Social Capital as an Elusive Factor of Socio-Economic Development

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The modern economy is characterized by an intense interest in non-economic factors (e.g. cultural, institutional) in explaining economic phenomena. This is reflected in an increasing interest of economists in the concept of social capital. The article presents the role of social capital in economic development and in regional development. It shows the difficulties of measuring social capital, among others, with the problem of data aggregation or with the necessity to take into account the context. The difficulties these cause suggest that social capital still remains an elusive capital.

INTRODUCTION

The concept of social capital has been used for about one hundred years. Its popularity greatly increased in recent decades. However, it resulted in no consensus, even when it came to a definition of the above mentioned capital. Scientists are unanimous in that it constitutes a factor in the development, although both the mechanisms and even the direction of influence are not completely known. It is sometimes called an elusive factor in the development (intangible asset) due to its invisibility, the difficulty of measuring and the quality of being untouchable. This factor is getting more and more significant both due to the transformations in our surrounding and changes in science.

The expansion of economics into other research fields (imperialism of economics) and the growing interest in non-economic factors of socio-economic development resulted in the growing popularity of the concept of social capital among economists. Those, however, equipped with its advanced research methods, seek to quantify this phenomenon. However, it seems to be an unattainable task. The phenomenon of social capital is so complex (even phenomenal in explaining the causes of wealth or poor communities), but unfortunately equally elusive, due to its deep dependence on context.

DEFINITION OF SOCIAL CAPITAL

There are many definitions of social capital. Individual researchers approach the problem in different ways, analyze social capital at different levels (micro, mezo and macro), emphasize the importance of various elements, define it as private or public good, distinguish various types (e.g. bridging, bonding, positive, negative) elements or results of it. One of the many divisions of the definition represents S. Panther (2002):

- approach to social capital from an individualistic perspective - the ability of individual actors-on the basis of their contacts - to dispose of limited resources;
- approach to social capital from the perspective of the network - a capability for joint, collective action, social capital as something valuable for a club, the prospect of civil society;
the perspective of identifying social capital with generalized trust;

heterogeneous group of the concept of social capital in which social capital is recognized as all the social factors affecting the economy.

Such definitions as: P. Bourdieu, J. Coleman, F. Fukuyama and R. Putnam can be treated as the classic definitions of social capital. P. Bourdieu (1986) defines social capital as “the aggregate of the actual or potential resources which are linked to possession of a durable network of more or less institutionalized relationship of mutual acquaintance and recognition, or in other words, to membership in a group which provides each of its members with the backing of the collectivity-owned capital, a “credential” which entitles them to credit, in the various senses of the word.”

J. Coleman (1990) wrote that social capital „is defined by its function. It is not a single entity, but a variety of different entities having two characteristics in common: They all consist of some aspect of social structure, and they facilitate certain actions of individuals who are within the structure. Like other forms of capital, social capital is productive, making possible the achievement of certain ends that would not be attainable in its absence.

According to F. Fukuyama (1995) social capital “is the ability of people to work together for common purposes in groups and organizations”. According to R. Putnam (1993) social capital refers to “features of social organization, such as trust, norms and networks that can improve the efficiency of society by facilitating coordinated actions”.

Flap and De Graff (1986) stated that „an individual’s personal social network, and all the resources he or she is in a position to mobilize through this network, can be viewed as his or her social capital."

For R. S. Burt (1992) “social capital refers to friends, colleagues, and more general contacts through whom you receive opportunities to use your financial and human capital”

M. Woolcock (1998) considered social capital as „the information, trust, and norms of reciprocity inhering in one’s social networks”. In A. Portes’s opinion social capital is “the ability of actors to secure benefits by virtue of membership in social networks or other social structures” (Portes, 1998), and according R. Inglehard (1997) - “a culture of trust and tolerance, in which extensive networks of voluntary associations emerge”.

Adler and Kwon (2000), after examining about 20 definitions of social capital proposed such and integrating definition „social capital is a resource for individual and collective actors created by the configuration and content of the network of their more less durable social relations”.

J. Bartkowski (2007) notes that “the lack of one and accepted definition is not a consequence of methodological shortcomings and underdevelopment of the same field, but the complexity and manifold phenomena and an unilateral attempt to resolve these issues would result in significant impoverishment of its understanding”.

Researchers are focusing on three main aspects: structural (the structure of interpersonal relationships), normative (social norms, especially those relating to interaction and patterns of realization the values and interests, trust, solidarity, custom and habit) and behavioral (referring to specific forms of cooperation - cooperation, assistance, voluntary work, collective action and exchange of information) (Theiss, 2005). There is one thing common in all conceptions of social capital: they all say that social capital is a multidimensional phenomenon, multi-faceted and extremely complex.

SOCIAL CAPITAL AS A FACTOR OF DEVELOPMENT

It would be a truism to say that the role of individual factors of the development is variable in time. Their significance in explaining the processes of growth and development also changes. Classical economics in the eighteenth century perceived a fundamental role in the development of economies in the accumulation of physical and financial capital. Although the rank of human being in economic growth was emphasized, nobody was able to explain how this effect took place. Until the 50s of the twentieth century the theories of economic growth were dominated by three factors of production: land, labor and investment (financial capital). In the 50s of the twentieth century R. M. Solow drew attention to the
technical and technological progress (physical capital). In the 50s and 60 of the twentieth century, physical capital was generally treated as a necessary and sufficient condition for the development of underdeveloped and developing countries while, at the same time, the analysis of the social and institutional conditions and factors of economic growth was simply ignored. It was in this period that the voices from the different development economists began to appear, claiming that the accumulation is indeed necessary but not sufficient factor for development. This view was gradually disseminated in the next decade. The study of this period increasingly argued that the effective use of physical capital depends on how the workers are equipped in knowledge and skills which refers to human capital in the modern sense. In the 80s and 90s of the twentieth century the belief in the foundational role of human capital in shaping long-term economic growth has been established. However, in practice, the conclusions derived from both the human capital theory, as well as from the mainstream of economics, have not worked. Discrepancies between theory and practice have led economists to seek the sources of growth diversification in institutional development, including the characteristics of social capital (Jabłoński, 2008). Currently, a human individual in theory of economics has ceased to be a simple, rational entity, unrelated to the social environment, but he/she is rooted in the social environment characterized by a certain norms and values. Currently, the nature of a community is as important as the nature of individuals. Researchers are increasingly referring to the concept of social capital, in order to explain why some societies tend to be more efficient, than their material resources would indicate, pointing out that some factors in the field of culture, psychology or social relationships affect the whole, which is something more than the sum of its parts (Pogonowska, 2004).

The evolution of views on the mechanisms of development meant that social capital began to be contemporary perceived as an important factor in this development. We are now witnessing a huge interest in non-economic explanations of the phenomena of economics reaching beyond neoclassical economics and the so-called presumption ‘homo-economicus’. Increasingly, economists recognize that neoclassical economics has its limitations and does not explain the many economic phenomena, both present and past. This happens e.g. because the assumptions of neoclassical theory lacks the understanding of human nature, coordination and cooperation (Łopaciuk-Goncézyk, 2009). These assumptions are less and less helpful in explaining the phenomena occurring in the contemporary world. Economic diversification of the world deepens, which proves that there are no universal measures which produce similar effects in different regions governed by different economies. Economists have increasingly come to the conclusion that you should take into account the context of social, cultural, historical in which there are laws of economics (Stokowska, 2006).

J. Czapiński writes about the effect of social capital on the economy in a synthetic way: ‘theoretical answer is both simple, almost obvious, as poorly documented empirically […] [the social capital] facilitates negotiations, lowers transaction costs, reduces the investment process (reduces the likelihood of subsequent appeal decisions of administrative authorities), reduces corruption, increases reliability of contractors, promotes long-term investment and diffusion of knowledge, prevent abuse and increase solidarity between the groups-and also, through the development of the third sector, promotes social control of the authorities. Of course, the benefits of social capital are not limited to economic effects. They extend to the wider quality of society’s life’ (Czapiński & Panek, 2009).

Social capital facilitates the flow of information. In - usually imperfect – market situations, social ties may provide the individual user with useful, otherwise unattainable information about the opportunities and choices. These information reduce the transaction costs of economic performance, control costs and reduce the risk of farming. Network connections may facilitate understanding of the labor and credit market, they can reduce the cost of search for labor market opportunities, improve the spread of the information about innovations, information about the sluggish payers, the cheaters, reduce the risk of moral hazard.

With trust, which is inextricably linked to the existence of social capital, a favorable climate for the development of partnerships evolves, decentralization of decision and control, freedom of information flow. Trust can reduce transaction costs and control, facilitates increasing independence, unconventional decisions and flexible reactions of subordinates (Woźniak, 2008). Social capital reduces transaction costs,
but it can also have an impact on the increase of the amount of transactions. K. Arrow (1972) believes that in general, all transactions require trust, and lack of trust reduces the amount of transactions beneficial for both sides. R. Putnam (2000) wrote: people who trust their fellow citizens volunteer more often, contribute more to charity, participate more often in politics and community organizations serve more readily on juries, give blood more frequently, comply more fully with their tax obligations, are more tolerant of minority views.

The higher level of social capital the lower rate of crime, even if we have to take into account that the results of researches are not unambiguous. Buonanno, Montolio, and Vanina (2006) studied the effect of social capital on crime rate in Italy. They point out that the impact of social capital on crime is inconclusive, on the one hand, social ties can provide communication channels for criminals, on the other hand, social norms significantly increase the costs of criminal activity, feelings of guilt and shame.

Higher levels of social capital is also associated with less corruption, more effective government, or higher levels of voluntarism.

SOCIAL CAPITAL AS A FACTOR OF REGIONAL DEVELOPMENT

Changes in the approach to the role of growth factors and economic development also come changes in the approach to the factors of regional development. Traditional theories of regional development did not really take into account space and premises based on the assumptions of neoclassical economics of perfect competition, mobile factors of production and the rationality of economic agents. Space was treated as a source of natural means of production. In traditional (classical) analysis of the territory it was seen as a ‘magazine’ of mobile factors of production, the price of which is the criterion for site selection. Along with globalization, these theories supported neo-Fordism approach to regional development, based on the principle of maximizing comparative advantage. Processes of globalization - liberalization and deregulation of international trade, increase mobility, development of transport, internationalization were to limit space restrictions and diminish the importance of space in economic development (Asheim, 2001; OECD, 2001; Olejniczak, 2003).

An alternative approach, based on post-Fordism, has emerged in the 80s of the twentieth century. It stressed the role of spatial processes (the key to economic development-especially urban) and non-economic factors specific to local space. The emphasis of comparative advantage to competitive advantage was shifted in this way that is, more productive usage of the unique combination of the resources concentrated in a particular location (Olejniczak, 2003).

Nowadays, more and more emphasis in this analysis focus on social attitudes both individuals and entire communities, and sometimes is even considered as a factor responsible for success. Social capital is a resource created jointly by the community and regional development is one of the most vivid manifestation of various forms of fields and forms of capital. Region - from a sociological point of view - is strictly a social group and its associated culture which essentially determines their social capital resources. Because it is believed that social factors are important for generating interregional differences, the creation and use of social capital is an important mechanism for stimulating the local and regional development (Herbst, 2007).

Considering issues of development and competitiveness of territories A. Jewtuchowicz (2005) points to the fact that sustainable development in the area of diversity can only arise as a result of specific resources that cannot exist independently of the conditions in which they evolved. Generic resources, having a universal character, independent of the activity of economic actors and social, do not differentiate between permanent territories, because by definition they are characterized by a repeatability. Differences in the development of space can thus be precisely the effect of territories being equipped in social capital in a different ways (relational), which favors the development of cooperation and combination of different strategies implemented on the same territory, the organization of entities in the network.

Therefore, the term: “the social capital rent” (Markowska-Przybyła, in print) can be suggested here. Traditional factors of production giving the economic rent were: job giving pay, capital giving interest
and ground giving rent. Moreover, the neoclassical economic literature also distinguishes itself with a monopoly rent (meaning the benefits of favoritism or monopolistic collusion, where the resource is a monopoly), the enterprise rent (Schumpeter’s rent is the result of risk-taking and entrepreneurship, enterprise resource is here understood as an organization or supervision), the quasi-rent. Currently, the concept of economic rent is applied to any rare, unique factors of production. J. Barney (1991) lists the common features of stocks that yield rent. They are rare, they are valuable, are difficult to copy and cannot be replaced (as they do not have substitutes). Social capital has all these features. And just as a geographical rent, is a premium in the development of socio-economic area, premium within a specified geographical location geopolitical system (Kopczewska, 2008), the rent of social capital is an additional remuneration, the premium for the operation in a particular social, cultural and institutional environment.

DIFFICULTIES OF MEASURING SOCIAL CAPITAL

Inclusive of social capital in the economy requires the development of methods for its measurement. However, as aptly and bluntly emphasizes J. Herbst (2008) there is ‘a discrepancy between the theoretical insight discussion about social capital, and the weakness of empirical conceptualization of the concept of (...) studies. You can sometimes get the impression that these two fields of scientific thought generally do not penetrate each other. Empirical work including any reference to a central concept of social capital for discussions on the various faces, versatility of measurement which applies to the description, and also over to what extent and in what conditions it helps to solve dilemmas of collective forum, are very rare’. The reasons for this are in the way of defining social capital, considering it at different levels of analysis and specificity of the phenomenon, which is characterized rather by its soft qualities not quantitative traits. Economists - in contrast to sociologists – while measuring the social capital want to use the methods developed by economics, methods that are not necessarily appropriate for measuring such a complex phenomenon. Therefore, in this field a number of simplifications, reductions, assumptions that distort the essence of social capital can be made. It comes to a kind of paradox: the economists want to recognize new factors of non-economic nature in economic theories, which are to make their models real, but when they do it, they simplify reality and reduce the set of variables to those relatively easily measurable.

Another issue is the data aggregation. It has several dimensions. The first is the aggregation of data referring to the sources of social capital with the data referring to the effect of social capital. One of the reasons is lack of unanimity as to what is a manifestation and what is its source. So the data about social networks is aggregated with the data about trust and turnout, and this is usually dictated by the availability of statistical data.

The second controversial issue connected with aggregation is a problem of ‘disappearing’ image of uneven distribution of social capital among different groups, social strata and uneven distribution of its capital in space.

The third, and maybe the most important, is the problem of aggregating of unit data into the collective one and connected with it, the problem of taking into consideration the context (or rather losing it). The aggregation of data obtained from the responses of people in the polls to one big average (e.g. on the level of one nation) is incorrect, since it distorts the influence of the local context, which affects the generation of social capital. As Foley, Edwards and Diani (2001) claim, researchers tend to treat social capital as an attribute of an individual unit, which you can freely use and which neither changes or disappears when the unit moves between various social contexts. Understanding the importance of context in the measurement of social capital is particularly important in the comparisons of the size of the resource in time and space. The same data (numerical), the size of social capital, expressed by means of generally applicable metrics (e. g. the level of trust towards authorities, the amount of organizations, the level of voluntarism, press readership, turnout.) mean something different 100 years ago and today3, means something different in the countries of Central and Eastern Europe, Asia and the United States. Interpretation of numerical results must be thorough
qualitative analysis, supplemented by issues of context, circumstances, conditions under which the capital was built.

P. Bourdieu clearly emphasized deep reliance on the context of a particular social space as the main characteristics of social capital. He emphasized that social capital is certainly not something that can be determined a priori or inferred from the axioms of a theory, and the content of social capital is completely totally dependent on the context and the long historical process. The work of P. Bourdieu counterbalanced a priori functional and social capital shots (e.g. the work of Coleman and Putnam), they were contextual and historical analysis. B. Edwards, M. Foley and M. Diani even believe that this is one of the concepts in the highest degree dependent on the contexts in which it is being used. Social capital should be treated as the dependent variable, and not as an independent entity in itself. The social capital in itself, its character and influence depend on the way in which people perceive reality, define it and act in it. Avoiding the cultural factors is impossible as it makes the research just the analysis of a certain data base, which arbitral meaning is defined by the researcher (Trutkowski & Mandes, 2005).

The discussion about the results of Putnam’s researches referring to social capital in the United States is the perfect example of this. In his work Bowling Alone, the Collapse and Revival of American Community (Putnam, 2001) he pointed that social capital of the USA shows the decreasing tendency of long-continuance which is expressed by lower participation of the citizens in the elections, lower trust towards one’s neighbors or poor social activity. Even if the opinions about current individualism, the disappearance of the idea of public welfare or civic virtues are common and considered as a negative and very disturbing phenomena, there are many doubts about correctness of Putnam’s conclusions and it is not certain that these indicators mean the decrease of social capital. There is a hypothesis that they are the effects of developing processes in the society. Does the decrease of the social capital really take place or maybe the standards of social capital stopped to reflect the reality? R. Dahrendorf (1993) wrote that in contemporary industrial societies citizens abandoned the strategies of the collective organized fight for the access to benefits and life opportunities finding the strategy of individual promotion and self-investment more effective.

Contemporary society has little in common with itself a dozen or so years ago. This is due to the increase of mobility, the development of IT, demographic changes or cultural patterns. The authors of the researches carried out in Great Britain on the verge of XXI century wrote: ‘we question the Putnam’s idea […] of highly integrated community of citizens characterized by general trust and the sense of identity. We think that it is idealized and incorrect step towards the characteristic of life of local communities on the verge of XXI century’ (Campbell, 2000).

Without taking into consideration new processes in measuring social capital the objective measurement of this phenomenon is not possible. Measuring the amount of associations, sport clubs or church organizations and, at the same time, not taking into consideration new forms of collectiveness, distort the image of reality. It is as if we measured the standard of living in modern world with the number of colorful TV sets per 1000 inhabitants.

During the research other problems appear e.g. should we consider only the access to the supplies or only their usage? Should we measure only potentially existing social capital, accumulated and mobilized only when the need is announced or only those being used (van der Gaag & Snijders, 2002)? Measuring ‘used’ social capital concentrates more on the actions and results. While measuring only ‘mobilized’ social capital allows avoiding noise which accompanies the measurement of potential-used and not used social capital.

The attempts to measure social capital are based on the very differential data. In the table number 1 those which were used the most often were shown along with their limitations (See Table 1).
<table>
<thead>
<tr>
<th>The indicator</th>
<th>Limitations</th>
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<tbody>
<tr>
<td>number of associations, voluntary organizations, number of members of</td>
<td>the role of associations in generating social capital is often overestimated; not all groups are working towards the common good, many of them try to maximize the realization of their own interests at the expense of people from ‘outside’ of their groups</td>
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<tr>
<td>different organizations in terms of number of residents</td>
<td></td>
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<tr>
<td>norms, patterns of behavior, customs, manners</td>
<td>recognizing the same values and standards is not sufficient to produce social capital because it is still important that these are the appropriate values’ (Fukuyama, 2000)</td>
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<tr>
<td>trust (to people, institutions)</td>
<td>there is a problem with defining the relationship between trust and social capital. Is it synonymous with social capital, as F. Fukuyama claims, or as a source and a major component of this capital, as does R. Putnam, or perhaps as one of the form of it, as Coleman suggests? or maybe as something totally different from social capital, as a characteristic of units not social structures as claim P. Adler and S. Kwon. Another problem: what comes first: the trust which creates the networks or just opposite – the networks create trust?</td>
</tr>
<tr>
<td>networks of family, social contacts</td>
<td>the strength of relationship is tested, its diversity, direction, frequency and formalization. There are differences in views on the nature of the networks that improve building the positive social capital (what is better: strong or weak ties, permanent or transient ones, dense networks or maybe so called: structural holes); not only just the existence of network is important but those things we access into;</td>
</tr>
<tr>
<td>philanthropic, charitable, voluntary activities (including e.g. the number</td>
<td>some believe that these features characterize the human capital rather than social development;</td>
</tr>
<tr>
<td>of honorary blood donors in relation to the population)</td>
<td></td>
</tr>
<tr>
<td>civic participation (voter turnout, participation in marches)</td>
<td>the data on the turnout could be misleading because in some countries voting is compulsory;</td>
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<td>level of social inequality, inequality of income (which in turn affects the</td>
<td>it is difficult to determine the optimal level of inequality</td>
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<td>cohesion of society, trust)</td>
<td></td>
</tr>
<tr>
<td>illustrating the lack of social capital: the percentage of divorces, the</td>
<td>Is it the effect of the lack of social capital or the effect of the existence of negative social capital? Do these indicators measure the effects of social capital or the social capital itself?</td>
</tr>
<tr>
<td>number of processes, crime rate, suicide rate, the size of shadow economy,</td>
<td></td>
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<tr>
<td>corruption, alcoholism;</td>
<td></td>
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<tr>
<td>religiosity, the degree of secularization of society,</td>
<td>The researches indicate that different religions have differential influence on the creation of social capital.</td>
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<tr>
<td>population mobility</td>
<td>on the one hand low mobility is not favorable for building a positive social capital, on the other hand too high mobility is associated with a sense of temporaries.</td>
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</table>

Source: own study on the base of literature on the subject.
CONCLUSION

Social capital is considered as a factor in economic growth and development, so far not mentioned in theories of growth, models and forecasts, but explaining a part of this growth which has been so far unexplained, improving accuracy of econometric models and forecasts. However, how it can be measured, expressed in numbers, since it is an 'elusive' factor, a quality factor which is heavily dependent on context? How to compare it in the spatial, temporal or cultural dimension. The task seems impossible, and attempts to take account of this factor in the number may end with the loss of valuable information about the capital, due to adopted assumptions and simplifications. The task is therefore particularly difficult when it comes to international comparisons, or comparisons in the community in large intervals. The article describes the experience of selected nine states in the identification and measurement of social capital.

ENDNOTES

1 The origins of social capital dates back to the early years of the twentieth century. One of the first usage of the concept of social capital appeared in 1904 in the book written by Henry James ‘The Golden Bowl’. By ‘social capital’ H. James meant both social contacts and position of the heroine.

2 Economy pension is an additional payment which is received by a factor of production, above the income transfer and which is necessary to make him provide his services just in this usage. (Begg, Fischer, & Dornbusch, 1995).

3 In connection with it the another problem appears – problem time-series-analyses in the long term.

4 This objection can be referred to many other indicators.

REFERENCES


