian appreciation for Soviet protection from the Young Turks and resettlement in their ancestral land led to a fairly painless absorption into the Soviet Union. Moscow sought to repopulate Soviet Armenia with ethnic Armenians, displaced throughout the region. Nationalistic attitudes increased proportionately with the ethnic

Armenian majority, culminating with open resistance to Soviet ideology and the Armenian declaration of independence

### **3.2 Armenian Genocide**

Armenians lived as a scattered minority group within the greater Ottoman Empire in the South Caucasus. The region was destroyed by nearly 300 years of war between the Persian and Ottoman Empires starting in the 15<sup>th</sup> century (Saparov, 2003). The networks of kin that formed the structure of pre-Soviet social capital did not aid the integration of Christian Armenians into Islamic Ottoman Empire. Ottoman Armenians coexisted with other ethnic groups but were divided from the Turks based on language and religion. As part of the peasant class, their Turkish counterparts for their inclination and success toward western entrepreneurial activities resented Ottoman Armenians (Kieser, 2014; Kasymov, 2013). In 1914, the First World War saw the military of the Young Turks ally themselves with Germany. The resulting military defeats set the stage for increased anger and hostility toward the Armenian minority.

A letter intercepted and translated by British forces during the early stages of the First World War outlines the plan for the forced deportation and massacre of ethnic Armenians ending in genocide. This excerpt is a direct translation of a high-level meeting of Turkish military officials from a letter the British military called “The Ten Commandments” (Dadrian, 1993):

Figure 5. “Ten Commandments” Letter

(1). Profiting by the Arts: 3 and 4 of Comite Union and Progres, close all Armenian Societies, and arrest all who worked against Government at any time among them and send them into the provinces such as Bagdad or Mosul, and wipe them out either on the road or there.

(2). Collect arms.

(3). Excite Moslem opinion by suitable and special means, in places as Van, Erzeroum, Adana, where as a point of fact the Armenians have already won the hatred of the Moslems, provoke organised massacres as the Russians did at Baku.

(4). Leave all executive to the people in provinces such as Erzeroum, Van, Mamuret ul Aziz, and Bitlis, and use Military disciplinary forces (i.e., Gendarmerie) ostensibly to stop massacres, while on the contrary in places as Adana, Sivas, Broussa, Ismidt and Smyrna actively help the Moslems with military force.

(5.) Apply measures to exterminate all males under 50, priests and teachers, leave girls and children to be Islamized.

(6.) Carry away the families of all who succeed in escaping and apply measures to cut them off from all connection with their native place.

(7.) On the ground that Armenian officials may be spies, expel and drive them out absolutely from every Government department or post.

(8.) Kill off in an appropriate manner all Armenians in the Army—this to be left to the military to do.

(9.) All action to begin everywhere simultaneously, and thus leave no time for preparation of defensive measures.

(10.) Pay attention to the strictly confidential nature of these instructions, which may not go beyond two or three persons.

The removal of Armenians from Asia minor largely took place between May and October of 1915 (Dadrian,1993; Kasymov, 2013; Kieser, 2014). The plan called for the systematic destruction of civilian men and boys while Armenian men fighting in the Ottoman army were transferred to unarmed labor units and then killed. Women and Children were gathered into large groups where they endured starvation, mass rape and

enslavement on forced marches (Kasymov, 2013; Melson, 1992). In some cases such as the Diyarbekir province, Governor Sr. Mehmed Resid authorized the massacre of all Armenians including women and children. Scholars concur that the Young Turks did not set out on genocide (Dadrian, 1993; Kasymov, 2013; Kieser, 2014, Melson, 1992 ). The leaders of the Young Turks who represented the Committee of Union Progress, effectively created a false perception of Armenians as a deadly threat and to Muslims. The position of Armenians as a threat to Muslims was never taken during the Young Turks rise to power however; Armenians had been targets for incremental massacres toward the end of the Ottoman Empire (Melson, 1992).

Armenian families were targeted for their Christian faith and their position as a vulnerable migrant group within the Ottoman Empire under the veil of the First World War. Ottoman Armenians were outnumbered and living in a territory where small- scale massacres had occurred but were dealt with through political and legal means (Kasymov, 2013; Melson, 1992). Cultural and linguistic differences combined with the deterioration of the Ottoman Empire and the Young Turk's military losses to Russia created the ideal conditions for massacring a population heavily dependent on networks of kin, spread throughout the region (Dadrian, 1993). At the end of 1915, it is estimated that 1.5 million Ottoman Armenians were killed with hundreds of thousands displaced or sold into slavery.

### **3.3 Soviet Occupation**

At the end of the First World War, Armenians found themselves without a sovereign state. Resettlement options were limited to two options; resettlement in a third country or repatriation. Resettlement was an unacceptable option as refugees felt it would

destroy any chance of their claim for an independent national home and ultimately support Turkish interests in the region (Gatrell, 2011). The Russian military needed to create a “buffer zone” between Russian territory and the Islamic empires of Persia and Turkey. Ethnic Russians could not resettle in the area of Soviet Armenia due to the cost of resettlement and their inability to manage the terrain (Gatrell, 2011). Christian Armenians were encouraged to resettle the area and were immediately made Soviet citizens. From 1928-1931 approximately 105,000 Armenians arrived in the south Caucasus and the Soviet Union had their buffer zone between Islamic empires (Gatrell, 2011).

In 1926, the Soviet secret police (*Cheka*) reported that local Armenian support groups established 4 years after the absorbing of Armenia into the Soviet Union were “full of women who pursued a patriotic rather than a Soviet agenda” (Lehmann, 2015). Through the 1920s Soviet secret police continued to evaluate the dedication of Armenian refugees to the Soviet agenda upon entering Soviet Armenia. The vetting of Armenian refugees and repatriating diaspora was inconvenient but the Armenian population welcomed the opportunity to return to their ancestral land as well as the establishment of Soviet Armenia providing a reprieve from the death and displacement resulting from the genocide of 1914-1915.

The Second World War saw another tragic loss to Armenian families. Thirty years following the Armenian genocide approximately 500,000 Armenians served in the Red Army and 170,000 either did or never returned (Gatrell, 2011; Lehmann, 2015; Saparov, 2003). Armenian diaspora gave thanks to the Russian people and other republic of the USSR for giving Armenians the opportunity to rebuild their lives in their country

of origin. The appreciation to the Soviet Union led to a call for Armenians around the world to repatriate the country. Soviet leaders believed this would strengthen the union by rebuilding war torn Soviet republics, Armenians who chose to repatriate did so out of a sense of national pride, not for the benefit of the Soviet Union (Lehmann, 2015). The prominent logic at the root of repatriation was to reconstruct *Hayastan* (Armenia). The Soviet calls for repatriation brought in 100,000 Armenians giving more validity to an Armenian identity with a greater portion of the population being ethnic Armenian (Gatrell, 2011). The Soviet state's supreme authority resulted in controlled repatriation and eventual deportation of returnees in the 1940s as reality of slow reconstruction and weak economic improvements came to light.

The earliest refugees in Soviet Armenia welcomed the opportunity to repatriate their ancestral land in hopes of rebuilding it. Their sense of loyalty and pride came from the family and ultimately the land in which they inhabited, not to the Soviet Union. The first large-scale, unapproved demonstration occurred in 1965. A study of the demonstration by Lehman, calls the Armenian interpretation of Soviet policy and procedure "Apricot Socialism". The demonstration exhibited the Armenian nationalism with Soviet Socialism demonstrating the Armenian interpretation of Soviet values. The purpose of the demonstration of 1965 was not to challenge Soviet rule but to commemorate the 50<sup>th</sup> anniversary of Turkish genocide of Ottoman Armenians and to have the ancestral lands of Nakhichevan and Artsakh (Ngorno-Karabagh) returned from Soviet Azerbaijan to Soviet Armenia (2015).

The demands of the 1965 demonstration challenged the Soviet government and revealed the strength of the Armenian nationalism. Place naming policies, returning

Armenian names to towns and villages, were re-instituted to manage the rise of nationalism to prevent undermining the legitimacy of the Soviet identity.

Place naming policies were the result of Armenian repatriation and Azeri emigration from Soviet Armenia. During the post-war period approximately 90,000 Armenians arrived between 1946 and 1948. The Soviet Council of Ministers brought a resolution entitled: “Planned Measures for the resettlement of collective farm workers and other Azerbaijanis from the Armenian SSR to the Kura-Arax lowlands” (Saparov, 2003). The resolution called for the resettlement of 100,000 Azeris to be carried out over a 3-year period. Continuous waves of migration and the decline of relations between Turkey and the USSR in the years following the Second World War kept post-war place naming policies active until 1950.

In the years following the 1965 demonstration more than 50 renamings occurred between 1967 and 1969 (Saparov, 2003). The explanation of the increase in Armenian place names after the demonstration is explained by the Soviet fear of separatism and by returning villages and roads to their Armenian names the population would continue to stoke the anti-Turkish flames rather than furthering Armenian nationalism. However, Armenian nationalism continued to grow as the Soviet Union began to fail. Armenians would experience tragedy once again as the end of the Soviet occupation in the form of a devastating earthquake and the onset of war with Azerbaijan.

### **3.4 Spitak Earthquake & The Karabakh War**

In 1988, Armenian nationalism was at its peak and the Soviet Union was struggling to maintain some semblance of influence over its republics. On December 7<sup>th</sup>

of 1988 at 11:41am, a 6.9 magnitude earthquake hit Soviet Armenia, devastating the northern three regions of the country including the 3 large cities of Gyumri, Vanadzor and Stepanavan. It was estimated that 500,000 to 700,000 people were left homeless 25,000 killed and 130,000 injured as more than 21,000 homes were destroyed The number of people trapped in buildings following the earthquake was estimated between 30,000 and 50,000 (Armenian, Melkonian, Noji and Hovanesian, 1997; Goenjian, Najarian, Pynoos, Steinberg, Manoukian, Tavosian and Fairbanks, 1994; Hadjian, 1993; Miller and Miller, 2003). The crisis caused by the earthquake in the north occurred as Armenians were fleeing another round of massacres in Azerbaijan.

On February 20th of 1988, Nagorno-Karabakh resolved to transfer governance of the region from Soviet Azerbaijan to Soviet Armenia (Cengel, 2013; Cornell, 1997; Ghaplanyan, 2010; Laitlin and Duny, 1999; Walker, 1998). This transfer of power would resolve a 68-year-old issue when the predominantly Armenian inhabited territory of Nagorno-Karabakh, was incorporated into Soviet Azerbaijan in the 1920s. Eight Days after the announcement of the decision to transfer the region back to Armenian governance, Armenians awoke to the start of what is known as the “Sumgait Pogroms” or the Azeri massacre of Armenians in response to the transfer of the Nagorno-Karabakh territory.

Before the events at Sumgait, Armenians had peacefully coexisted with Azeris for more than half a century (Miller and Miller, 2003). Survivors of the Sumgait pogroms recalled that they never thought about the ethnicity of their Azeri neighbors until the events of 1988. The accounts of the fortunate few who survived Sumgait detail the events targeting Armenians for death. A record of the events at Sumgait prepared by Miller and

Miller reported that one survivor observed Azeris marking Armenian homes with crosses from a list of addresses on the night of February 27<sup>th</sup> as they marched through the streets shouting death to Armenians. There were multiple reports of Armenian stores being looted while Armenian women were gang raped and sodomized in the streets. Several accounts from Azeri eyewitnesses and Armenian survivors attribute the worst atrocities to Azeri men between the ages of 16 and 30 years old (Miller and Miller, 2003).

The practice of the “gifting” territory from one Soviet republic to another was a disaster as the Soviet Union began to crumble at during the 1980s (Cengel, 2013). Small conflicts arose through the USSR but the combination of the Spitak earthquake and an all-out war between Armenia and Azerbaijan over the territory of Nagorno-Karabakh was devastating for Armenia. Armenia officially declared war in 1990 and lasted until the cease fire was signed in 1994. Four years of fighting claimed the lives of 30,000 people and displaced approximately 1,000,000. The final component of this disastrous trifecta was the collapse of the Soviet Union. In the middle of attempting to recover from a devastating earthquake and a war being fought on both the east and western borders, the Republic of Armenia was established in 1991.

### **3.5 Conclusion**

Chapter 3 provides a detailed review of scholarly literature covering the many natural and man-made tragedies impacting the rural Armenian household from the end of the Ottoman empire to the contemporary independent republic. The Chapter begins with section 3.2 which describes the impact of the Armenian genocide on the rural Armenian family. Forced to flee their homes many Armenian survivors resettled in present day

Armenia after fleeing the systemic annihilation ordered by the ruling members of the Ottoman empire.

Section 3.3 discusses the 70-year Soviet occupation and the Soviet agenda for helping Armenian's resettle in their ancestral land. The Soviet regime had a specific purpose in mind for Armenian survivors and that was the creation of a national barrier between the Persian empire and the Soviet Union. During Soviet occupation, many Armenians were assisted in resettling what is now modern day Armenia. They were brought in with the support of the Soviet central government until they began to speak openly in favor of a national Armenian state and identity. The government in Moscow sought to quell these desires by replacing Russian names of locations within Armenia to with their original Armenian names.

Section 3.4 describes the simultaneous natural disaster known as the Spitak earthquake and the onset of the Karabakh war. These two tragedies decimated the Armenian population as the Soviet Union collapsed. The war carried on as Armenia attempted to form an independent government while attempting to manage the devastating loss of approximately 25,000 people as result of the earthquake with an estimated 500,000 people displaced. The war carried on as the result of Soviet gifting of territory which was originally part of Armenia but was given to Soviet Azerbaijan from the central government during the Soviet occupation. This chapter ends with the collapse of the Soviet Union and Armenia revering from a natural disaster while engaged in a full-scale war.

## CHAPTER 4

### Post-Soviet rural Armenia

#### 4.1 Introduction

The transition to privatization was a traumatic experience for hundreds of thousands of Armenians. Social and economic safety nets, enjoyed during the Soviet Union disappeared over night. Households in urban areas fared far worse than their rural counterparts as urban families had become accustomed to purchasing goods and services provided by the central government during the 70 years of Soviet occupation. Rural relatives of urban dwellers provided what little they could spare to help their relatives get through the winter while international aid organizations assisted with daily provisions until a formal government could be established.

The transitional government under Levon Ter-Petrossian found initial validity through anti-Azeri, war rhetoric as a unifying force. One of the first legislative actions of the new republic, was the privatization of agricultural land. An inequitable system of land re-allocation left some households and communities better off than others. The rapid pace of privatization also made industries susceptible to the opportunistic behavior of individuals, formerly in positions of power during Soviet Era. Just as some rural communities benefitted more than others, high ranking individuals leveraged their political positions to seize control of newly privatized industries, affecting a monopoly on the Armenian economy.

The structure of rural households reverted to that of the traditional patriarchal dominant form, including the re-introduction of pre-Soviet gendered division of labor. The Soviet emphasis on equitable contribution to the economy and each member of the

household being encouraged to work, reverted to women being the “hearth” of the family and men being the primary breadwinners. This change has limited the development of bridging ties, previously connecting rural communities to urban markets during the Soviet occupation.

#### **4.2 Transitional Policy Toward Small-Holder Agriculture Privatization**

The transition from the Soviet command economy to a market economy was a tumultuous time for Armenia. The country was attempting to recover from the destruction of the Spitak earthquake while an influx of Armenians fleeing war in Karabakh sought refuge (Bezemer and Lerman, 2004; Iskandaryan, 2012). The economic support system provided by the Soviet Union was no more and a country with few natural resources was establishing a national economy in the absence of a well-established government. Armenia and Azerbaijan, differed from other Soviet republics in that they experienced strong nationalist movements resulting from their fight for Karabakh. Many former Soviet states were revolting against the totalitarian communist regime, Armenians were united in reclaiming their ancestral land (Iskandaryan, 2012; Sahakyan and Atanesyan, 2006). Numerous victories against Azerbaijan furthered the support for the transitional government and united the country behind the war effort in the early years of transition (Sahakyan and Atanesyan, 2006). The legitimacy of the government was further reinforced by the progressively homogenous makeup of the Armenia. In the 70 years under Soviet rule, emigration of non-Armenians and the resettlement and repatriation of ethnic Armenians from the diaspora resulted in Armenia being the most ethnically homogenous state of all former Soviet Republics (Suny, 2006).

Strong support of the transitional government allowed for essential policy reform to replace the social and economic support systems lost with the dissolution of the command economy. Post-Soviet institutions differed from their centralized predecessors in that wages were no longer centrally determined and limits on income have been removed, allowing individuals to earn as much as they could (Obrien, Patsiorkovsky, Dersham and Lylova, 1996; Obrien, Wegren and Patsiorkovsky, 2005)

The introduction of market forces to the newly formed economy caused the transitional government to privatize economic institutions to cope with an economic crisis where GDP in Armenia decreased by 60% and real wages fell by two-thirds between 1989 and 1996 (Kharatyan, 2003). Privatization of collective agricultural holdings occurred almost immediately and is regarded as the key reform responsible for the agricultural sector's quick recovery and the shift in Armenia's economic structure from industrial to agrarian.

The smallholder agricultural system was instituted at the onset of independence and revolutionized the national agricultural system. In 1991, agricultural reform transformed 148,300 households and 24,204 collective farms into 319,300 households and 373 collectives (Kasarjyan, 2011; Wegren, 2011). Privatizing collective lands, although equitable in theory, resulted in the inevitable stratification of rural communities.

Agricultural lands were categorized by productivity (irrigated, non-irrigated and dry soil), location (proximity to the village) and type (pasture, meadow, arable and mountainous) (Kharatyan, Babajanian and Janowski, 2003). Land was distributed using a lottery system in which households were allocated land per the number of members residing in each home with each household receiving 1.4 hectares (on average) of which, 1.07 hectares

was arable land (Kharatyan, Babajanian and Janowski, 2003). The lottery system determined the type of land households received, favoring families who had remained in the village during the war. Those who registered and lived in the area before January 20, 1990 were first to receive land. The second group was comprised of former residents of the area who wished to return while the last to receive land were citizens of the republic who wished to relocate to these areas and become permanent residents (Kasarjyan, 2011). This process allowed for the perceived equitable distribution of land while attempting to minimize the polarization of rural communities.

Land ownership in rural communities did not guarantee profitability or security and is both time and labor intensive. The system of land re-allocation distributed plots that were often located in geographically diverse locations and in some cases as far as 20-40km from the home (Kharatyan, Babajanian and Janowski, 2003). Due to the distance to some plots, landowners depended on plots near their homes. Market accessibility further complicated the rural household economy as many households had limited access to large markets.

The Soviet system's collectivized farms and markets left households ill prepared to organize their own markets. Households were often unable to transport their goods to newly formed markets where the transportation cost had previously been incurred by the central government. Farmers who could access a market the additional challenge of low purchasing power of urban residents resulting from the high employment and poverty (Kharatyan, Babajanian and Janowski, 2003). The combination of land re-allocation, a lack of market accessibility and low- purchasing power of consumers has caused

agricultural outputs to generate minimal household profit and is a greater social and economic safeguard than source of income.

Nationally, post-Soviet private sector agriculture accounted for 98% of production where before 1990 it was responsible for only 35% of national production (Kasarjyan, 2011). Agricultural privatization has not been able to make up for Armenia's high unemployment rate and is often inaccurately represented in national employment rates for the agricultural sector. Khodzhbekian and Papazian found there are three reasons for the increased unemployment rate in Armenia that continue to plague the country. The development and introduction of market competition and the closure of state owned and operated enterprises has not been supported by the creation of new jobs. Existing production capacities are underutilized and modernization is lacking, leading to the suspension of existing enterprises. Finally, current socioeconomic policy is short sighted and needs to address challenges facing the transitional economy to be more effective (Khodzhbekian and Papazian, 2009). They acknowledge that the economic reporting system in Armenia is flawed and does not accurately represent the true state of employment, particularly in rural communities.

Regardless of the quantity of land allocated to a rural household the ability to work the land varies greatly. Rural residents who are unable to farm due to either lack of knowledge, disability or old age, emigrate to urban centers and find work or join the urban poor (Khodzhbekian and Papazian, 2009). When landowners are unable to farm, they are not registered as unemployed and many of those that do farm, participate in an informal shadow economy, including small production facilities and businesses. None of the income generated in these informal business ventures are taxed and for this reason it

can be said that a civilized labor market has yet to develop (Khodzhabekian and Papazian, 2009). Higher levels of poverty in these same areas support the issue of under reported unemployment in rural communities.

A 2003 study by Kharatyan, found that extreme poverty was likely to concentrate in border areas, higher altitudes and earthquake zones. These areas are more likely to have lower quality land and if there is limited irrigation, the area is more likely to suffer from extreme poverty. Even in the most impoverished households, private farms have provided most of the rural and urban population with foodstuffs. The sale of surplus produce is common among rural households but subsistence farming with little or no surplus is still prevalent throughout the country. One factor that scholars have unanimously agreed upon is that social helping networks are essential to the success of the post-Soviet rural household (Bezemer and Lerman, 2004; Keshishian and Harutyunyan, 2013; Khodzhabekian and Papazian, 2009; Lerman and Sedik, 2010; O'Brien and Patsiorkovsky, 2006; O'Brien, Patsiorkovsky and Dersham, 2000; O'Brien, Patsiorkovsky, Dersham and Lylova, 1996; O'Brien, Wegren and Patsiorkovsky, 2005; Round and Williams, 2010; Wegren, 2011).

### **4.3 Household Social Structures and Trust**

Accounts of Armenians during the winter of 1993 – 1994 paint a clear picture of the role of social capital in the form of helping networks in surviving the transition. Interviews conducted by Miller and Miller in their book; *Armenia: Pictures of Survival and Hope* show that many more urban Armenians would have died had it not been for the support of immediate and extended family members in rural villages. One resident of Yerevan stated that, “people living in rural areas tended to fare better than those in the

cities. They could live off the land, whereas those in the city had become used to exchanging money for food” (2003). The participants in the interviews explained that relatives living on farms would come to the rescue and occasionally someone would get a small gift of money or warm clothes from a relative living in the United States or Europe. The rural household was pivotal in supporting urban dwellers during the harsh winters of the early transition when gas and electricity were often non-existent. Urban centers such as Yerevan, Gyumri and Vanadzor would have suffered far greater casualties had it not been for aid provided by rural family members.

A 2008 study by Babken Babjanian, reported that all respondents in a study of three rural communities reported that, people provided support for members of their village who were outside of their kinship or friend networks provided they had the resources to do so. Sample villages in the study consisted of communities comprised of ethnic Armenians, Armenian refugees from Azerbaijan and Yezidi Kurds. Respondents in stated they supported households within their community no differently than they did their own families. Some judgment was made on families who received international aid but that did not prevent them from accessing services or support from their neighbors. The types of assistance reported in the study ranged from lending small amounts of cash for paying bills or buying necessary items such as hygiene products or food to lending pesticides or agricultural machinery during planting and harvesting seasons. Although respondents in this study stated that they saw no difference between helping co-villagers and their kin the structure of post-Soviet *blat* networks would suggest otherwise.

Aliyev, suggests post-soviet *blat* relations are based in deep-rooted family and kinship ties. They are unquestionably exclusive, elitist and do not account for the

equitable distribution of public goods (2013). There is no need for bribery or coercion. At the family level, *blat* networks do not provide bridging social capital and therefore cannot be used to check the behavior of local and regional politicians nor can they ensure employment or welfare on a non-exclusive basis (2013). The absence of strong bridging capital makes leaves both Armenian households and communities vulnerable to negative impact political corruption.

Interfamily and bonding forms of social capital become more important in the absence of trust. Two studies illustrate the lack of trust Armenians have of public officials, police and international development organizations. Artak Shakaryan's survey of 6 cities in Armenia during 2004 and 2005 revealed that Armenians believe that trust and honesty within a country is essential to both social and economic development. The troubling nature of his findings revealed that 68.9% of respondents believed the level of honesty among politicians/civil servants to be either low or very low. In countries with low levels of trust, business development is largely limited to small and medium sized businesses as trust in financial institutions is a necessity for larger business development.

A 2008 study by the Caucus Research Resource Center's Caucasus Barometer (CRRC), asked the question; "How effectively, in your opinion, did the below mentioned entities/people function to secure personal safety and civic rights?" The table below shows that friends and family are viewed as far more dependable than public officials or local and international organizations.

Figure 6. Human Security/Civil Rights in the South Caucasus, 2008

Question: "How effectively, in your opinion, did the below mentioned entities/people function to secure personal safety and civic rights?" (%)  
(E = Effective; I = Ineffective)

	Armenia		Azerbaijan		Georgia	
	E	I	E	I	E	I
Police	29	31	46	21	50	10
Prosecutor	25	40	42	20	29	20
NGOs	23	42	35	30	38	18
Neighbors	56	14	52	15	54	12
Friends	70	8	61	12	66	7
Relatives	74	8	63	12	64	9

Source: Caucasus Research Resource Centers Caucasus Barometer.

Neighbors were also viewed favorably compared to NGOs or public officials but somewhat less than family and friends. These findings support the statements from previous chapters where the evolution of social capital in rural Armenia and the transition from kin based network to the post-Soviet *blat* networks was explained. Rural Armenians are significantly more dependent upon family members than they were during the Soviet era due to the absence of a state sponsored financial support system. The greatest challenges facing contemporary, rural Armenian households are unemployment and the lack of institutional trust; the result being a substantial increase in male labor migration.

High levels of unemployment and low levels of trust for NGOs and government institutions are the main causes of male labor migration to Russia. Armenia has seen increased out migration of male labor beginning at the onset of privatization; but the pattern of male migration to Russia goes as far back as the Russian conquest of Eastern Armenia from Iran in the 1820s (Agadjanian and Menjivar, 2007). The current trend in male labor migration is aided by the slow recovery from the global recession of 2008 and

UN sanctions on Russia which have impacted all former Soviet states for whom Russia is their largest trading partner.

The absence of the husband/father from the rural household results in increased restrictions to the growth of the diversity of the household's social helping network. Women left behind, manage traditional household duties while having the additional responsibilities thrust upon them in the absence of their husband while still being financially dependent upon a spouse often more than 1000 km away. A traditional decision making process remains intact where small decisions about the purchasing of goods to meet the daily needs of the household are made independently by the wife, she must consult her husband for large purchases (Agadjanian and Menjivar, 2007). The household's helping network constricts in the absence of the husband and women discussed their relationships with neighbors and their in-laws as being increasingly close. Neighbors substitute for kin in a limited capacity. A respondent from the 2007 study of women left behind, named Gohar said, "I can ask my neighbor for help once, and he will help but I'll be ashamed to ask him again" (Agadjanian and Menjivar, 2007). When the husband returns, respondents reported there is no need to ask for help outside of the family. In terms of moral support, the wives of male migrant laborers rely upon each other for support. It is common for men from the same village to leave for the same destination as laborers and therefore their wives are left to support each other (Agadjanian and Menjivar, 2007). The development of social support networks by Armenian women is rare as they are largely responsible for the home and the development of social capital and external profit generation for household falls on men.

#### 4.4 Conclusion

This chapter reports on the challenges faced by Armenians during the period of economic and political transition following the collapse of the Soviet Union. I begin with a discussion of the privatization policies directed at breaking up Soviet agricultural collectives and transforming the economy and rural landscape from industrial, command to privatized, market driven agriculture.

Section 4.2 explains that agricultural reform in 1991, changed 148,300 households and 24,204 collective farms into 319,300 households and 373 collectives (Kasarjyan, 2011; Wegren, 2011). Previously collective land was distributed to individual households with priority given to households who were from the village and were currently living there. Second priority for land allocation was to previous villagers who had moved away but sought to return to pursue farming. Finally, Armenians who desired to move to the village but had no previous residence nor family history were the last group to receive land. This process occurred during the first years of independence while urban dwellers were worse off than their rural counterparts due to their dependence on purchased goods rather than subsistence farming.

Section 4.3 explores the changes in household social structure and networks of trust in the transitional period. Urban families with relatives in the countryside were dependent on their rural family members to provide foodstuffs to compensate for the market failure. A 2008 study by Babajanian, found that rural Armenian households would support their neighbors and fellow community members assuming they had the means to do so.

Respondent households in the study, reported to have lent small amounts of money, agricultural supplies or heavy machinery during the harvest season. Helping networks of

post-Soviet households are centered around bonding ties of kin. The collapse of the Soviet command economy severely reduced trust in national organizations and nearly all government institutions, primarily the police. A 2008 study of the levels of trust of Armenian households in national institutions, revealed extremely low levels of trust in law enforcement and high levels of trust in friends and family (CRRC).

## CHAPTER 5

### Research Design

#### 5.1 Introduction

This chapter describes methods used to address the research question of this dissertation: How does the social structure of rural Armenian households and their social helping networks explain the differential success of households in transition? It begins with the presentation of the research design and rationale for developing the study to explain the structure of social helping networks in rural Armenian households. The study uses an explanatory sequential design (Creswell, 2003) utilizing mixed methods through survey data and focus group discussions. The quantitative analysis is based on results of a survey of four rural communities collected during the fall of 2015. The qualitative component is the result of a thematic analysis of focus group discussions administered during November of 2015. This design was selected to provide a comprehensive explanation of the structure of rural Armenian household's social helping networks and to understand how these helping networks allow the household to function as an economic unit.

The second part of this chapter describes the two main hypotheses of the dissertation; that households with denser social helping networks are more economically successful measured in terms of household monetary income and increased levels of trust between households and local government institutions leads to greater economic success as presented in Granovetter's 1973 work, *The Strength of Weak Ties*. This research provides insight into the value of social capital as a predictor of household and community resilience as it pertains to monetary success. This section draws existing

theories of social capital as it relates to development in former Soviet states and applies it to the specific context of rural Armenia. The further development of these hypotheses reiterates previous theories of social capital in rural development posed by Woolcock and Narayan for the World Bank, Obrien et al. in rural Russia and Babajanian in Armenia.

## **5.2 Research Design**

This study was conducted using a sequential explanatory design. The design was selected, as the most appropriate combination of methods to efficiently explain how social capital in the form of social helping networks and household structure impact the economic success of rural households in Armenia. There is a limited body of literature examining social capital in an Armenian context and even less focusing on the structure and differential success of rural households. This study is the first to investigate the effect of social capital on household monetary income in rural Armenia. This research provides significant insight into the challenge of rural economic stratification resulting from privatization in post-Soviet states and will add to the existing body of knowledge in the field of applied Sociology.

The research design combines analysis of household survey data with focus group discussions to inform the survey findings. The aim of the household survey was to evaluate perceptions of trust in institutions, variation in sources of household income and the structure of helping networks. Focus group discussions with members of households included in the survey, allowed for the assessment of attitudes toward gendered division of labor and the development of the household social structure and helping networks as they pertain to economic success.

Surveys were administered to 50 households in each of four sample villages using a systematic-random sampling method after the failure of an attempted stratified random sampling approach. The proposed stratified sampling method would have divided households into two groups; households with children and households without. Each village has administrative records where each home is defined by a household type. In early meetings with stakeholders and school directors it was made clear that there were few households without children under the age of 18. Villagers elaborated that families often lived together with young children being in the same homes as their parents and grandparents. The second issue with the attempted stratification was that one of the village administrators refused to allow my team and I access the village administrative records. For these reasons, I used a systematic-random sampling method in which every second attendee of meetings held in the village schools was selected to participate.

Village schools play a vital logistic role in rural Armenian communities as a central meeting place for large groups within the community. Household members were invited to the village schools with the help of school faculty and local administrative staff. The survey purpose and design was explained and questions regarding questionnaire content were addressed. Selected respondents were given a survey to complete while making sure that no two respondents were residing in the same household.

Sample villages were selected based on the following criteria: villages with a rural classification having a population of less than 2,500 (USDA), located in Syunik and Vayots Dzor regions. Two of the villages are located within 10km of a central market or urban centers while the other two are located further than 10km. The sample villages

were stratified by economic type. Villages B and D are dependent upon subsistence farming and located further than 10km from central markets while A and C have access to markets and industry. The map below shows the geographic location of the 4 villages in this study:

Figure 7. Map of Sample Villages



### Vayots Dzor Sample Villages:

#### Village A

Located on the main highway connecting the southern regions of Armenia with the Capital city of Yerevan, Village A has a thriving wine industry. There is a large

commercial wine production plant that employs community members. Additionally, households sell homemade spirits and wine from privately owned roadside stands. The village is known throughout the country and greater southern Caucasus for its wine production as they host an annual wine festival that brings tourists from around the world to the village.

### **Village B**

Village B is in an isolated location on the way to the tourist town of Jermuk. There is a solitary, low traffic, road that leads to the village. Village B is suffering from severe outmigration to Russia and struggles with basic infrastructure needs such as potable water and irrigation. The only source of employment in the village is the local school and the few small shops owned by a few elite families.

### **Syunik Sample Villages:**

#### **Village C**

Village C is in the Syunik region of Armenia within 10 km of the city of Kapan. This village has access to a large mining industry which employs many of the surrounding villagers. Many of the households in village C have small agricultural plots for subsistence farming that are located far from their homes. Households in this community are more likely to purchase foods from the local markets accessible by bus and located within 10 km of the village center

## **Village D**

Village D is located further than 10 km from the nearest economic or industrial center and households are largely dependent upon subsistence agriculture. There is one store that sells clothing and canned goods which are purchased from the city and transported into the village once a week. There are three small stores run out of rooms in a few homes where wealthier rural families buy goods from the city and resell them out of their homes.

All of the villages in the sample are experiencing varying degrees of male labor migration and economic difficulty resulting from a trickle-down effect of international economic sanctions on Russia. The final sample was 117 completed household surveys of 200; the sample had a response rate of approximately 60%.

Focus Group discussions were organized from men and women of participant households. In each village two focus group discussions were held; one of 5 males and one of 5 females. All participants were over 18 years old where the youngest participant was 18 and the oldest was 73. I administered the male focus groups in each of the four villages, while two female colleagues administered the female focus groups. All discussions were recorded in each village and recordings were translated and transcribed by Dr. Lilit Makunts of the Russian-Armenian (Slavonic) University in Yerevan

### 5.3 Hypotheses

A study of rural Russian households by O'Brien and Patsiorkovsky in 2006 found that as political and economic stability increased after 2000, non-redundant ties and agricultural output increased (2006). This illustrated the micro and socio organizational adjustment of households to reforms of the Russian central government. Rural Armenians, have a tenuous relationship with government entities and policy makers. The political and economic reforms in Russia were much slower to develop in Armenia. However, the hypotheses presented in this chapter are derived from “*synergy*” view of social capital where bonding and bridging social capital must complement each other. If bridging capital is weak as stated in previous studies of Armenia, bonding capital will help the household get by but additional economic opportunity will be limited (Babajanian, 2008; Shahkyan, 2006).

To answer the question: How does the social structure of rural Armenian households and their social helping networks explain the differential success of households in transition? This study proposes to test two hypotheses contributing to the construction of household social capital, they are:

- (1) Households with denser networks have better economic opportunity/  
higher monetary incomes:

Household social structures in rural Armenia adapted to changing political, economic and social circumstances throughout multiple occupations for both the preservation of the Armenian national identity and survival. For Armenian families to rely solely upon networks of kin during the Ottoman empire, was an indication of the bartering system of trade with limited

need for bridging capital between Ottoman Armenian households and their non-Armenian counterparts. The onset of the Soviet occupation and introduction of the command economy introduced *blat* networks, altering the social construction of rural households through dependency upon members outside of pre-Soviet kin-based networks to acquire goods that were otherwise unavailable. The post-Soviet social structure saw the *blat* networks place greater emphasis placed on kin-based networks in the absence of a centralized support system.

- (2) Households with higher levels of institutional and political trust have greater economic success:

Rural Armenian households have reportedly low levels of trust of government, international development organizations and local level NGOs. However, households cannot increase the development of their homes and their communities without the assistance of local officials and international development organizations.

#### Network Density Hypothesis:

There is a substantial body of research addressing the importance of social helping networks and their structures on economic opportunity for rural Russian households. The Soviet system dominated almost all aspects of life in rural Soviet communities. The inability of the central economy to provide basic goods for its republics, made *blat* networks essential. Similar to the case of Armenia, the studies of rural Russia found many younger couples moving in with parents and extended families. Expanding the household size, satisfied the social and economic need of the household

through familial support. A study by Lerman and Sedik, found that the redistribution of land under privatization in post-Soviet Azerbaijan was very “pro poor” and increased the average amount of rural landholdings resulting in greater household incomes (2010).

The early years of privatization forced Armenian households to depend on their immediate family to survive the energy crisis and food shortages that followed the collapse of the Soviet Union. As the economy of Levon Ter-Petrosian’s administration began to recover, rural households branched out of their kin-based networks in order to adjust to the free market structure. In the absence of formal institutions, families who had enjoyed positions of authority during the Soviet Union were uniquely positioned take control of industries in the midst of the chaos that was privatization. Once the dust settled, a few families controlled the means of production and distribution. For rural households this meant that they were once again dependent upon their dense kin-based networks, as the hierarchical nature of kin-based networks had effectively given control of the Armenian economy to a few families.

#### Organizational Trust Hypothesis:

Having survived genocide in the beginning of the 20<sup>th</sup> century, the attempted removal of national identity during the Soviet occupation and pogroms in Sumgait, it is not surprising that rural Armenian’s have low reported levels of institutional and political trust. In the past century the only groups Armenians could rely upon for assistance were family and friends.

Reinforced by the violent massacres during the Ottoman Empire, Armenians fled to their ancestral land only to be absorbed to into the Soviet Union. For 70 years, they

were dependent upon a failing command economy under a totalitarian regime that sought to erase Armenian national identity. To preserve Armenian identity, households relied upon each other and more so on the family unit to preserve their way of life. The failure of the Soviet Union and the Sumgait pogroms left Armenians with an unorganized state, slowly monopolized by oligarchs who held positions of authority during the Soviet occupation.

Contemporary Armenia has experienced a drastic increase in NGOs being formed throughout the country. International development agencies are active at all levels of economic development but have the large hurdle of governmental corruption. In the most recent status report by USAID and the World Bank, Armenia's greatest challenge to development is corruption. Numerous accounts in the aforementioned studies of Armenian scholars support the assertion that NGOs and oligarchs alike embezzle programming funds and the goals of development projects are not met. When rural community members see this kind of behavior from government officials and local organizations, supposedly there to assist with development, they can only trust their local communities. I previously referred to a study by Shakaryan, which measured civic trust in rural communities. He found that NGOs and government were trusted the least and as expected, family members were trusted most.

#### **5.4 Operationalization and Measurement**

Social Capital is closely tied to social helping networks. For this reason, scholars have used redundant and non-redundant ties to measure the amount of support available to a given household. The number of non-redundant ties, represents the actual number of people a household can call upon for assistance. Redundant ties, measure the people a

household can call upon for help for each household task, meaning the same person can be called upon to help multiple times. Non-redundant and redundant ties measure the amount of support available to a specific household.

In a development context, linking capital has been defined as “norms of respect and trusting relationships between those who are interacting across explicit, formal, institutionalized power or authority gradients in society” (Szreter and Woolcock, 2004). The level of trust between rural Armenian households and organizations/institutions acting upon them, is measured to determine the level of linking social capital.

The rural post-Soviet household closely resembles the peasant household as found in the work of O'Brien et al. All members of the household contribute to household labor and their contributions an intrinsic value differ according to the amount they can contribute to household production. Household labor is conceptualized in terms of “household labor,” which includes indicators of both the size and age of household members. The operationalization of this concept was first developed by Chayanov (1966) and has been tested on “peasant households” in other regions (e.g., Deere and de Janvry 1981). The specific values, used to calculate the household labor index assign a numeric value based on the age of each member in the household reflecting their ability contribute to household production, in several surveys of Russian agricultural regions (see O'Brien and Patsiorovsky 2006: 78), were: a labor value of 0 (ages less than 8 or > 80), .25 (ages 8-11 and 75-79), .50 (ages 12-14 and 71-74), .75 (ages 15-16 and 66-70), 1 (ages 17-65) (O'Brien and Patsiorovsky 2006: 78).

To understand the impact of social capital on the differential success of rural Armenian households, proxy measures of social capital in the forms of ties (redundant and non-redundant) and support will be tested as predictors of household monetary income. Monetary income at the household level is the sum of all sources of household monetary income from salary and wages, pensions, dividends, household business and “other” for each household.

## **5.5 Conclusion**

Chapter 5 presents the research design, hypotheses and operationalization of key concepts. This study seeks to answer the question, how does social capital, measured in terms of social helping network structure, levels of support and trust impact the differential success of rural Armenian households? I employ an explanatory design, combining survey data and focus group discussions in four rural communities of Syunik and Vayots Dzor regions. Sample villages were selected based on their proximity to urban centers or central markets, determining their ability to access salary and wage labor.

Section 5.2, discusses the research design and provides background information of the four sample villages. The four sample villages were selected based on a variety of criteria allowing for an accurate representation of rural communities in southern Armenia. All sample villages have a total population of less than 2,500 people. The population criteria is taken from the USDA’s definition of rural and is applied in this study as the conclusions drawn from the mixed methods analysis will be used to inform development work often implemented by US government and implementing partners. Two sample villages in each region rare selected to represent the variation in rural

communities in southern regions. One, located within a 10km of a market or urban center and the other located more than 10km from a market or urban center. This designation of proximity to markets allows for a comparison of communities who have greater access to employment opportunities to those who are almost entirely dependent upon subsistence farming.

Vayots Dzor sample villages are both have population less than 2,500 and are in Armenia's wine region. Village A, is located on the main highway connecting it to Yerevan and cities in the south. It is home to a large wine production business as well as smaller household level wine businesses and roadside stands allowing households to generate monetary income throughout the year. Village B, located at a higher elevation than village A and is a considerable distance away from the main highway. Households are heavily dependent upon remittances and subsistence farming with little opportunity for monetary income generation in the village.

Syunik sample villages similarly have populations less than 2,500 and are in the southern most region of Armenia. Village C is located near the city of Kapan which is home to several mining operations employing local villagers and offers a variety of markets and small businesses. Village D is located almost an hour's drive from the city and is heavily dependent on subsistence farming with few options for monetary income generation.

The Survey questionnaire was administered to 50 households in each village. I used the local school buildings with the assistance of village administrators to gather household representatives from which I drew a systematic random sample of households

in each village. Due to the variation in household availability, I explained the questionnaire and clarified any questions during the initial meeting with selected households as well as left my contact information to answer questions via telephone. Respondent households had between 1 and 2 weeks to complete the questionnaire.

The two hypotheses tested in this study examine the household's social helping networks. The first hypothesis tests the strength of bonding and bridging forms of social capital through network density. I hypothesize that households with denser social helping networks will have greater economic opportunity and an increased ability to generate monetary income. The second hypothesis examines levels of trust between households and government, universities, NGOs and international development firms.

Section 5.4 discusses the operationalization of variables in the research design using proxy measures to encompass the three components of social capital. Redundant and non-redundant ties are operationalized as follows: redundant ties represent individuals within the household that can be called upon multiple times while non-redundant ties are individuals called upon one time. Redundant ties represent the density or bonding social capital strongly associated with networks of family. Non-redundant ties often represent ties outside of the household including neighbors, enterprise and government. Support, is operationalized as the self-reported amount of support each household receives from different entities in a variety of scenarios. Trust, measures the households perceived levels of trust in government institutions, universities, NGOs and international development organizations. Household labor value, introduced by Chaianov, designates a numeric value to members of the household according to their age

as a representation of their ability to contribute to the household as an economic unit. The research design outlined in this chapter was implemented during the Fall of 2015.

## CHAPTER 6

### **Analysis of Rural Household Social Capital**

#### **6.1 Introduction**

This Chapter discusses the findings of mixed methods analysis, including descriptive statistics, regression analyses of survey data and a thematic analysis of focus group discussions. The findings from four household surveys, in two southern regions of Armenia, explain the effects of household structure and social helping networks on the rural Armenian household. Sources of household income are identified and systems of support for rural households are analyzed both as an entire rural sample and by village type per their proximity to urban centers and markets.

A thematic analysis of two focus group discussions were conducted separately in each village, with a purposive sampling of respondents by gender (male and female). The focus group discussions reveal the perspectives of male and female community members ranging in age from 18 -73. These findings are used to inform the generalizable findings from the analysis of household surveys.

#### **6.2 Household Survey Findings and Implications**

To understand rural Armenian social capital, I have compiled an original dataset using on-site household surveys in four rural communities from September through November 2015. Questionnaires were delivered to participants based on a systematic-random sampling method and collected two weeks after the they were delivered.

Participants unable to complete the survey during the initial administration date, were

given alternative dates occurring once every two weeks in the month of October. Due to the variability of rural household schedules in preparation for winter, it is not always possible for respondents to complete the survey immediately. This system of collecting surveys was the most comprehensive and culturally respectful method available under both time and financial constraints associated with conducting the field work.

The quantitative portion of this mixed methods study reports on predictors of total household income, monetary household income, structure of helping networks and levels of trust and support. Regression analyses for this study use total household income for the first regression model and monetary household income as the dependent variable for all following regression models. The first regression model uses respondent answers relating to sources of income for the household. Predictors of total household income are drawn from a variety of sources of household income: (1) *salary and wages*, (2) *non-monetary income* and (3) *total benefits*. Salary and Wages are the combination of the reported primary and secondary salaries and wages of household members working for someone else. Non-monetary income is the reported equivalent income to the household consumption of goods produced from household plots and total benefits is the combination of alimony, pension and child subsidy for the household.

The second series of regression models, measures predictors of household monetary income using human capital (1) *household labor value* and *education*, social capital (2) through *non-redundant and redundant ties* (both discussed in chapter 5), sources of household support (3) *family, friends, large enterprise and village administration* and (4) *location*, using dummy variables for the villages being tested.

### 6.2.1 Descriptive Statistics and Sample Representation

Sample villages were selected using the 2015 Report of Women and Men in Armenia, 2011 Armenian Census and the Households Integrated Living Conditions Survey 2012-2014 provided by the National Statistical Service of the Republic of Armenia. The sample is an accurate representation of rural Armenia with the values found in sample indicators of age, education, household size and gendered head of household resembling those found in national level studies with substantially larger samples. Tables 6.1 through 6.3 illustrate the representation of my sample with that of the greater rural community from the studies by NSS RA.

**Table 1. Percent of Rural Population by Gender and Age**

	Women (%)	Men (%)
Percent of Population aged 0-15	19.5	23.4
Percent of Population aged 16-62	67.5	67.9
Percent of Population aged 63+	13	8.7
Head of Household	27.3	72.7
Percent of 40+ year olds with Secondary Education	51.63	43.74

**Sources: Women and Men in Armenia 2015 and Households Integrated Living Conditions Survey, NSS of RA, 2012-2014**

**Table 2. Household Structure in Members per Household: 2014 RA vs 2015 VDPC**

Number of people per Household	HILCS National Survey (%)	VDRDPC Sample (%)
1	10.20	1
2	10.90	6
3	11.72	7.7
4	19.98	28.2
5	18.78	28.2
6	14.50	17.9
7	8.19	9.4
8	2.43	1
9	1.90	1

**Sources: Women and Men in Armenia 2015, Vayots Dzor Regional Development and Partnership Center Survey (VDPC), 2015**

**Table 3. Descriptive Statistics of Rural Armenian Household Sample Support Variables on a scale of 1-4, 1=no support and 4= strong support**

	Village A	Village B	Village C	Village D	Total
Population	1,772	944	796	791	4,303
Refusal Rate (%)	70	50	34	14	41
Respondents By Gender (%)	Male-99 Female-1	Male-99 Female-1	Male-99.20 Female-.80	Male-86.70 Female-13.30	Male-93 Female-7
Avg. Age	43.32	45.78	47.36	50.5	45.38
Avg. Education	11.67	10.92	10.55	11.64	11.17
Non-Redundant Ties	3.14	3.3	4.33	4.33	3.45
Redundant Ties	6.45	5.0	10.67	4.56	6.31
Support from Family	2.18	2.40	2.97	2.94	2.94
Support from Friends	3.08	2.79	2.83	3.16	3.16
Support from Large Enterprise	3.67	3.77	3.76	3.85	3.85
Support from Village Admin.	3.18	3.08	3.32	3.10	3.10

**Source: VDPC Survey, 2015 (n=117)**

The data set constructed for this study of rural Armenian villages contains a total of 117 households drawn from four rural communities. The sample was stratified into a group of two communities within 10km and a second group of two communities further than 10km from a market or urban center. The stratification of the sample allows for the exploration of differences in household network structure between villages actively participating in markets who have greater access to salary and wage employment compared to the more remote villages, largely dependent on subsistence agriculture. 58 households responded in each group with 1 household failing to report their village

identification. Most respondents were male, heads of household (93%). The average age of respondents was 45.86 years old with approximately 11 years of formal education.

The VDPC findings of financial responsibilities within the household, reflect those of a previous study by Menjivar and Agadjanian (2007) in that men control the finances while women are responsible for procuring goods required for day-to-day needs of the home. Perceived purchasing is operationalized as: the individual who controls the decision-making process related to purchases. Actual purchasing, is the individual who makes the decision and carries out the action of making a purchase. Table 6.4 below, shows the difference between perceived and actual purchasing patterns in households of the VDPC study:

**Table 4. Household Purchasing – Perceived vs. Actual**

	Husband	Wife	Both	Other	Difficult to Answer
Controls daily purchases?	13 (17.8%)	27 (23.1%)	32 (27.4%)	-----	1 (1.4%)
Actually Makes daily purchases	25 (23.8%)	42 (40%)	34 (32.4%)	3 (2.9%)	1 (1%)
Controls bill payment	16 (27.6%)	19 (32.8%)	22 (37.9%)	-----	1 (1.7%)
Actually pays bills	33 (41.3%)	21 (26.3%)	23 (28.7%)	2 (2.5%)	1 (1.3%)
Controls large purchases	16 (29.6%)	15 (27.8%)	22 (40.7%)	-----	1 (1.9%)
Actually makes large purchases	28 (39.4%)	17 (23.9%)	20 (28.2%)	4 (5.6%)	2 (2.8%)

**Source: VDPC Survey, 2015 (n=117)**

Women or both the husband and wife had the highest reported percentages of controlling daily purchases and this was supported in the actual purchasing of goods. However, both paying bills and making one-time large purchases were more frequently reported as being the responsibilities of the husband. Wives and the combination of both husbands and wives had saw a decrease between perceived control of financial activities

and actual performance. Regression analysis of total household income on sources of household income for the total rural sample revealed that income from salary and wages are the most statistically significant predictor of the total household income.

Table 6.5 illustrates the effect of various forms of household income on the total household income. Salary and wage labor, the combination of salary and wages obtained from work outside of the home for others and is the predictor explaining the greatest amount of variation within the model (approximately 68.8%). Non-monetary income; the combination of produce consumed from shared and private plots is a statistically significant predictor of the total household income and increases the explainable variation in the model by approximately 20%. Finally, household benefits account for approximately 9% of the variation. Each of these predictors of the total household income are statistically significant at an alpha of .05.

**Table 5. Regression of Total Household Income on Income Type**

Income Source	Equation 1	Equation 2	Equation 3
Salary and Wage	1.232*** (.116)	1.008*** (.135)	.822** (.076)
Non-Monetary	-----	1.227*** (.210)	.605* (.158)
Household Benefits	-----	-----	2.891* (.546)
Adj. R <sup>2</sup>	.688	.896	.986

\* p<.05  
 \*\*p<.01  
 \*\*\*p<.001

Source: VDPC Survey, 2015 (n=117)

Respondents were asked how they perceived changes in their homes and the rural economic status following the global economic crisis of 2008. Table 6.6 shows that most households reported that both economic and social status decreased or decreased very much. Respondents' perception of the rural population mirrored that of their own

households with 76% of respondents reporting the rural populations economic status decreased and 63.9% reporting a decrease for the rural population’s social status.

**Table 6. Change in Household and Rural Population Status Since 2008**

Status	Household Economic	Rural Pop. Economic	Household Social	Rural Pop. Social
Decreased very much	36 (32.4%)	40 (37.7%)	29 (36.7%)	32 (27.4%)
Decreased	40 (36%)	41 (38.7%)	20 (25.3%)	31 (36.5%)
No Change	26 (23.4%)	18 (17.0%)	28 (35.4%)	18 (21.2%)
Increased	9 (8.1%)	7 (6.6%)	2 (2.5%)	4 (4.7%)
Increased a lot	-----	-----	-----	-----

**Source: VDPC Survey, 2015 (N=117)**

While respondents felt that both their economic and social status had decreased since 2008, almost 70% identified their socio-economic status as being “average”.

**Table 7. Self-Reported Household Socio-Economic Status**

Economic Group	Frequency
Very Poor	4 (3.7%)
Poor	15 (13.8%)
Average	76 (69.7%)
Better than Average	10 (9.2%)
High	1 (.9%)
Difficult to Answer	3 (2.6%)

**Source: VDPC Survey, 2015 (N=117)**

The self-perceptions of rural socio-economic status in Table 6.7 illustrates that rural households do not perceive themselves to be worse off than the rest of the rural population.

## 6.2.2 Social Capital as a Predictor of Household Monetary Income

Social helping networks, levels of support and trust support the discussion of the value of social helping networks in explaining the differential success of rural Armenian households. The following regression analyses were conducted to explain the influence of human capital, social capital, social helping networks in terms of support on household monetary income. Table 6.8, show that from the total sample of rural households, household labor value and redundant ties are positive predictors of household monetary income. Household labor value was significant at the .01 level while redundant ties were significant at .05.

**Table 8. Regression of Total Household Monetary Income on Household Human and Social Capital in all Villages. Support Variables on a scale of 1-4, 1=no support and 4= strong support.**

Human and Social Capital Type	Equation 1	Equation 2	Equation 3	Equation 4
Education	6676.26 (4327.15)	2650.26 (5615.06)	7039.62 (9818.20)	14346.93 (7834.60)
Household Labor Value	26289.72* (12911.72)	42388.23* (15916.08)	72424.09** (21656.25)	67644.49** (18266.46)
Total Non-Redundant Ties	-----	22862.74* (10540.89)	175.78 (16813.01)	-26002.24 (13402.64)
Total Redundant Ties	-----	-5420.12 (5183.26)	3928.52 (8101.31)	18599.38* (7689.16)
Support from Family	-----	-----	13824.52 (9236.76)	12732.75 (13814.89)
Support from Friends	-----	-----	-39856.98 (31872.23)	-18000.46 (7689.16)
Support from Enterprise	-----	-----	-76332.67 (62998.71)	-125998.23 (61064.10)
Support from Village Admin	-----	-----	18599.68 (27647.85)	20362.06 (19829.69)
Village D	-----	-----	-----	-65608.19

				(56535.64)
Village C	-----	-----	-----	66118.06 (61619.59)
Village A	-----	-----	-----	164438.65 (79394.12)
Adj. R <sup>2</sup>	.069	.175	.353	.675

\* p<.05

\*\*p<.01

Source: VDPC Survey, 2015 (N=117)

The rural Armenian household closely resembles the traditional peasant household, in its dependency on household labor value and redundant ties.. The findings presented in table 6.8 support my hypothesis where a denser household network will yield greater household monetary income and economic opportunity. Characteristic of the traditional, peasant household, a heavy dependence on few individuals for support is presented in the significance of household labor value and redundant ties.

Regression models, identical to those used in the analysis of the total sample of rural households are used to examine stratified village samples, yielding markedly different outcomes. Table 6.9 found that in villages located within 10km of a market or urban center, households are not dependent upon redundant ties or members of their household in terms of household labor value, as was evident in the analysis of the total sample. These households have significant predictors of household monetary income from support from village administration. Support from friends had a significant, negative impact on household monetary income. Support predictors of household monetary income, caused an increase in the explanation of the model's variation, tripling the Adjusted-R squared value from .322 to .931.

**Table 9. Regression of Total Household Monetary Income on Household Human and Social Capital in Villages near (< 10 km) markets and urban centers. Support Variables on a scale of 1-4, 1=no support and 4= strong support. (n=58)**

Human and Social Capital Type	Equation 1	Equation 2	Equation 3
Education	3391.93 (5494.79)	2662.99 (8108.27)	-14293.15 (9691.67)
Household Labor Value	57822.83** (17703.36)	57461.86** (19018.30)	-13925.16 (21073.76)
Total Non-Redundant Ties	-----	29611.84* (13845.15)	-1060.14 (25106.42)
Total Redundant Ties	-----	-14732.83* (7117.10)	6329.19 (12223.82)
Support from Family	-----	-----	5093.40 (18048.04)
Support from Friends	-----	-----	-1026888.66* (184265.01)
Support from Enterprise	-----	-----	-----
Support from Village Admin	-----	-----	649372.59* (132254.50)
Adj. R <sup>2</sup>	.232	.322	.931

\* p<.05

Source: VDPC Survey, 2015 (N=117)

\*\*p<.01

Villages located more than 10 km from a market or urban center had similar results to the total sample, reliant upon redundant ties. Support variables explain approximately 55% of the model's variation with redundant ties having a significant, positive effect on household monetary income while support from enterprise and non-redundant ties having significant negative effects.

**Table 10. Regression Total Household Monetary Income on Household Human and Social Capital in Villages located further than 10 km from markets and urban centers. (n=58)**

Human and Social Capital Type	Equation 1	Equation 2	Equation 3
Education	15679.87* (5750.45)	7729.83 (9117.66)	18325.17 (8026.66)
Household Labor Value	9469.35 (15295.02)	12803.64 (22947.16)	6132.85 (20978.54)
Total Non-Redundant Ties	-----	-13869.32 (18024.77)	-40081.99* (11967.78)
Total Redundant Ties	-----	13011.84 (7524.34)	25347.63** (5711.16)
Support from Family	-----	-----	39966.55 (15639.61)
Support from Friends	-----	-----	15490.25 (19354.04)
Support from Enterprise	-----	-----	-99270.36* (29614.77)
Support from Village Admin	-----	-----	5783.65 (13839.06)
Adj. R <sup>2</sup>	.163	.203	.757

\* p<.05

Source: VDPC Survey, 2015 (N=117)

\*\*p<.01

The four types of support acting on rural households in this study are from family, friends and neighbors, large enterprise and village administration. Most rural households in the sample receive support. Support from family was received by 81.7% of households while support from friends or a neighbor was reported by 85.6%. More than 80% of valid, households reported receiving support from village administration or large enterprises. Table 6.11, provides both counts and frequencies for support indicators.

**Table 11. Valid Responses of Household Reported Levels of Support**

How much support does your household receive from:	Family (n=88)	Friends/ Neighbors (n=69)	Large Enterprise (n=57)	Village Administration (n=64)
No support	17 (19.3%)	10 (14.4%)	2 (3.5%)	6 (9.4%)
Poor support	27 (30.7%)	21 (30.4%)	4 (7.0%)	18 (28.1%)
Average support	4 (4.5%)	1 (1.6%)	1 (1.8%)	1 (1.6%)
Strong support	40 (45.5%)	37 (53.6%)	50 (87.7%)	39 (60.9%)

Source: VDPC Survey, 2015 (N=117)

To evaluate the households' willingness to participate in events outside of the home, I used a proxy measure for participation by recording the frequencies in which households attend celebrations outside of the home. In response to both celebrations at the homes of immediate family or another family's home within the village, approximately 65% of respondents reported as "sometimes" attending these types of events. Attendance in village festivals was reported at a much lower frequency.

**Table 12. Respondent Attendance at Celebrations Valid Percent of respondents below Frequencies**

How often do you attend parties:	At Parents or Relatives	At other families in the village	At Village Festivals
Never	9 (9.7%)	18 (22.5%)	35 (29.9)
Sometimes	62 (66.7%)	51 (63.7%)	35 (29.9)
Often	22 (23.7%)	11 (13.8%)	6 (5.1)

Source: VDPC Survey, 2015 (N=117)

The final proxy measure of social capital is the reported level of household trust in local/regional government, universities, international aid organizations and non-government organizations (NGOs).

**Table 13. Mean Levels of Household Trust of Linking Social Capital. Scale of Trust 1-4: 1= no trust, 4= strong Trust**

Level of Trust	Regional Government	Local Government	Universities	NGOs	International Aid Organizations
Reported Mean	1.86	2.86	2.79	2.02	2.54

**Source: VDPC Survey, 2015 (N=117)**

Rural Communities reported low levels of trust across different kinds of linking ties. Local Government and Universities were trusted most among all types of linking social capital. However, no organization recorded a mean equal to or greater than 3. Rural Armenian communities show little trust in institutions of higher learning bridging social capital a little with regional government trusted least.

### **6.3 Focus Group Discussion Thematic Analysis, Findings and Implications**

A thematic analysis of 8 focus group discussions conducted with respondents from the survey research component to inform the generalizable, quantitative findings. After administering survey questionnaires, I returned to each sample village accompanied by two female research assistants to conduct 2 focus groups in each village. I administered the male focus groups, consisting of 5 male participants, ranging in age from 18-73. Female groups were organized to mirror the male groups in that they also had 5 participants in the same age range as the male groups and were asked the same questions. Two female colleagues moderated the female focus groups to avoid the introduction of response bias from my presence as a male. Participants were asked the following questions: (1) *What are the household responsibilities of men, women and children?* (2) *What should be done to support economic development?* (3) *What are the greatest challenges for your family and for your village?* (4) *Does your family participate (buying or selling) in markets near urban centers?* (5) *Why do some people travel to*

*different cities or countries to find work? (6) What do you think can be done to prevent people from having to leave their community to find work?*

The first theme identified in the analysis of focus group discussions is employment. “Jobs” and “work” were used as thematic search criteria and were found to be the most frequently identified terms among all discussants. Three sub-themes identified within employment; gendered division of labor, labor migration and unemployment are used. Traditional, gender specific labor responsibilities are expressed by all focus groups. A married, 45-year-old, female participant from village A, stated, “it’s important that men work and provide for their families and women bring up their children”. In Village D, a married, 60-year-old, female respondent stated, “cattle raising, agriculture and gardening. A man has his responsibilities, which involves wood gathering and cattle raising. A man is the column of the house and women are busy cooking, looking after children and gardening”. Men supported this idea of traditional roles within the home. Male respondents from the village B, male focus group stated, “Men’s responsibility is different from women’s. Men’s work is difficult and it is outside the house, women do relatively easy work in the household”.

Labor migration resulting from limited economic opportunity has continuously increased in rural Armenian villages from the onset of Soviet occupation. Rural men leave for seasonal and occasionally permanent work in Russia or urban centers in Armenia. Respondents characterize this trend as a serious threat to the life of the village. In village D, a married, 55-year-old, male respondent explained that people who leave the village are “the ones who don’t want to struggle or work more, they leave their villages. They think that their life should be better and easier. Others, are just lazy and don’t even

work when they go abroad. They call their families to buy them tickets so they can come back”. A 63-year-old, widow from the same village felt that the poor living conditions in the village caused labor migration. She said, “there is no work, no workplace, the profit which we get from farming is too little. To support their families the young leave for other counties. That’s not good at all. Nobody wants their children to leave their homes. Today, my son is a citizen of the Russian federation, but it doesn’t make me happy. He hasn’t been home for years. But if there were workplaces, they would stay here”. The other village groups responded similarly stating that poor living conditions and a lack of job opportunities exist in the village. Men in village C, reported that the departure of families from the village means that there are less children. This is very concerning because schools, are one of the few things that keep villages alive. If families continue to move to the city or out of the country the villages will die. Interestingly, villages located within 10km of urban centers also identified a need for jobs as urban centers cannot satisfy the need for employment opportunities from multiple villages.

The second theme identified in focus group discussions is family. The family as a single unit, is most important to respondents. Participants are concerned about their ability to preserve the family considering unemployment and labor migration issues. A 70-year-old, male from Village C felt that, “if every family member works hard they will live very well”. He felt that all members of the household should work and bring their earnings home to contribute to the household. The idea that the family behave as one economic unit was mentioned multiple times, A female respondent from Village C stated that, “if there is unity in the family, it is possible to achieve everything”. Cooperation and unity were words most closely associated with descriptions of the family as a functional

economic unit. Respondents suggested that working collectively would be best for both the household and community and that they would need the support of local and regional government, which would be a challenge.

The final theme identified from the focus group discussions is the state, as an obstacle to collective action. A 45-year-old, married, male respondent in Village B, described why he and many others in the community do not trust their local nor regional governments. The source of the village's water is in a neighboring village's jurisdiction. The respondent stated that his village's drinking water is contaminated but he can do nothing about it. He said, "the problem is of the municipality, city council and village authorities. They tell people to pay the water fee and the people will not pay because they say they have natural water coming from the mountains for many years and they never had to pay before. Most people are not even aware of the contaminated water problems". Additionally, an inadequate sewage system is a perpetual problem for half of the homes in his village. The sewage issue affects only one district of the village because money from the community development fund was allocated to the districts in the village where the elected officials live. Therefore, they do not suffer from these issues but the less wealthy village members do. This example of local government corruption was echoed by comments from the female focus group participants from Village C. They report that the question of what can be done to prevent people from leaving the village is, "a painful question for the state, government and for the community. If we had an established state, we would live better". The low level of trust at the community level it seems, is viewed as the product of a poorly developed regional and national governmental structure.

The findings of this thematic analysis provide insight into the challenges rural households are facing. Rural Households are heavily dependent on their immediate families and expressed their desire to have all members of the household contribute, economically. The lack of employment options has led to the continued out-migration of men and families to urban centers and Russia, posing a serious threat to the continued existence of rural Armenian villages. Although low levels of trust are reported across all levels of bridging social capital, households some villages using bridging social capital more than others.

#### **6.4 Conclusion**

This chapter presents the findings of descriptive statistics and regression analyses of the 2015 VDPC survey and a thematic analysis of 8 focus group discussions. The first section in this chapter explains the response rate and representativeness of the sample population. The valid sample this study has a total of 117 respondents from four rural communities. The response rate was approximately 60% of possible households with national demographic data accurately represented in this sample.

Section 6.2.1. discusses the representativeness of the VDPC sample compared to that of a national sample collected during 2012-2014. The VDPC sample closely resembles the national sample in regards to the number of members per household with the greatest percentage of households reporting to have between 4-5 members in each sample. Table. 6.4 shows that the gendered division of labor in the household decision making process is prevalent. In married households, wives or the combination of husband and wife were largely perceived to be responsible for the household's finances. However,

when it comes to paying bills and making large, one-time purchases, the actions are reportedly carried out more often by the husband.

There is unanimous agreement among households that both the social and economic status of rural households has decreased since the start of the global economic crisis of 2008. Interestingly, approximately 70% of households' report their belonging to the "average" economic group. They do not see themselves as being better nor worse off than other rural households.

Section 6.2.2. discusses regression analysis of social capital as a predictor of household monetary income. From the analysis of the total sample of 117 rural households, I found that household labor value and redundant ties are significant positive predictors of household monetary income. When I use the same models to analyze each village type the results are substantially different. In villages located near urban centers with greater access to heavy industry, specialized agriculture or salary and wage labor, support from friends have a significant negative effect on household monetary income while village administration are significant and positive. In the more remote villages where subsistence farming is vital to each household and there is minimal access to markets and salary and wage labor, non-redundant ties and support from large enterprise have a significant negative effect while redundant ties are significant and positive.

Households report little trust in regional government and NGOs while local government and universities are moderately trusted. Participation in local events and parties within the community was limited to the parents or relatives' homes. Respondents

overwhelmingly report to attending parties often at a relative's home where the homes of other families and village-wide festivals were attended often less frequently.

Section 6.3 identifies three themes found in the thematic analysis of 8 focus group discussions. Employment, is the most frequently mentioned theme across all focus groups. Sub-themes are gendered division of labor, labor migration and unemployment as focus group participants discuss these three sub-themes in relation to employment. The second most frequently discussed theme is, family. Participants mention their desire to have their families together and they believe that all members of the home should work to provide for the household. Labor migration places great strain on the family and respondents agree that something should be done to create jobs locally to keep families together. The final theme is that of the government or state. Respondents discuss failures of the state and local governments and in some cases believe that government on all levels functions poorly.

## Chapter 7

### Conclusion

#### 7.1 Theoretical Implications

This dissertation contributes to both the theoretical and applied understanding of social capital in a rural development context. It is the first study to apply social capital as a predictor of the differential success to rural Armenian households. The purpose of the study is to understand the evolution of social capital in the rural, post-Soviet Armenian context as it influences the differential success of rural households. Post-Soviet and Armenia-specific, scholarly literature find that rural households have strong social capital founded on patriarchal dominant ideology and reinforced by kin-based networks. The transition to a market economy forced rural Armenian households to rely on bonding ties at the expense of bridging or linking ties to survive the early years of transition. This study seeks to answer the question: “How does the structure of social helping networks effect the differential success of post-Soviet rural Armenian households?”

Social capital in development, is an appropriate theoretical framework to understand the changes to Armenian households under more than a century of occupation from pre-Soviet influence during the Ottoman empire, the seventy years of Soviet occupation to the post-Soviet, market economy. Forcibly changed, the adaptation to successive oppressing forces leads to contemporary *blat* networks. Household’s alter their social helping networks to satisfy both social and economic needs. Ottoman Armenian households relied heavily on immediate family, owing to their minority status within the Ottoman Empire and the absence of a concentrated ethnic Armenian populace. Following the genocide by the Young Turks, Armenians were absorbed into the Soviet

Union and the Soviet Republic of Armenia was formed. Economic and social safety nets provided by the central Soviet government, allowed households to branch out. Away from traditional household networks, bridging capital compensated for market failures within and outside of communities. When the economic and social support systems suddenly disappeared in 1991, rural households were again forced to depend upon traditional family networks. Households in positions of power during the Soviet occupation were in a privileged position to acquire land and resources in the period of disorganized transition. Land reallocation and privatization left households completely dependent upon their social helping networks allowing some to be better off than others.

This study shows the value of investigating social capital as a mechanism of opportunistic creation in future generations. Rural development initiatives often fail to consider the relationships within the communities with whom they are working. The analyses presented in this study of the effects of social capital on household monetary income and a thematic analysis of focus group discussions, emphatically prove that social capital effects the differential success of rural households. Bonding ties are found to be crucial to the success of rural households where each member of the home contributes to the household. However, bonding ties can be detrimental at the community level when the opportunistic actions of a few households in power place family members in positions to disproportionately manage communal resources. Corruption and collusion are two negative aspects of social capital reported by focus group participants, leading to low levels of trust.

Bridging ties are essential to the outward growth of rural communities. Limited access to health, education, economic and environmental services in rural communities

can only be resolved by bringing in resources from the outside. Bridging ties allow for networks to expand beyond their kin networks but are disproportionately allocated based on the reputation and accessibility of each household to develop bridging ties. Linking ties between households and government, universities and development organizations vary greatly. The household's past experiences with government institutions and their relationships with these in power are the greatest determinants of a household's linking ties.

Narayan and the World Bank, view social capital as being an instrumental for empowering rural households, essentially increasing their participation in the development process. This dissertation supports many of the arguments posed by Narayan while introducing the very real harm that can be done to households by social capital. When we think of social capital in the World Bank's context of increasing rural households' participation in the development process, we should first ask the questions, "which households are participating?", "Why are some households connected to their communities and larger government institutions more than other?", "What can be done to increase the positive aspects of social capital while reducing the potential for exploitative, opportunistic behavior?".

## **7.2 Key Contributions**

The findings of this study add to an extensive body of knowledge surrounding post-Soviet, rural households in transition and a growing body of work specific to Armenia. This study is the first of its kind to examine the effect of social helping networks, support and trust as predictors of household monetary income and the differential success of rural Armenian households. I believe that this study would be even

more valuable if the methodology were used in future studies and scaled-up to include a nationally representative sample with the ability to disaggregate at the regional level.

Scaling-up would increase the understanding of the differential success of rural households across the country and in different regions where I speculate the variation in challenges to household economic success increase proportionally with the number of regions included in the sampling frame.

Findings of regression analyses informed by thematic analysis of focus groups, provides a unique insight into the socio-economic functionality of rural Armenian households. Analysis of the total sample revealed that household labor value and redundant ties were statistically significant. Households located in villages more than 10km from an urban center also had redundant ties as a significant, positive predictor of household monetary income. Focus group participants explained that they believed all members of the household should contribute to the financial well-being of the household if they are able. This is a very strong, well informed finding using both quantitative and qualitative analysis to say that: I fail to reject the network density hypothesis; households with denser networks have greater economic opportunity and/or higher monetary income.

The organizational trust hypothesis was not supported by statistical analysis as levels of trust were not found to be significant predictors of household monetary income in neither the total sample nor stratified samples. Focus group respondents mentioned their lack of trust in government and survey analysis revealed that regional government was trusted the least of all institutions. Therefore, I reject the organizational trust hypothesis: households with higher levels of institutional and political trust have greater economic success.

Community driven development programs introduced by the World Bank and IMF seek to increase participation of rural community members in the decision-making process. The findings of this study can be used to better understand the application of social capital for increasing participation. It is not a lack of social capital that hinders rural household participation as found by Babajanian. The dependence on family members combined with the failure of government institutions and lack of trust in external organizations has hindered the development of household linking/bridging social capital resulting in strong networks of kin limiting opportunities for economic expansion. Large international organizations such as the World Bank and IMF need to ensure that social capital is implemented as an inclusive mechanism rather than one that only benefits those households who are best positioned to benefit from it.

The greatest challenges to rural development in Armenia as evident in the findings of this study are, a profound lack of trust in governing institutions and the failure of government and international development organizations to acknowledge the variation in effects of social capital on the differential success of rural households. Moving forward, I recommend international development organizations and government agencies work to build more efficient way to improve opportunities for economic growth in rural communities. Improving institutional trust and adapting approaches to development to leverage the variation of social helping networks to maximize the equitable representativeness of households while minimizing corruption, collusion and opportunistic behavior would be a good place to start.

### 7.3 Limitations

The field work for this study was completed in three months with the help of a small field team, an NGO and University partners and local administrators. It is important to discuss the limitations of this study to inform future research in this field.

The use of a systematic-random sampling method was selected as the result of my own lack of social capital in the sample villages. I planned to employ a stratified random sampling method in each village based on household type. My initial sampling plan proved to be unrealistic as I was denied access to the administrative records of village B and could not use the stratified sampling method I had originally intended since I would not be able to create strata based on household type. I believe that a stratified sample of rural households by household type is the optimal method for achieving the most accurate representation of the community. In future studies, I recommend increasing the amount of time spent accessing potential sampling villages and building relationships with stakeholders and local government. This will limit the uncertainty of the researcher's ability to implement the optimal sampling method

Due to time and financial constraints the field work for the study was limited to three months. I believe having more time would reduce limitations of response rate and the detail of focus group responses. The 60% response rate could have been increased if there was more time to conduct the field work. It would have been optimal to arrange multiple times in which participants could have completed the survey in the presence of myself or one of the field staff to answer any questions they had rather than relying on phone communication. Increasing the response rate would have made for more generalizable findings and a more representative sample.

The focus groups were limited in that our team encountered problems when mediating the focus group discussions. The female interpreters on the team served as moderators for the focus group discussions. All female team members are between 18 and 22 years old, are unmarried and do not have children. The limitation of the female focus group discussions was that older, married females did not acknowledge the role of the female moderators and in one discussion, this attitude prevented younger participants from participating as much as they could have. I strongly recommend that future studies increase their time and perhaps funding to acquire and train middle aged, married women with children as moderators.

The final series of focus group discussions in village A were postponed twice due to two successive car accidents where both my field team and myself were hospitalized. Had I allotted more time for these kinds of unplanned incidents I believe the respondents would have been less concerned about my condition and had the opportunity to build stronger relationships, making respondents more comfortable during the discussions.

Another limitation of this study involving time is being respectful of rural households' time. I rescheduled three focus group discussions and two survey appointments due to a lack of availability. Rural households spend the summer and fall preparing for winter and most of the day is spent working either on the land near the home or in remote fields. It is difficult to find a time that works for many households. I was not integrated equally among the communities in the study. Spending

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