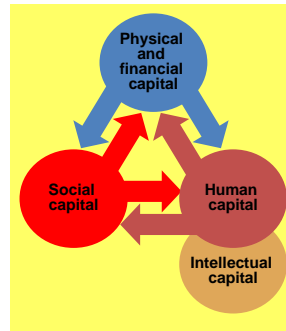




Social Capital

Compiled by
Mart Murdvee

Types of capital



- **Physical and financial capital** - real estate and personal property, land, equipment, money.
- **Human capital** - the knowledge, skills, competencies and attributes embodied in individuals that facilitate the creation of personal, social and economic well-being.
- **Intellectual capital** - information and knowledge.
- **Social capital** - the norms and communication networks that enable people to act collectively.

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Social capital



- features of social organizations, such as networks, norms, and trust that facilitate action and cooperation for mutual benefit (Robert Putnam, 1993)
- the degree to which a group – however this is defined – uses mechanisms such as social networks, trust, reciprocity and shared norms and values to facilitate collaboration and cooperation.

Differences Between Social and Other Forms of Capital



1. Social capital does not wear out with use but rather improves with proper use and deteriorates rapidly with disuse.
2. Social capital is not easy to see and measure.
3. Social capital is hard to construct through external interventions.
4. Social capital operates most effectively when it is organized in complementary forms at multiple levels.

(Brandizio et al., 2009)

Social capital based on



trust and reciprocity, which develops in repeated process.

The essential:

- common standards,
- values and
- expectations.

Elements of Social Capital:



- 1) Participation in the local community.
- 2) Proactivity in a social context.
- 3) Feelings of trust and safety.
- 4) Neighbourhood connections.
- 5) Connections to family and friends.
- 6) Tolerance of diversity.
- 7) Value of life.
- 8) Work connections.

(Onyx and Bullen, 2000)

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Parameters of social capital:



1. quantity and quality (strength) of individual relationships,
2. the available resources from network,
3. group membership and group interaction, which facilitates the development and use of social capital
4. group properties (ideology, leadership, etc.) that influence the development of social capital and the use of it.

The acquisition, preservation and maintenance of social capital is one of the main motivators of human behavior.

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Value of Social Capital

The value of social capital depends on the nature of the social network:

- How many people are participating in the network?
- Who are the people involved in the network?
- What do these people have to offer?
- What is the use-value of the offered?
- How can these resources be mobilized?

(Carbonaro, 1999)

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How the social capital improves effectiveness

- **Information Sharing:** How can something to be done? When to do? Who is behaving erratically or cheating?
For guaranteeing precise information the sanction mechanisms (eg, loss of reputation) are used.
- **Group identity:** role models, the group solidarity and loyalty.
- **Coordination:** planning of purposeful activity, management and decision-making rules.

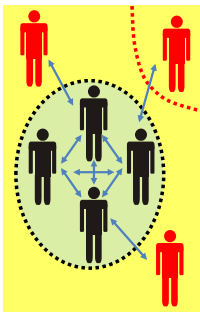
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General Perspectives on Social Capital Communitarian View

equates social capital with local level organizations, namely associations, clubs, and civic groups.

- This view, measured most simply by the number and density of these groups in a given community, implies that social capital is inherently “good,” that “more is better,” and that its presence always has a positive effect on a community’s welfare.

General Perspectives on Social Capital The Networks View



stresses the importance of vertical as well as horizontal associations between people, and relations within and among other organizational entities such as community groups and firms.

- **Intra-community (or “strong” - “bonding”) ties** are needed to give families and communities a sense of identity and common purpose
- **Inter-community (or “weak” - “bridging”) ties** cross various social divides — e.g., those based on religion, class, ethnicity, gender, socio-economic status.
- Strong horizontal ties can become a basis for the pursuit of narrow sectarian interests.
- Different combinations of these dimensions are responsible for the range of outcomes that can be attributed to social capital.

Dimensions of Social Capital at the Community Level

		Intra-Community Ties ("Bonding")	
		Low	High
Extra-Community-Networks ("Bridging")	High	RECENT RURAL-TO-URBAN MIGRANTS	SUCCESSFUL MEMBERS OF MICROFINANCE PROGRAMS
	Low	OUTCASTS	POOR VILLAGERS

Economic development takes place when an ongoing “coupling and decoupling” social mechanism is in place. This mechanism allows individuals initially to draw on the benefits of close community membership, but in doing so also ensures that they acquire the skills and resources to participate in more extensive networks that transcended their community, thereby progressively incorporating them into mainstream economic life. (Granovetter 1995).

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“Perverse” Social Capital



- Social capital is a double-edged sword:
- On the one hand, it can provide a range of valuable services for community members, ranging from baby-sitting and house-minding to job referrals and emergency cash.
 - But there are also costs, in that those same ties can place considerable non-economic claims on members' sense of obligation and commitment that have negative economic consequences.
 - Group loyalties may be so strong that they isolate members from information about employment opportunities, foster a climate of ridicule towards efforts to study and work hard, or siphon off hard-won assets.

Evidence from the developing world demonstrates why merely having high levels of social solidarity or informal groups does not necessarily lead to economic prosperity.

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Social capital and social environment



Social capital provides the development in environment in which:

- is good formal governance,
- is more generalized trust (North, 1990),
- leaders encourage self-activity (Skocpol, 1995, 1996)

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Social capital forms social cohesion

Social cohesion refers to two broader intertwined features of society:

- (1) the absence of latent conflict whether in the form of income/wealth inequality; racial/ethnic tensions; disparities in political participation; or other forms of polarization; and
- (2) the presence of strong social bonds – measured by levels of trust and norms of reciprocity; the abundance of associations that bridge social divisions (civic society) and the presence of institutions of conflict management, e.g., responsive democracy, an independent judiciary, and an independent media. (Berkman and Kawachi, 2000)
- Income and wealth inequality, racial and ethnic tensions, and disparities in political participation and weak civic engagement all are associated with poor social cohesion. This lack of cohesion stems from poor community relations with the government (linking) or polarization among people within (bonding) and between (bridging) communities (Woolcock 2000; World Bank 2000).
- Social cohesion is the key intervening variable between social capital and violent conflict. **The more bonding and bridging horizontal social capital link with vertical social capital, the more likely it will be that a society is cohesive and thus possesses the inclusive mechanisms necessary for mediating or managing a conflict before it turns violent.** The weaker the social cohesion, the weaker the reinforcing channels of socialization (value formation) and social control (compliance mechanisms). Weak societal cohesion increases the risk of social disorganization, fragmentation, and exclusion, potentially manifesting itself in violent conflict.

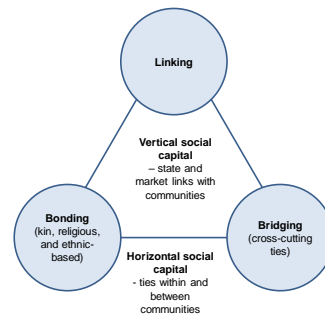
General Perspectives on Social Capital Institutional View

the vitality of community networks and civil society is largely the product of the political, legal, and institutional environment.

- the capacity of social groups to act in their collective interest depends crucially on the quality of the formal institutions under which they reside (North 1990), and
- that emergent qualities such as high levels of “generalized trust” in turn correspond to superior rates of economic growth.

The performance of states and firms themselves depends on their own internal coherence, credibility, and competence, and their external accountability to civil society.

Social cohesion: integration of bonding, bridging, and linking social capital



- **Low social cohesion**
 - exclusion
 - oppression, authoritarian state
 - inequality/inequity
 - corrupt, inefficient bureaucracy
 - closed society
- **High social cohesion**
 - inclusion
 - rule of law, democratic state
 - access and equality of opportunity
 - efficient, noncorrupt bureaucracy
 - open society

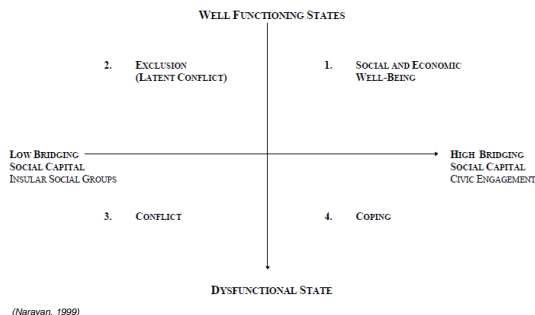
General Perspectives on Social Capital Synergy View

attempts to integrate the compelling work emerging from the networks and institutional camps. While the synergy view traces its intellectual antecedents to earlier work in comparative political economy and anthropology, conditions fostering developmental “synergies”— i.e. dynamic professional alliances and relationships—between and within state bureaucracies and various civil society actors.

Conclusions:

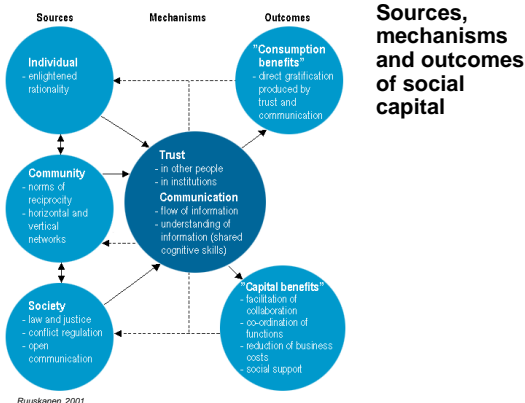
- (1) Neither the state nor societies are inherently good or bad; governments, corporations, and civic groups are “variables” in terms of the impact they can have on the attainment of collective goals.
- (2) States, firms, and communities alone do not possess the resources needed to promote broad-based, sustainable development; complementarities and partnerships forged both within and across these different sectors are required. Identifying the conditions under which these synergies emerge (or fail to emerge) is thus a central task of development theory and practice.
- (3) Of these different sectors, the state’s role in facilitating positive developmental outcomes is the most problematic and important. This is so because the state is not only the ultimate provider of public goods (stable currencies, public health, universal education) and the final arbiter and enforcer of the rule of law (property rights, due process, freedom of speech and association); it is also the actor best situated to facilitating enduring alliances across the boundaries of class, ethnicity, race, gender, politics, and religion. Communities and firms also have an important role to play in their own right, in creating the conditions that produce, recognize, and reward good governance. In otherwise difficult institutional environments, community leaders able to identify and engage “pockets of efficiency” within the state become agents of more general reform (Fox, 1992).

Relationship Between Bridging Social Capital and Governance

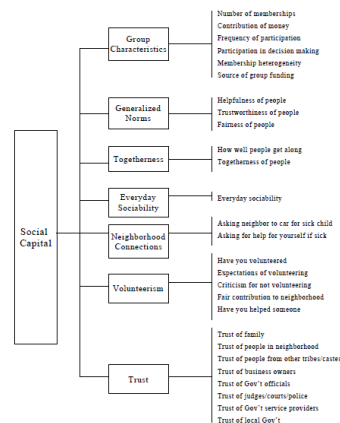


Four Views of Social Capital: Key Actors and Policy Prescriptions

Perspective	Key Actors	Policy Prescriptions
Communitarian View Local associations	Community groups Voluntary sector	'Small is beautiful' Recognize social assets of the poor
Networks View Intra ('bonding') and inter ('bridging') communities ties	Entrepreneurs Business groups 'Information brokers'	Decentralization Creation of enterprise zones 'Bridging' social divides
Institutional View Political & legal institutions	Private and public sector	Grant civil and political liberties Transparency, accountability
Synergy View Community networks and state-society relations	Community groups, civil society, firms and states	Co-production, complementarity Participation, linkages 'Scaling up' local organizations



Measuring Social Capital in Communities



Social capital at work

1	Our supervisor treats us with kindness and consideration.	1 = fully disagree	2	3	4	5 = fully agree
2	Our supervisor shows concern for our rights as an employee.	1 = fully disagree	2	3	4	5 = fully agree
3	We have a 'we are together' attitude.	1 = fully disagree	2	3	4	5 = fully agree
4	People keep each other informed about work-related issues in the work unit.	1 = fully disagree	2	3	4	5 = fully agree
5	People feel understood and accepted by each other.	1 = fully disagree	2	3	4	5 = fully agree
6	Do members of the work unit build on each other's ideas in order to achieve the best possible outcome?	1 = fully disagree	2	3	4	5 = fully agree
7	People in the work unit cooperate in order to help develop and apply new ideas.	1 = very little	2	3	4	5 = very much.
8	We can trust our supervisor.	1 = fully disagree	2	3	4	5 = fully agree

Kouvonen et al. BMC Public Health 2006 6:251

Social capital item means and standard deviations

	Women (N = 38,914)	Men (N = 9337)
Item 1. Our supervisor treats us with kindness and consideration.	3.85 (1.08)	3.77 (1.08)
Item 2. Our supervisor shows concern for our rights as an employee.	3.82 (1.06)	3.78 (1.08)
Item 3. We have a 'we are together' attitude.	3.60 (1.05)	3.41 (1.09)
Item 4. People keep each other informed about work-related issues in the work unit.	3.85 (0.92)	3.68 (0.99)
Item 5. People feel understood and accepted by each other.	3.29 (1.03)	3.20 (1.02)
Item 6. Do members of the work unit build on each other's ideas in order to achieve the best possible outcome?	3.38 (0.89)	3.23 (0.92)
Item 7. People in the work unit cooperate in order to help develop and apply new ideas.	3.25 (1.05)	3.08 (1.06)
Item 8. We can trust our supervisor.	3.76 (1.17)	3.78 (1.15)

Kouvonen et al. BMC Public Health 2006 6:251

The relationship between individual level social capital and poor self-rated health

	N	Odds ratio (95% CI)
Women:	36,771	
Social capital (quartiles)		
1 (highest)		1.00
2		1.36 (1.27–1.47)
3		1.67 (1.55–1.79)
4 (lowest)		2.42 (2.24–2.61)
Men:	8709	
Social capital (quartiles)		
1 (highest)		1.00
2		1.32 (1.12–1.54)
3		1.69 (1.45–1.98)
4 (lowest)		2.99 (2.56–3.50)

Age adjusted odds ratios and their 95 percent confidence intervals (95% CIs) from multilevel logistic regression models.

Kouvonen et al. BMC Public Health 2006 6:251

To ensure the effectiveness the government, businesses and non-governmental organizations need to:

- Mobilize bonding of social capital in communities.
- Create bridging capital to market.
- Link the social capital of the state and public institutions

Trust - key measure of social capital



A key measure of social capital, **trust**, arises when a community shares a set of moral values in such away as to create expectations of regular and honest behavior.

- Reciprocity, civic duty, and moral obligation are essential to a successful and stable society and are the behaviors that should emanate from a thriving civil society. (Fukuyama, 1995)

Trust



an optimistic expectation or belief regarding other agents' behavior.

- Origins of trust:
 - **personalized trust** arises from repeated interpersonal interaction.
 - **generalized trust** arises from general knowledge about the population of agents, the incentives they face, and the upbringing they have received (Platteau 1994).

The main difference between the two is that, for each pair of newly matched agents, the former takes time and effort to establish while the latter is instantaneous.

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Paradox of Trust



- On the one hand, trust is most needed in situations of high social uncertainty, situations where trust is most difficult to produce.
- On the other hand, trust is not needed in stable relationships where trust is most easy to produce.

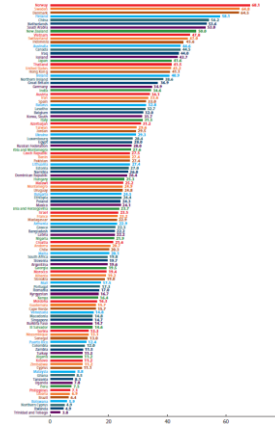
Bases of Trust (Within Organizations)

- **Dispositional trust** - people extrapolate from their early trust-related experiences to build up general beliefs about other people.
- **History-based trust** - individuals' perceptions of others' trustworthiness and their willingness to engage in trusting behavior when interacting with them are largely history-dependent processes, trust between two or more interdependent actors thickens or thins as a function of their cumulative interaction.
- **Third parties as conduits of trust** - third parties in organizations are important conduits of trust because of their ability to diffuse trust-relevant information via gossip.
- **Category-based trust** - trust predicated on information regarding a trustee's membership in a social or organizational category-information which, when salient, often unknowingly influences others' judgments about their trustworthiness.
- **Role-based trust** - constitutes a form of depersonalized trust because it is predicated on knowledge that a person occupies a particular role in the organization rather than specific knowledge about the person's capabilities, dispositions, motives, and intentions.
- **Rule-based trust** - predicated not on a conscious calculation of consequences, but rather on shared understandings regarding the system of rules regarding appropriate behavior.

(Kramer, 1999)

Trust and Efficiency

- Trusting others enables economic agents to operate more efficiently – e.g. by invoicing for goods they have delivered or by agreeing to stop hostilities.
- Whenever this is the case, generalized trust yields more efficient outcomes than personalized trust.
- The reason is that, for any pair of agents, generalized trust is established faster and more cheaply than personal trust.
- Fostering generalized trust can thus potentially generate large efficiency gains.



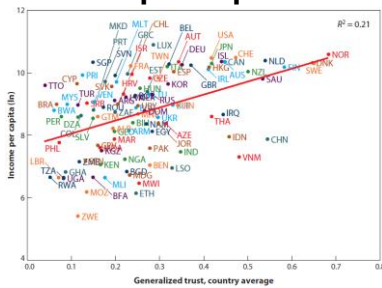
Proportion of people trust, country average

Average trust levels in 111 countries. Data taken from the World Values Survey (1981–2008), European Values Study (1981–2008), and the Afrobarometer (2005).

These surveys ask the trust question “Generally speaking, would you say that most people can be trusted or that you need to be very careful in dealing with people?”, and the trust variable takes on the value 1 if the respondent answers that “Most people can be trusted” and 0 if he or she answers “Need to be very careful.”

(Algan, Cahuc, 2013)

Correlation between average income per capita and trust



The average income per capita between 1980 and 2009 against the average trust between 1981 and 2008 for a sample of 106 countries. Countries with higher levels of trust also display higher income levels. The correlation is steady; one-fifth of the cross-country variation in income per capita is related to differences in generalized trust.

(Algan, Cahuc, 2013)

Form of Dependence, Risks, and Qualities of Trustworthiness

Form of dependence	Risk	Qualities of trustworthiness
Shallow dependence - one's outcomes are contingent upon the actions of another	Indiscretion Unreliability	Discretion Reliability Competence
Deep dependence - a trustee's behavior is often outside the trustor purview and, therefore, is difficult to monitor	Cheating Abuse Neglect Self-esteem	Integrity Concern Benevolence
Shallow interdependence - both parties must effectively coordinate behavior in order to achieve desired goals	Poor coordination	Predictability Consistency
Deep interdependence - the capacity of parties to communicate is essential	Misanticipation	Foresight Intuition Empathy

(Sheppard, 1998)

Basis of Trust Development



- reciprocity
- partners' reputations
- behavior initiating joint action
- common standards
- unity through common goals and values,
- positive emotional relationships.

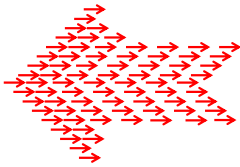
The emergence of trust and confidence limits depends on which purpose the trust is used.

The development of friendship and trust



- Similar background
- Moving in the same circles
- Meeting and striking up an acquaintance
- The development of trust
- Trust arises most easily
 - In situations where there is little social strife and a high sense of public safety
 - Among those who are successful in life
 - Among those with INFORMAL social networks

Social dilemmas



are situations in which individual rationality leads to collective irrationality.

- That is, individually reasonable behavior leads to a situation in which everyone is worse off than they might have been otherwise.
- Each farmer does best by taking as much irrigation water as possible, and each fisher benefits from catching as many fish as possible, but the aggregate outcome of these individually reasonable decisions can be disaster – groundwater exhausted and fish species depleted to the point of extinction.

(Kollock, 1998)

Tragedy of the commons



Garrett Hardin, 1968

Picture a pasture open to all. It is to be expected that each herdsman will try to keep as many cattle as possible on the commons. Such an arrangement may work reasonably satisfactorily for centuries because tribal wars, poaching, and disease keep the numbers of both man and beast well below the carrying capacity of the land. Finally, however, comes the day of reckoning, that is, the day when the long-desired goal of social stability becomes a reality. At this point, the inherent logic of the commons remorselessly generates tragedy.

As a rational being, each herdsman seeks to maximize his gain. Explicitly or implicitly, more or less consciously, he asks, "What is the utility to me of adding one more animal to my herd?" This utility has one negative and one positive component.

1) The positive component is a function of the increment of one animal. Since the herdsman receives all the proceeds from the sale of the additional animal, the positive utility is nearly +1.

2) The negative component is a function of the additional overgrazing created by one more animal. Since, however, the effects of overgrazing are shared by all the herdsmen, the negative utility for any particular decision-making herdsman is only a fraction of -1.

Adding together the component partial utilities, the rational herdsman concludes that the only sensible course for him to pursue is to add another animal to his herd. And another, and another....

Variables used in boundary rules to define who is authorized to appropriate from a resource

Residency or membership	Personal characteristics	Relationship with resource
<ul style="list-style-type: none"> • National • Regional • Local • community • Organization (e.g. co-op) 	<ul style="list-style-type: none"> • Ascribed <ul style="list-style-type: none"> • Age • Caste • Clan • Class • Ethnicity • Gender • Race • Acquired <ul style="list-style-type: none"> • Education level • Skill test 	<ul style="list-style-type: none"> • Long-term rights based on: <ul style="list-style-type: none"> • Ownership of a proportion of annual flow of resource units • Ownership of land • Ownership of non-land asset (e.g. berth) • Ownership of shares in a private organization • Ownership of a share of the resource system • Temporary use-rights acquired through: <ul style="list-style-type: none"> – Auction – Per-use fee – Licenses – Lottery – Registration – Seasonal fees • Use of specified technology

(Ostrom, 1999)

Anticommons:



an economic condition characterized by heightened or prohibitive transaction costs arising from overassignment of exclusive rights

Solutions:



- privatization
- regulating the use of common property, (nb: tragedy of the anticommons)
- supervision, fast punishment of egoistic behavior,
- changing the system of fees (the common interests are beneficial)
- conscious and responsible people,
- participants improve communication (agreements, control),
- reducing the size of the group,
- the reference to social norms, values

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Homework

Social exchange and social capital in my home country

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Format: doc, docx, rtf