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Social Capital – An Introduction

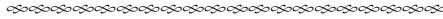
Brahm PRAKASH

How can the same thread pass through such diversity?

David R. Streeter

Seventh Letter

A journal of a Zen mountain dweller



I. Introduction

Social capital is one of those concepts that have risen spectacularly during the last few decades. The concept broadly relates to the role of social relations vis-à-vis economic development and their mutual dynamics. Although sentiments underscoring a broad relationship between social relations and economic progress can be traced through earlier times, social capital has lately developed into a popular social science concept with diverse applications. A lot of new literature has been generated with a parade of protagonists of the concept, as well as critics. Those in favour say that they have found the “missing” piece (see Grootaert 1997; also Harris and Renzio 1997) and that the concept would help us understand the good or indifferent economic performance of societies or groups. The critics, on the other hand, point out that the concept of social capital is amorphous, hence, not appropriate for serving as an unambiguous determinant of economic development. In a rapidly changing and prolific environment, social capital has come to mean different things to different people – as such, consensus as to its

contents, its varied emphases and measurement methods is hardly shared uniformly among analysts, scholars and commentators. Sobel (2002) reflected this well when he titled his review article as: “Can we trust social capital?”

This chapter contains a short introductory write-up capturing some of the strands of the concept. The write-up follows an inter-disciplinary approach, and is written from the perspective of a development practitioner. The major objective is to be able to capture the scope of the subject and bring out its multifaceted nature. Given the interest the concept has aroused in such a short time,¹ our objective is fulfilled if readers could be made aware of its limitations. At the same time, simply because social capital cannot be measured precisely, the concept itself should not be dismissed as nonsense. With this modest goal, and hoping that we are able to provide some flavour of the debate, we proceed further, notwithstanding the hazards.

The chapter is divided into six sections. Section II describes different concepts and approaches that have been used to describe social capital. It is followed by a brief section (III) that looks at the concept historically. Section IV then describes the methods that have been used to conduct empirical studies in social capital or measure the impact of social capital on income and development. Section V provides a brief appraisal of this discussion by way of wrapping up the overview. It is followed by Section VI which gives an overview of the contributions in this volume.

II. What Is Meant by Social Capital?

Social capital is defined as “those social relationships that help people to get along with each other and act more effectively than

1 For example, see “. . . the number of journal articles listing social capital as a key word before 1981 totalled 20, and between 1991 and 1995 it rose to 109. Between 1996 and March 1999 the total was 1,003 and the growth shows no sign of abating.” (Harper 2001:6 quoted in Field 2003:4). This flow continues unabated in recent years. A more recent count shows the number to have more than doubled to 2277 (Smart 2008).

they could as isolated individuals” (Carroll 2001, p. 1). The significant term in the definition is “relationships”. In our view, it constitutes the core of the social capital concept, while recognising that relationships can take varied forms. Serageldin (1996) describes social capital as a “glue that holds societies together”. A more comprehensive definition is provided in Serageldin and Grootaert (2000, p. 44)

(Social capital is) generally recognised as necessary to a functioning social order, along with a certain degree of common cultural identifications, a sense of “belonging” and shared behavioural norms. This internal coherence helps to define social capital. Without it, society at large would collapse, and there could be no talk of economic growth, environmental sustainability, or human well-being . . .

The driving forces behind such social relationships are “trust, mutuality and reciprocity” which characterise these social relations and their *inter se* interactions (Fukuyama, 1995). Trust, in particular, lies at the heart of social capital. Uphoff (2000, p. 222) cites the etymology of the word “social” to imply that some characteristics such as “personal attachment, cooperation, solidarity, mutual respect, and sense of common interest” are inherent to the adjective itself. This points out to the value-based view of social capital. We note that similar observations about the significance of the role of social processes in economic development are made by a number of traditional, as well as contemporary authors including Smith (1910), Weber (1964) Solo (2000), Heilbroner (1985), Sen (2000) and Lucas (2002).

Unfolding Scope

The precise form social capital takes varies as per its context, its configuration and specific profile. In this sense, the empirical manifestation of the concept is, to a large extent, determined by “a varying function of the action of the others” (Weber, 1964, p. 23). its context including the size of the group. It is this varying empirical context that brings in different influences, forms and concepts.

These perceptions in turn provide to analysts a basis to differ and debate. The size of the group matters for social capital. A small-sized group could be more tightly knit and could have more solidarity, like a family, a club or an ethnic group. On the other hand, the bigger groups that maintain such relationship could reap larger gains, insofar as the scale does not erode the attributes of trust, mutuality and reciprocity. However, in a large, varied and anonymous situation, it is often hard to keep these attributes to the fore. In this sense, as one moves from small to large groups “connectivity and linkages” emerge as important determinants of the scale and scope of social relations. Going by the nature of the relationships, these social relations could also be characterised as vertical or horizontal linkages, as is often done in the business management literature (Carroll 2001, 1p. 7).

Networking as such emerges as the generic concept underlying social capital.² One talks of intra-group “bonding” and inter-group “bridging” also termed “internal” and “external” relations, respectively. Although different in nature, both are important components of social capital, with bonding strengthening the cohesiveness, and bridging widening the outreach. In the context of bonding and bridging, one also hears of “thin” and “thick” connections. These refer to the intrinsic flexibility and open-ness in a relationship that is ascribed more to “thin” than the “thick” connections. The latter often refer to drug cartels, criminal gangs and other similar groups where relationships may neither permit the freedom to disagree nor walk away without some risks. Thin relations, in contrast, imply open-ended relations which one may or may not utilise without substantively damaging the underlying relationship. As such one could have multiple thin and overlapping relationships.

With the growth of information and communication technologies (ICT) during the last two decades, connectivity has spread rapidly so that the forms and frequency of networking have gained visibility. An immediate consequence is that opportunities for

2 See Schneider (2006); also see Campbell (2007, p. 532 on centrality of “networks” in Schneider’s analysis of social capital.

interaction have proliferated hugely. Networking has become more tangible and has acquired a certain degree of visibility and recognition.³ However, not all of these enhanced interactions contribute to the “bonding” or “bridging” capital. What they indicate is that the potential for networking has increased considerably and all sorts of “communities” of practitioners are developing and interacting within, and without. The information revolution is actualising the role of social capital in a manner that had not been foreseen when the concept was taking root.⁴

The inter-personal relationships to which social capital has been generally attributed often relate to some similarity in values which are long established and command allegiance. These are “accretionary” in nature, and traditionally, these have been in the making for a long time before they start serving as the foundation for social capital (Uphoff, 2000, p. 227). Pay-off from social values takes place over a long period; and in the context of a situation evolving over the long term, we have the possibility of social capital being perceived in structural form. On the other side, social capital can be seen in several informal arrangements, stretching all the way to the cognitive domain of individuals. The spectrum of social capital, from cognitive domain to its structural form, reflects the manner in which the underlying values are subscribed and how these are coalesced and interfaced with public policy. Uphoff (2000, p. 219) invokes the role of expectations to broker an interaction between the structural and cognitive social capitals. Carroll (2001, p. 7) modifying this schema describes the interaction as the dynamic aspect of social capital. An obvious point to recognise is that one can engineer all kinds of different perspectives on the analysis of social capital depending on the purpose of the enquiry and the situation at hand.

Social capital can also be thought of at different spatial levels, say, the micro, the meso and the macro. Given its proximity and directness, it is easy to perceive the roles of trust, relationship and

3 See Brown and Duguid (2000, p. 142) “Networks of this sort are notable for their reach – a reach now extended and fortified by information technology.”

4 For further extension of social capital as networking in the context of supply chain management see Min, Kim and Chen (2008).

rules in getting things done at the micro level. As we go to the higher levels of spatial aggregations, some of these features get folded-in, with some other patterns starting to appear more prominently at the macro level. For example, at the highest level, many of these could become more systematic and formal. Institutions could assume a public role, and compliance could be more automatic and mandatory rather than consensual. With the aggregation of the relationship at the societal level, the overall character of the relationships may assume new forms and undergo changes for good or bad. It is obvious that the aggregation of these relations is not linear; instead, they add up somewhat differently. Nor can these be measured with a degree of certitude. Several attempts are currently being made to model, measure and estimate social capital quantitatively (Durlauf and Fafchamp, 2004).

In some cases, social capital tends to acquire some of the characteristics of public goods with their traditional characteristics of non-rival and non-exclusive consumption. Such public goods tend to be underprovided when left to the markets alone, and often need to be supplemented by public policy. As such, civil society and the public institutions end up prompting the right motives and values (or holding the negative values in check) to encourage citizens to pursue their interests and welfare more effectively. This, of course, suggests that social capital can be created and augmented in a society – a view towards which not everyone may be favourably disposed. In the context of a multi-layered supply chain, or a multi-layered government, social capital is embedded and nested throughout the myriad links whether these be publicly so identified or not. The currently unfolding global financial crisis and its contagion in the real economy and wider society reveals the functioning of these channels.

Trust, mutuality and reciprocity are identified as prominent attributes in most formulations of social capital; and these are also viewed as important pre-requisites for the smooth compliance of legal contracts. Looking at social capital from the perspective of adhering to the “rules of the game” reveals its interface with the institutional approach in which the central focus is on “human cooperation” and coordination (North, 1990, p. vii; Bowles, 2004). For social capital, trust is overriding and reciprocity is a

characteristic of normality. For sustainable development, the “rules of the game” have to be commonly understood, owned, and routinely subscribed to by the group as a whole. Such a behaviour is crucially linked with governance and growth overtime, and is now an important aspect of the development discourse.

The issue of trust especially requires careful handling as it interfaces with the assumption of rationality in economic analysis. In the past, the role of the state (hence bureaucracy) and the scope of markets was limited. Thus, much of the social transactions were governed by social sanctions, values and culture, whether explicitly or implicitly; and mutual trust played an important role in the old and settled societies. With the prominence of exchange-based relations, the need for invoking rationality was imminent, and to that extent dependence on trust could be underplayed. However, mutual familiarity generated by the marketplace also engendered trust among fellow investors, financiers and traders.⁵ This trust was a product of markets in the commercially leading regions a la Adam Smith. The practice of traders, for example, jewellers, diamond-dealers or merchants, signifies this kind of trust across the world. Thus, when it comes to trust and market economies, one comes across two opposite kinds of development vis-à-vis trust. On the one hand, the onset of market-exchange reduced exclusive reliance on traditional trust; on the other hand, frequent interaction in a market-place created a new kind of trust among operators. An interesting article by Getz (2008) examines the role of social capital in the context of agrarian change and development in the case of Mexico. It focuses on the “complex ways in which social capital can shape the relationship between the market linkages and development outcomes” (Getz, 2008, p. 556).

The issue of trust and its relationship with social capital has invoked many contributions in the literature. For example, Bruni and Sugden (1999), in their article entitled “Moral canals: Trust and social capital in the work of Hume, Smith and Genovese”, trace the changing concept of trust through time, and describe how its scope

5 This relationship lies behind the concept of customer loyalty, such as in the case of the incentives programmes of airlines, hotels etc.

has been narrowed down to “individual actions”. They point out when and how trust can be rational, and also spell out the conditions under which economic and social institutions can generate trust. They describe Genovese viewing trust as a precondition of market development in the developing regions.⁶ The way the railways were financed in the United States in the nineteenth century illustrates an important point about trust and goodwill (Eichengreen, 1996). In those days, when little financial market related information was available, much infrastructural investment was attracted and made through word of mouth or informal contacts; often, going by the values of the financial houses involved in the enterprise serving as the basis. Financial houses that were known to be honest and reputed, succeeded in raising funds even for far-flung places which the investors had never heard of themselves, leave alone visited or known.⁷ The role of social capital in financial development is now well-known, especially in the field of microfinance (Bastelaer (2002) for microfinance; and see Guiso, Sapienza and Zingales (2000) for finance in general, also Woodworth (2008), and Dakhli and De Clercq (2003, p. 23)). The breakdown of trust in the present financial crisis and ensuing credit crunch is a reminder of the crucial invisible role the trust plays in normal times.

A Variation on the Theme of Capital?

Economists customarily see all relations – whether physical, financial, or human – through the prism of prices and within the rational choice theory framework. The concept of social capital seemingly further stretches the notion of capital to social relations.

6 In a seeming inversion of process, what was earlier considered an outcome of the market-led economic development in the case of the industrialised western countries, has now become in governance literature a precondition of development and development assistance for developing countries in the post-industrialised world; for an interesting critique of “development as history”, see Rist (2002).

7 Eichengreen quotes Johnson and Supple (1967, p. 338) saying that investment “tended to be a cumulative social process in an environment lacking an impersonal, national money market”.

This provoked many scholars, and has drawn fire from all sides. Nobel laureate Arrow (2000, p. 4) says: “I would urge abandonment of the metaphor of capital and the term, ‘social capital.’” Another Nobel laureate Solow (2000, p. 6) asked: “Why social *capital*? . . . an attempt to gain conviction from a bad analogy.”⁸ Since then hundreds of followers have felt free to join the fray. The critique was especially relevant for the methodological weaknesses of the concept and difficulties involved in its measurement.⁹ The rational choice theory framework was also constricting as social capital differed from a purely atomistic assessment of individual phenomenon that forms the foundation of economic analysis. Instead, social capital is based more on the “generalised morality” or “we-rationality” as opposed to “individual rationality.”¹⁰ Beyond economics, this variation on the theme of capital has also caused disagreements among sociology and political science academics who felt that an essentially social concept was being unnecessarily pushed towards economics by hitching it to capital. Thus, instead of broadening the scope of economics, the metaphor was essentially seen as endorsing the primacy of capital – irrespective of its form – whether physical, financial, human or social.

Notwithstanding, other Nobel laureate economists like Coase, North, and Sen, have been engaged in broadening the scope of economic analysis. For them the role of social relations in facilitating economic exchange and enabling better coordination is quite persuasive. They looked at social relationships assisting transactions, contracts and markets, and determined that stable and dependable relationships are important for economic development as these help reduce transaction costs (Coase, 1988 and Ostrom 2000). Positive social relations means contracts get settled smoothly

8 Italics in the original.

9 In some sense, this was in keeping with the tradition. Even in mainstream economics, capital measurement has aroused strong emotions and caused serious controversies, see Harcourt(1972).

10 From a management perspective, the application of social capital at firm level in the context of the old and new economies is illustrated in Van Buren (2008).

with minimal recourse to outside interventions, and render markets more efficient.¹¹ In brief, these economists saw, among other things, social relationships as an instrument for making markets work better.¹² Thus perceived, social capital is an important adjunct to the core economic instruments. It creates space for a goal-oriented interaction between state, market and society, especially over a longer-stretch of time. This longer time perspective is an important feature of any investment or capital¹³ (see North, 1994; also Bastelaer, 2002, p. 255).

Social capital has, in fact, turned out to be a tremendous attraction for multilateral development institutions like the World Bank.¹⁴ The idea of factoring social features originally surfaced in 1980s, when similar development projects were performing unevenly across societies. This drew attention to the underlying social factors and institutions. The recognition of social capital also enabled the World Bank to move away from the narrowly based Washington consensus (Bhattacharyya 2004, pp. 19–21). It allowed international financial institutions to focus on poverty reduction and the provision of social services for the poor, including the launching of the millennium development goals¹⁵ at the turn of the millennium. Social capital drew the attention of the decision-makers to the targeted social contexts of the needy groups. These concerns also contributed to evaluating investments from the point of view of

11 On the dynamics of people’s knowledge and experience, see North (1990, p. 76): “People’s perception that the structure of rules of the system is fair and just reduces costs; equally, their perception that the system is unjust raises the costs of contracting (given the costliness of measurement and enforcements of contracts).”

12 Nobel laureate Sen (2000, p. 116) also underscores the role of the “complementarity between different institutions – in particular between non-market organisations and the market”.

13 On the use of the metaphor of investment as related to social capital, see Uphoff (2000, p. 223 also pp. 227–228).

14 On how the World Bank managed to meld together Bourdieu’s and Putnam’s perspective together see Schneider (2008, p. 426); also see Smart (2008, p. 412).

15 For a review and an update of the millennium development goals in the Asia Pacific region see UNESCAP (2005).

outcomes rather than just outputs.¹⁶ Thus, in the development discourse, social capital has been associated with significant re-orientation.

In the ‘nineties the emergence of transition economies provided an opportunity for introspection and questioning the practices of the former communist countries. In many of these established societies, social capital was ravaged and trampled, ironically, in the name of freedom from the clutches of the market-led hedonistic pursuits. In the context of the post-Soviet Union environment, the concept of social capital fitted well with the emerging debate on the different types of capitalisms in the world. Some of these events help to understand the environment in which the concept of social capital was born, although surrounded with much controversy.

Notwithstanding, not all economists accept the legitimacy of this view of social capital – not even as an auxiliary to economic systems. They question its lack of rigour and find it incompatibility with the assumptions and methods of economic analysis. One of the methodological critiques of social capital from an economist’s point of view was advanced by Durlauf and Fafchamps (2004). They found the formulation of social capital “unsatisfactory”, “tautological and not falsifiable”. In particular, they proceeded to demonstrate their reservations by examining the empirical works in the area and note “. . . how functional notions of social capital are inconsistent with rigorous theorising of the type mainstream economists pursue” (2004, p. 26)¹⁷ It is not that Durlauf and Fafchamps do not see social capital as significant, but that they do they not find its methodology defensible.¹⁸

16 Among the international financial institutions, this practice is known as the results-based management.

17 For a brief but clear statement on the methodology of the economic theory, especially the neo-classical paradigm, see Silberberg and Suen (2000, 1–24).

18 “The bottom line, however, is clear: without some form of voluntary acceptance by the public, government efforts to provide public goods are likely to fail, social capital is thus probably essential for public good delivery. But the forms it may take are likely to vary depending on local conditions, i.e., from generalised trust in government and formal institutions to interpersonal trust mobilised via clubs and networks.” (Durlauf and Fafchamps 2004, p. 14)

While upholding the need for a rigorous and consistent methodology, we note that this methodological concern varies from discipline to discipline, especially when it comes to a multi-dimensional concepts like social capital which can be found wanting from all sides. Even among economists there are differences on this issue.¹⁹ We return to some of these again towards the end of the chapter.

III. Social Capital through History

Whatever the merits of the concept of social capital, it is interesting to note that its birth and arrival on the scene have not been easy. Despite hundreds of papers being written about social capital, the concept is still struggling for recognition and identity. In contrast, in layman's terms, it has been for long a part of the received wisdom that one has a greater obligation to friends, people from one's own community and neighbourhood, and members of one's own family.²⁰ As one moves from a total stranger to friends and immediate family members, the consideration towards them increases. Durlauf and Fafchamp (2004, p. 1) open their survey of social capital with a quote from Aristotle's *Nicomachean Ethics* (Book VIII, 9.61) which observes, "It is more shocking, e.g., to rob a companion of money than to rob a fellow citizen, to fail to help a brother than a stranger, and to strike one's father than anyone else".

In more recent times, Tocquevillian description of the 19th century American scene captures the humming of associational activities there. At the macro level, Marx, in his critique of capitalism, developed his distinctive views on the role of social

19 It is instructive to see how Nobel laureate Ronald Coase (1988, 3) sarcastically summarises his views on economic orthodoxy: "We have consumers without humanity, firms without organisations, and even exchange without markets."

20 See Sen (2000, pp. 261–262). "Different persons may have very different ways of interpreting ethical ideas including those of social justice. . . . But basic ideas of justice are not alien to social beings, who worry about their own interests but are also able to think about family members, neighbours, fellow citizens and about other people in the world."

structures in facilitating market-led evolution. In the 20th century, Durkheim articulated the underpinning of social relationship as “a source of meaning and order” (Field 2000, p. 5). Weber is well-known for identifying the role of certain social ethical norms and values for achieving progress and development. Thus, throughout history, one comes across a range of facets being identified as facilitating economic change, lending it meaning, or rationalising its evolution. It would seem that social capital had been manifesting itself in multiple forms and threatening to break out on the scene for a long time.

The Main Architects

Three of the principal contributors – Bordieu, Coleman and Putnam – who are generally credited with having made seminal contributions to social capital, each took different lines in advancing the concept and its use. Bordieu essentially followed the Marxian analytical framework, viewed social capital in the broader historical context and emphasised the process of social evolution, especially for developing an alternative to capitalism.²¹ Coleman, meanwhile, has attempted to smoothen the ground between sociology and economics, and developed the concept as a natural continuum of capital in the social domain. His application involving the role of parents in the school management is based on extensive survey data and its analysis. Putnam (1993) in his *Making Democracy Work: Civic Traditions in Modern Italy* studied decentralisation of development and the emergence of local communities in Italy. The formation of social capital is seen in this study as explaining the unequal levels of economic development in the northern and southern Italy. Putnam’s later work, *Bowling Alone* (2000), dramatically put the concept of social capital right at the top and contributed immensely towards its popularity.

21 Given his predilections, due to which Bordieu was seeking an alternative to capitalism, see Navarro (2008).

IV. Applications, Measurement and Methods

Its long past and recent prolific growth have bequeathed social capital with a variety of applications, methods and measurement techniques. Methods ranging from simple anecdotal accounts and large-scale, especially conducted surveys, to secondary data with sophisticated statistical analyses, have been all used to measure social capital. To some extent, it is this multifacetedness of the concept, as described above, that is responsible for the deployment of an extraordinarily wide set of tools and techniques. These studies have taken place in the context of many disciplines, most of them in sociology, political science, and economics. Some are interdisciplinary in nature, and are undertaken as case studies or poverty surveys, or in a problem-solving mode. These applications have taken place all around the world – in Africa, Latin America, Asia, Europe and North America – although the motives and the themes change with the place. Most of these have been carried out within the last two decades because of a keen interest in the concept and the curiosity to see whether it helps to explain something over and above what was earlier known. Thus, one comes across both a wide disciplinary nature as well as spatial distribution of applications.²²

Investigators with different disciplinary backgrounds have not only taken interest in different aspects of the social capital, but have also brought their favourite techniques to unravel the mysteries they are attempting to resolve.²³ Given the plethora of literature, it is not possible to describe a substantial survey in such a short note. Hence, in this section we briefly recount some of the more well-known and recent social capital works and their methods, so as to make readers aware of the possible variations in applications with a view to set the stage for discussing the contributions included in this volume.

22 Some of the early instances of different applications of social capital are enumerated in Carroll (2001) and Dasgupta and Serageldin (2000).

23 For a comprehensive overview of the use of quantitative analytical techniques in social capital measurements, especially in the context of the World Bank's Social Capital Assessment Tools (SOCAT), see Gootaert (2002, 41–84). For examples on the applications of qualitative methods, see Reid and Salmen (2002, 85–107).

Preferred Sectors of Application

After starting from simple participatory development exercises with or without a poverty reduction focus at the micro and village levels, social capital applications have covered swathes of rural areas under the influence of any of the following: irrigation systems, watershed management, or agricultural productivity, agricultural marketing and rural credit programmes. Some of these applications have also included microfinance activities, either as stand-alone or along with other activities. Forestry and environment management have also been contiguous applications.²⁴ Most of these sectors have had a mixed history in the sense that despite huge amounts of resources, implementation efforts were not often successful. In this sense, these were really difficult cases that needed to respond to the peculiarities of the ground conditions and required a closer understanding of the clientele and their environment. Similarly, applications have been carried out in urban development, especially where water and sanitation services in the poor neighbourhoods and slums areas are concerned. In all these applications, the key has supposedly been to involve the stakeholders in determining, designing and implementing development schemes. Uphoff study (1996) is a good example applying the concept to the domain of agriculture in Sri Lanka and describing how both structural as well as cognitive social capital contribute to the enhanced welfare of the population. The author underscores the need for methodological rigour to identify the concept of social capital more accurately.

Rising above the field studies, applications have also been conducted at the meso and macro levels where these have addressed the federated organisations, be they rural or urban. Occasionally, studies like the Putnam's Italian study have compared subnational regions. The major thrust of such studies is to inform the policymaking bodies in the higher echelons about the need to factor in the peculiarities of the clients more painstakingly. Applications

24 Some of these interventions have been supported by the World Bank, the Asian Development Bank and other regional development banks. Some critics view the World Bank's adoption of social capital to be "acontextual and ahistorical" (Bhattacharyya et al., 2004, p. 21).

have ranged across workers and work situations, productivity, industrial development and the financial sectors. Here, too, the micro level studies have been supported ultimately by the evidence generated at the macro level, on the role of social capital in determining income and economic development. In addition, there are economy-wide or system-wide studies empirically measuring the contribution of social capital to economic growth.

Data

Social capital studies have utilised all kinds of data. Sometimes, these have been used to measure the contribution of social capital, whether directly or indirectly, via proxy variables supposedly capturing the social capital effects. Both primary and secondary data have been used. The World Bank, which conducted some special surveys for this purpose, developed an entire methodology for collecting social capital data under its Social Capital Initiative. Using the survey methodology in Tanzania, Narayan and her colleagues measured the social capital at the community level. A special household survey was designed and used to collect data, among others, on three aspects: households' membership in groups, the characteristics of those groups, and the individuals' values and attitudes (Narayan 1997, and Narayan and Princhett, 2000). The analysis of the resulting data was then undertaken with the help of both quantitative and qualitative techniques to understand what facilitated collective action by community groups.

Sometimes, scholars have found it useful to access already existing survey data and culled out certain variables to test the contributions of social capital. The World Value Survey is one such survey that has been used quite often. Secondary data sources, on the other hand, have been used more frequently than primary data when undertaking studies at the country or macro level. We will discuss issues related to this type of use below when we review statistical modelling for social capital.

Social Capital Modelling

Notwithstanding the reservations of economists, particularly those of a neo-classical persuasion, had about social capital, there have

been some important attempts at understanding the social capital within the methodology of the mainstream models of economic analysis. Among others, the works of Glaesar (2000), Bartolini (2004) and Keele (2004) are illustrative of this approach. Glaesar (2000) makes the point that while there is much that is written in the literature about the theoretical aspects of social capital, and that some evidence also exists as to its possible impact and benefits, there is little that one knows about the connections between the two, how this transmission mechanism works and under what conditions.²⁵ To fill this void, Glaesar (2000) proposed and empirically tested “a model of optimal individual investment decisions” (like the human capital models of Becker (1993)) touching on a series of characteristics of an individual such as life-cycle, mobility, occupation, home ownership, travels, and patience.²⁶

Meanwhile, Knight and Yueh (2002) apply individual level modelling of social capital to the urban labour market and treat *guanxi* as a variant of social capital in China. They focus on three measures of social capital, viz., the size of a worker’s social network, his membership and that of his parents in the Communist party. Knight and Yueh have studied both the administered labour markets, as well as the emerging open labour-market segments. They have found evidence of positive gains to workers in terms of their social network and party membership. A more recent application of multivariate analysis in China is found in Chen and Lu (2007) that focuses on the presence of social capital in the urban areas. The data for the study was collected through a survey in 2004.

At the aggregate level, there is the Bartolini and Bonatti (2004) study which extends the Ramsey-Solow type growth model.²⁷ In the study of Bartolini and Bonatti, social capital is entered into the

25 See also Miguel, Gertler and Levine (2003, 1) “. . . the process of social capital creation and destruction remains poorly understood”.

26 Following the human capital, one can focus on the expertise residing in social relationships as an important determinant of social capital, see Cornwell and Cornwell (2008).

27 For details on these models see Barro and Sala-i-Martin (2004, Chapter 3, 143–203).

production function, but the results generated are not in line with the a priori expectations. It determined that the presence of social capital is not production augmenting. Whereas both Glaesar (2000), and Bartolini and Bonatti (2004) attempted to develop models of social capital within the economic framework, Keele (2004) developed a macro model of social capital which began with the premise that social capital is a predictor of social well-being. As such, he is interested in learning about changes in social capital over time. He focuses on two variables, i.e., civic engagement and interpersonal trust, and then goes on to develop a longitudinal model of change in levels of social capital over time, with the help of a specific time-series measure.

In viewing social capital within the economic development convergence hypothesis, Helliwell and Putnam used multivariate regression analysis. Their key variables included a composite measure of civic community, institutional performance and citizen satisfaction in the model. With the help of a multivariate model, this Italian study revisits the comparison between northern and southern Italy, and the possible role of social capital in determining development outcomes. A more recent example of multivariate statistical analysis explaining observed income variations in terms of social capital factors is by Wim Groot, Henriette Maassen van den Brink and Bernard van Praag (2006). Renata Serra (2004), meanwhile, conducted an application of factor analysis on Indian state level data. The study attempted “to assess the role of measurable aspects of social capital in accounting for the observed differential performances across India” (2004, p. 290). Garip (2008) analyses migrant social capital presents in the context of Thailand and derives interesting results about the choices migrants make and their impact in light of their diverse information and experience.

A few observations on the multivariate modelling of social capital are in order here. Multivariate methodology is attractive because of its capacity to handle large data and to suggest plausible relationships across variables. An interesting example of recent application of multivariate models including the use of longitudinal data is Besser, Recker and Agnitsch (2008). However, in many applications, its core assumptions about the exogeneity of explanatory variables, their independence and the homoscedasticity

of errors are critical. When these assumptions are violated, the estimates of coefficients generated by these models tend to be biased, in the sense that they capture some other effects or do not necessarily capture the right effects. Such estimates are misleading; and the investigators need to be aware of these limitations. Some remedial measures are available to fix these problems, but these measures are usually difficult and complex. The thrust of the criticism by Durlauf and Fafchamps (2004) relates to this kind of problem with social capital analysis and applications oblivious to the violation of the underlying assumptions.

An important issue is related to the comparison of different studies. The social capital concept is embedded in the wider context of societies and picks up these effects. One of the outcomes is that it is difficult to compare the findings straightaway, except indirectly. As a rule, developing economies tend to be diverse and more heterogeneous, thereby making it difficult to transplant learning without validating the key contextual features once again. In a sense, this heterogeneity impedes the portability of social capital results straightaway and of benefiting from them (Bhattacharyya et. al. 2004; also Prakash and Selle 2004). On the other hand, often the economic performance of East Asian countries, including Japan, Korea, Singapore, and the People's Republic of China, is attributed to their similar values and motivations. Japan has been a leading example of this type of growth and related social values (Morishima, 1982; Sen, 2000, pp. 261–268).

V. Social Capital – A Perspective

We have fleetingly touched on the different aspects of the concept of social capital, instances through which one can recognise more closely the uses to which different institutions are putting the concept. This brief narration, we hope, has equipped us to start examining the concept with more familiarity. We choose to focus on only a few aspects, as given below.

First, the most important issue seems to be the concept of the sociological approach of viewing a person in relation to social institutions, as opposed to the self-interested economic human being

who is atomistic and stripped of social relations. The idea of social capital takes off on this relationship of human beings with each other, and is thus fully rooted in their social perspective. We noted above that from the earlier times, certain social attributes have been seen to be a pre-condition for the smooth operation of markets, although mainstream economists find it difficult to come to terms with social capital, largely because of the incompatibility of their methodologies. It is only in the context of development economics, and in the search for a universal theory of growth that is applicable to the developing as well as the developed world, that the new approaches are emerging, e.g., the role of institutions and human capital in the hands of Lucas (2002), North (1990), Stiglitz (2000) and Williamson (1996), among others. Lucas (2002, 38) considers even human capital accumulation a “social activity, involving a group of people in a way that has no counterpart in the accumulation of physical capital”.

We noted that among the classical writers, it was Adam Smith who played on the roles of customs, norms and acceptable behaviour in explaining the economic functioning of society; and in this sense he took these social attributes as givens. However, the recent, more rigorous and analytical formulations that are shorn of vague concepts would have nothing to do with social capital and actually object to the use of the very term “capital”. Dasgupta (2000) recognises the disjointed nature of the domain of economists and sociologists vis-à-vis social capital when he says:

Social capital is in a different category from these because it has its greatest impact on the economy precisely in those areas of transaction in which markets are missing (Dasgupta 2000, 398).

In addition to the differences in the analytical and philosophical perspectives, the real problem lies in the methodology of estimating social capital’s contributions to economic growth. Obviously, the concept is far too complex and varied to be measured in an unambiguous manner, and for all to agree – despite the fact that some rigorous field-based studies have yielded evidence in favour of social capital (Krishna, 2000, Narayan, 2000, Putnam, 2000, Grootaert and van Bastelaer 2002). Lucas (2002, p. 56) notes that

measurement of even the physical capital is not straightforward: “The fiction of ‘counting machines’ is helpful in certain abstract contexts but is not at all operational or useful in actual economies – even primitive ones.”

Moreover, mere analytical discussion is hardly adequate to understanding, addressing and resolving the concerns regarding the practice of social capital. One needs to have a much more detailed and rigorous understanding of the way development is happening on the ground, to be able to understand the contribution (whether positive or negative) of social capital more concretely. We need to ascertain how some of the significant interactions at the community level, in terms of education, health, sanitation, neighbourhood activities, are carried out, financed and valued. Detailed case studies can help understand how certain groups or communities are able to use opportunities, while others might not. In a multiplayer government situation, it is also important to see how these groups and communities are embedded in the system, and how effectively they are supported through a hierarchical system. Krishna (2000, p. 89), who has undertaken an extensive rural study in a western state in India, observes: “In cases in which behaving in a coordinated manner assumes a high degree of legitimacy, we find that high social capital is in evidence.” Emphasising the social nature of this coordination, he observes, “Behaviour coordinated by custom, by a norm of appropriateness, is a better guarantee of sustained cooperation, than is behaviour backed by individual calculation”.

In this context, the role of knowledge and information emerges as an important feature. Depending upon one’s access to information, the nature of interactions among people and the sustainability of coordination are determined. Even for the same level of physical capital, societies are able to galvanise and release different amounts of social force and determine outcomes. These are more easily seen when social interactions are scaled up and large masses of groups gather and create synergies. It is in this sense that social capital essentially functions as a collateral resource that helps societies draw more out of a given situation.

Finally, through the instrumentality of interaction, social capital helps to bring the broader relationship among business, government and society into the domain of public policy. Business focuses on

market relations and improvises on them. Government provides and maintains a regulatory environment for business to conduct its activities and the society to be humming in a healthy mode. And society, through its institutions, keeps both business and government in consonance with its perspective and vision. This, perhaps, is the most aggregate and meta view of social capital manifestation. Many economists, classical as well as modern, have underscored the need for a more inclusive and cohesive concept of development. This is especially relevant in modern times, given the growing pace of globalisation. In the current crisis, it is being realised that the era of unbridled market-led developments is over, and that markets need to be regulated and subjected to oversight.

To conclude, we note that in real life, most of the activities and interactions are not purely economic nor purely social, etc., but are a combination of several strands. Development draws upon economic, social and psychological features, etc., in a cohesive manner. Development practice is concerned with addressing any of these features when it becomes a constraint to development. Social capital contributes to this process and facilitates development, as economic governance requires both rational actions as well as trust, especially when investments are on the cutting edge.

Empirically, it is much easier to see social capital in action in activities at the community level. For example, those engaged in the Community Investment and Inclusion Fund (CIIF), a major initiative in building social capital among groups in Hong Kong SAR, know much more about it as they have experienced how social capital contributes to the welfare and development of the groups involved. NGOs, civil society organisations and other action groups have a crucial role to play in this regard.²⁸ At times of economic crises, their role becomes especially important. For example, when severe economic restructuring takes place and people experience dislocations, it is important to put in place a safety-net below which people are not allowed to fall, and to protect the niche areas of long-term concerns such as health and education. Doing so helps preserve resilience in the community and society, and gives them the

28 See also Wong (2007) and Holliday and Tam (2001).

courage to rise again when the outlook changes. Given the current phase of globalisation, uncertainty and volatility, it is important to reinforce mutual interactions and support.

Notwithstanding the real significance of social capital on the level of practitioners, there are many unresolved concerns at the theoretical and methodological levels. There are also issues related to estimating the contributions of social capital. Although much progress is being registered on both the analytical and estimation fronts, the issues are far from being resolved. However, it is also useful to keep in view the fact that social capital is not the only concept with outstanding issues. Rather, it also holds true for many other aspects, especially on the measurement of capital in general.

VI. An Overview of Themes and Contributions

Let us now turn to the practice of social capital and briefly examine what kind of evidence we find in the studies gathered in this volume. The collection addresses both theoretical and empirical aspects of social capital generally in the context of developing Asian countries, and particularly in relation to Hong Kong SAR. Contributions have been grouped under three broad categories, namely, social capital practice and development, connectivities of social capital, and social enterprises. The contributions constitute a multidisciplinary group and come from both the developed and the developing countries. A brief overview of each chapter follows.

This introductory chapter is followed by a contribution by Ting on the “Praxis of Social Capital”. The chapter introduces the essential concepts of social capital. It goes on to differentiate between the emphasis laid on individual interactions in the social context, and on the role of institutions in the creation of social capital. These are respectively identified as the contributions emerging from the Anglo-Saxon and the Scandinavian countries. Outside of these familiar cases, the author point out that Hong Kong SAR presents a unique blend that could be termed as the third or the alternative middle. She goes on to explain how the Hong Kong case embodies elements of both the system and serves as an example of the middle way. It is in this context that the author

describes the practice of social capital and links it with the discipline of social work as practiced by professional social workers. Ting makes an interesting point by asserting that it is the professional social worker who in fact is engendering social capital, at least in the case of Hong Kong SAR.

The next chapter by Chong (a social gerontologist and social work practitioner) and Ng (a policy analyst and the director of CIIF) focuses primarily on one kind of social capital, i.e., bridging social capital. The essential motivation for the authors' focus on this is the potential contribution to development that bridging social capital is capable of making. Using results from some of the empirical studies under the CIIF project as evidence authors build their case for promoting bridging capital. However, they plead for a greater emphasis on community led bridging capital including youth and elderly with a view to build a "stronger social networks, social connectivity, improved individual and community health and community-business engagement".

Hung, Leung and Ng in their contribution situate the concept of social capital fully in the context of Hong Kong SAR. Focusing on the post-1997 period, the high point of their contribution is to relate the concept more tangibly to the situation in Hong Kong. As a result, social capital no longer seems anymore an abstract concept with some esoteric applications. Instead, it emerges as an important means of achieving policy objectives. In this sense, it is a continuation of the theme initiated by the foregoing chapters 2 and 3. Particularly noteworthy is their discussion of findings with regard to the measurement of the social capital in Hong Kong as evidenced in the government sponsored Community Involvement and Investment Fund.

Moving on to connectivities of social capital, chapter 5 by Joe Leung explores different aspects of social capital in the context of community and its capability to facilitate local area and neighbourhood development. The high point of this contribution is that it traces the evolution of growing community participation in Hong Kong over the last 30 years, and undertakes a comparative analysis in relation to China and Singapore. It delineates how the government in Hong Kong SAR gradually developed its understanding about the role the community could play, and how

this eventually culminated in the setting up of the CIIF. All this analysis is carried out against the backdrop of developments in the UK with regard to community participation.

Chapter 6 by Dr. Lee suggests that social capital may influence the health behaviours of neighbourhood residents by promoting more rapid diffusion of health information, increasing the likelihood that healthy norms of behaviour are adopted, and exerting social control over deviant health-related behaviour. The notion of human capital and social capital begins to offer explanations why certain communities are unable to achieve better health than other communities despite their similar demography. Author seeks to improve our understanding of the determinants of health particularly the social, cultural and political aspects. It is believed that such understanding would help health services to benefit from organisations and institutions created and structured for other purposes, and thus, would put health services on a wider agenda. The “healthy setting” approach can build the capacity of individuals, families and communities to create strong human and social capitals.

Using the example of gangs, chapter 7, by Rochelle (health psychologist), Lo (criminologist) and Ng (social psychologist), illustrate some of the features of the social capital by looking specifically at the structural and cognitive aspects of social capital by and the behaviour of gangs. It illustrates both the negative and positive aspects of social capital in describing gangs behaviour. Most importantly, it highlights the need to analyse objectively the factors involved in the creation of social capital because ignoring it is hardly a solution. Social capital can also be used for rehabilitating old gang members.

The next contribution by Shardlow, Walmsley, Johnson and Ryan looks at social capital in the context of ageing and focuses on the social capital amongst the elderly. It applies the familiar social capital triumvirate of bonding, bridging and linking social capital triumvirate to the situations and anecdotes of the elderly and then derives some implications for the discussion about active ageing and about the social capital. Shardlow et al., bring out two aspects that are of special interest here in the context of East Asia. One, dealing with the rapid changes in the demographic structure of the region

which is likely to see elderly growing in numbers, and two, the likely evolution of the traditional family culture in which the elderly are held in high respect, at least overtly.

In a skilfully argued chapter, Shardlow broaches the subject of a possible new paradigm for the social work – a paradigm that may be rooted in the wider conceptual framework of the social capital taking due cognizance of the role of networks in the lives of individuals. Tracing the antecedents of the social work, the author looks at the contemporary urban and city life, and draws parallels in support of inducting network analysis into the received social work analysis. Shardlow builds a fairly persuasive case for considering such a move. There is, of course, no reason to think that the new social work paradigm should be confined only to city lives. Shardlow's suggestion leads one to assert that networking within rural settings is even more functional, lasting and vital to one's life than living in the city where many of the things are intermediated through the market framework.

Coming to the last section on social enterprises, in chapter 10 Cheung and Chung provide a concrete example of social enterprises and social capital in action.²⁹ They present a case study of a social enterprise in Hong Kong SAR that assists people with disability (PWD). It describes how PWDs are trained and employed in a near commercial mode running a café, several convenience stores mostly located in hospitals and other businesses. It narrates the story of their success and tells how the enterprise grew from one café/store into a chain employing over a hundred PWDs and other persons in the retail outlets and in sheltered workshops. The case is also a good example of public-private partnership working together with a civil society organisation to take care of disadvantaged persons. The chapter also includes a transcript of a focal group interview and takeaways. It is certainly an excellent example of what can be done given the commitment to do good in the society.

Au and Birtch from the Centre for Entrepreneurship at the Chinese University of Hong Kong SAR and the Centre for Economics and Policy of Cambridge University respectively, present

29 On the concept of social enterprises see Massetti (2008).

a well-argued case for linkages across social capital and social enterprises. They develop an analytical framework in chapter 11 and then apply it to draw appropriate implications for both the social capital and the social enterprises. The authors also spell out implications for public policy and assert how their individual independent components finally find an integrated home under this institution.

The final chapter in the volume (chapter 12) by Dr. Edward Tse approaches the topic of social capital from the point of view of corporate management. If any evidence was in fact needed, Dr. Tse makes a pitch for the potential contribution of social capital in the making of a successful corporation. The chapter focuses on the horizontal linkage across corporate social responsibility, the soft power of corporations and social capital, and goes on to show the relationship between the three. The key message of the chapter is that social capital helps to generate soft power, without which corporations can hardly project themselves as innovative, responsible and growing organisations. The myths, goodwill and legacy of a corporations stems from the social capital that is deeply embedded within it.

To conclude, there are some significant implications of this exercise insofar as the volume draws attention to several important aspects of social capital for Asia-Pacific region. Firstly, a number of contributions are rooted in the world city of Hong Kong. The CIIF experiments in Hong Kong SAR are replicable widely in other growing urban centres and cities, and as such social capital projects and activities should have a growing role to play in years to come. Second, despite the unprecedented growth rates during the last three decades, the Asia-Pacific region is still home to the largest number of poor in the world. So far development activities have by and large leant heavily on governments and markets to procure relief for these millions in poverty. The possibility now exists that additional interventions can be launched with the help of social capital and to that extent the future development efforts can be more broadly based, including the role of civil society, NGOs and the disadvantaged themselves. Social enterprises are a new vehicle for combining business efficiency with some social good and thus hold promise across a whole range of activities.

Finally, to move the old societies of the region into becoming the dynamic champions of democracy, and market-led inclusive growth it is important to go beyond the narrow development frameworks and develop a better understanding of their tradition, trust, culture and institutions. Recent development experience around the world shows that these deeper transformations tend to be integrated and need wholesale support. Economic development is more easily secured when it is aligned well with the underlying social mores, values and proclivities of a society. The ongoing global financial crisis has underscored many of the above messages, and it is sincerely hoped that the contributions in this volume will add their part in sustaining the faith in development – a development that is sustainable and harmonious for all.

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