The Place of Social Capital in Understanding Social and Economic Outcome

Article · January 2001

1 author:

Michael Woolcock
World Bank

5
The Place of Social Capital in Understanding Social and Economic Outcomes[1]

Michael Woolcock

> It is hardly possible to overrate the value...of placing human beings in contact with persons dissimilar to themselves, and with modes of thought and action unlike those with which they are familiar.... Such communication has always been, and is peculiarly in the present age, one of the primary sources of progress.
>
> — John Stuart Mill

This paper provides a brief introduction to the recent theoretical and empirical literature on social capital as it pertains to economic development issues, with a particular focus on its significance for OECD countries. In so doing it seeks to address three specific questions:

1. How are social capital, human capital and social capability related to one another?
2. How can social capital be measured?
3. How might existing economic growth models give more adequate attention to social capital?

The paper proceeds as follows. I begin by examining the remarkable resurgence of interest in the social dimensions of development in general, and the idea of social capital in particular. This is followed by a basic primer on social capital and a brief survey of the empirical evidence in support of key hypotheses pertaining to economic development, especially the relationship between informal and formal institutions and their collective capacity to manage risk. Next, I provide a response to several of the criticisms levelled at social capital. I then explore the implications of a general theory of social capital for economic growth and well-being in OECD countries. I conclude by calling for a renewed commitment to interdisciplinary and multi-method research on development issues, for keeping debates on social capital focussed on the evidence, and for an appreciation that even a relatively parsimonious conceptualization of social capital has a range of important implications for practitioners and policy makers seeking to cultivate a more productive and inclusive economy.

1. The Decline and Rise of the Social Dimensions of Development

In the last decade, there has been a resurgence of interest in the social and institutional dimensions of economic development (World Bank 1997, 2000a). Work in this field was pioneered by Hirschman (1958) and Adelman and Morris (1967), but in general the issues they had raised so poignantly were crowded out until the late 1980s. During the 1970s and 1980s, Cold War rhetoric and ideological dichotomies (state planning vs. free markets) dominated development discourse in First and Second World countries, while elites in the Third World (and many of their western scholarly counterparts) tended to blame forces beyond their borders for poor domestic performance.[2] For more than 40 years, then, the role of national and local institutions – political, legal and social – were largely neglected.[3] A number of geo-political factors contributed to the turnaround in the 1990s, most prominent among them being the fall of communism, the ostensible difficulties of creating market institutions in transitional economies, the financial crises in Mexico, East Asia, Russia and Brazil, and the enduring scourge of poverty in even the most prosperous economies. Meanwhile, policy makers, foreign investors and aid agencies alike finally began to recognize that corruption, far from "greasing the wheels" in weak institutional environments, was in fact imposing serious and measurable net costs (World Bank 1998). Faced with the glaring evidence that orthodox theories had neither anticipated these difficulties nor offered safe passage through them once encountered, attention returned to the social and institutional aspects.

This was the demand side of the story. On the supply side, a remarkable series of publications combined to give social scientists greater confidence to address these long-neglected themes. In economics, Nobel laureate Douglass North (1990) argued that formal and informal institutions (the legal structures and normative "rules of the game") were crucial to understanding economic performance.[4] In political science, Robert Putnam (1993) showed that the density and scope of local civic associations laid the foundations for the widespread dissemination of information and social trust, thereby creating the conditions underpinning effective governance and economic development (see also Fukuyama 1995).[5] In sociology, Peter Evans (1992, 1995) demonstrated that whether a state was "developmental" or "predatory" was crucially dependent on both the capacity of its public institutions and the nature of state–society relations.[6] By the late 1990s, the development literature on institutional capacity, social networks and community participation inspired by these works began to coalesce around a general framework loosely held together by the idea of "social capital."[7]

2. What Is Social Capital? How Does It Differ from Human Capital and Social Capability?

"It's not what you know, it's **who** you know." This common aphorism sums up much of the conventional wisdom regarding social capital. It is wisdom born of our experience that gaining membership to exclusive clubs requires inside contacts, that close competitions for jobs and contracts are usually won by those with "friends in high places." When we fall upon hard times, we know it is our friends and family who constitute the final "safety net." Conscientious parents devote hours of time to the school board and to helping their kids with homework, only too aware that a child's intelligence and motivation are not enough to ensure a bright future. Less instrumentally, some of our happiest and most rewarding hours are spent talking with neighbours, sharing meals with friends, participating in religious gatherings and volunteering on community projects.

Intuitively, then, the basic idea of "social capital" is that one's family, friends and associates constitute an important asset, one that can be called upon in a crisis, enjoyed for its own sake and/or leveraged for material gain. Those communities endowed with a rich stock of social networks and civic associations will be in a stronger position to confront poverty and vulnerability (Moser 1996; Narayan 1997), resolve disputes (Schafft and Brown 2000) and/or take advantage of new opportunities (Isham 1999). Conversely, the **absence** of social ties can have an equally important impact. Office workers, for example, fear being "left out of the loop" on important decisions; ambitious professionals recognize that getting ahead in a new venture typically requires an active commitment to "networking" (i.e. to creating the social connections they currently lack).

A defining feature of being poor, moreover, is that one is not a member of – or is even actively excluded from – certain social networks and institutions, ones that could be used to secure good jobs and decent housing (Wilson 1996). Without access to employment information networks, residents of inner-city ghettoes find themselves trapped in low-wage jobs (Loury 1977); diffuse sets of social ties are crucial to the provision of informal insurance mechanisms (Coate and Ravallion 1993; Townsend 1994). Similarly, Varshney (2000) shows that where there are cross-cutting ties to connect different groups, such as associations that bring together Hindus and Muslims in India, conflict is addressed constructively and rarely descends into violence; where such ties are lacking, there are no established channels for dealing with difference. Barr (1998) reports similar findings from work on firms in Africa, where poor entrepreneurs are shown to have a limited and circumscribed set of "protection" networks, while the non-poor have a more diverse set of "innovation" networks (see also Fafchamps and Minten 1999). There is also anecdotal evidence to suggest that in many poor communities, women primarily possess the intensive "protection" networks, while men have access to more extensive "innovation" networks (Goldstein 1999).

Intuition and everyday language also recognize an additional feature of social capital, however. They acknowledge that social capital has costs as well as benefits, that social ties can be a liability as well as an asset.[8] Most parents, for example, worry their teenage children will "fall in with the wrong crowd," that peer pressure and a strong desire for acceptance will induce them to take up harmful habits. At the institutional level, many countries and organizations (including the World Bank) have nepotism laws, in explicit recognition that personal connections can be used to unfairly discriminate, distort and corrupt. In our everyday language and life experiences, in short, we find that the social ties we have can be both a blessing and a blight, while those we do not have can deny us access to key resources. These features of social capital are well documented by the empirical evidence, and have important implications for economic development and poverty reduction.

The most compelling empirical evidence in support of the social capital thesis comes from household and community level (i.e. "micro") studies, drawing on sophisticated measures of community networks, the nature and extent of civic participation, and exchanges among neighbours. In the OECD countries, the most comprehensive findings have emerged from urban studies (e.g. Gittell and Vidal 1998; Sampson, Morenhoff and Earls 1999), public health (Kawachi and Berkman 2000; Kawachi, Kennedy and Glass 1999) and corporate life (Burt 2000; Fernandez, Castilla and Moore 2000; Meyerson 1994), the unifying argument being that, controlling for other key variables, the well connected are more likely to be hired, housed, healthy and happy. Specifically, they are more likely to be promoted faster, receive higher salaries, be favourably evaluated by peers, miss fewer days of work, live longer, and be more efficient in completing assigned tasks. An increasingly large number of studies – drawing on an intellectual tradition going back to Smith and Marshall – also explore the role of "communities of practice" within and strategic alliances between firms, especially in the finance, biotechnology and software industries (e.g. Lesser 2000; Wenger and Snyder 2000). To the extent that local and regional growth performance is driven by these types of alliances, innovative policies to facilitate their emergence need to be given serious consideration.

Social capital has entered debates about economic performance on its ambitious claim to constituting an independent – and hitherto under-appreciated – factor of production. The classical economists identified land, labour and **physical** capital (i.e. tools and technology) as the three basic factors shaping economic growth, to which in the 1960s neo-classical economists such as T. W. Schultz (1961) and Gary Becker (1962) introduced the notion of **human** capital, arguing that a society's endowment of educated, trained and healthy workers determined how productively the orthodox factors could be utilized. The latest equipment and most innovative ideas in the hands or mind of the brightest, fittest person, however, will amount to little unless that person also has access to others to inform, correct, improve and disseminate his or her work. Life at home, in the boardroom or on the shop floor is both more rewarding and productive when suppliers, colleagues and clients alike are able to combine their particular skills and resources in a spirit of cooperation and commitment to common objectives. In essence, where human capital resides in individuals, social capital resides in relationships. Human and social capital are complements, however, in that literate and informed citizens are better able to organize, evaluate conflicting information and express their views in constructive ways. Schools which are an integral part of community life (Hanifan 1916), nurture high parental involvement (Coleman 1988) and actively expand the horizons of students (Morgan and Sorensen 1999) are more likely to help students achieve higher test scores.

Much of the interest in social capital among economists, however, has been fueled by a definition that includes not only the structure of networks and social relations, but more individualistic behavioural dispositions (such as trust, reciprocity, social skills [Glaeser, Laibson, and Sacerdote 2000]), and macro-institutional quality measures ("rule of law," "contract enforceability," "civil liberties," etc.).[9] This more all-encompassing approach is appealing to some because of the existence of large, cross-national datasets (e.g. the World Values Survey, Gastil indexes, Freedom House scores), which permit "social capital" – now measured by country-level "trust" and "governance" scores – to be entered into macro-economic growth regressions.[10] Such studies make for provocative reading, but the collective panoply of micro and macro measures of "social capital"[11] – and their correspondingly eclectic theoretical frameworks – has led many critics to accuse social capital of having become all things to all people, and hence nothing to anyone.

What to do? One approach has been to refer to macro-institutional issues under a separate banner, calling them instead "social capabilities," "social cohesion" or "social infrastructure" (e.g. Hall and Jones 1999; Koo and Perkins 1995; Ritzen, Easterly and Woolcock 2000; Temple and Johnson 1998). The virtue of this strategy is that it relieves social capital of its mounting intellectual burden, analytically and empirically disentangling micro-community and macro-institutional concerns. The vice is that it removes a convenient discursive shorthand for the social dimensions of development vis-à-vis other factors of production (cf. "human capital," "financial capital"), and treats as separate what is more accurately considered together (see below).

A second approach has been to call for an exclusively relational definition of social capital (Portes 1998; Putnam 2000), to advocate for a "lean and mean" conceptualization focussing on the **sources** of social capital (i.e. primarily social networks) rather than its **consequences** (which can be either positive or negative, depending on the circumstances), such as trust, tolerance and cooperation. The upside of this approach is that it is more or less clear about what is, and what is not, social capital, making for cleaner measurement and more parsimonious theory building; the downside is that it tends to overlook the broader institutional environment in which communities are inherently embedded.

A third approach has been to dismiss the definitional debate altogether. For researchers such as Knack (1999b), it is a moot question as to whether social capital is, or should be understood as, a micro or macro phenomenon: "social capital **is** what social capital scholars **do**." Just as social scientists do important and rigorous work on "power," "class" and "sustainability" without universally agreed-upon definitions of them, so too, these writers maintain, we should care less about parsing terms and more about applying consistent scholarly standards to evaluating the merits of research on "social capital." If the work satisfies rigorous methodological, empirical and theoretical criteria, then definitional issues will take care of themselves.

So is social capital a micro-community phenomenon, a macro-institutional phenomenon, both, or does it not matter? My own approach to these concerns, first outlined in Woolcock (1998), has been to acknowledge the merits of each approach, and to attempt something of a synthesis. The core components of my approach are the following. First, we do need a definition, and one that is more or less agreed upon. I, therefore, reject the "anything goes" argument while wholeheartedly agreeing that all research should be subject to consistent and rigorous scholarly standards. A definition is needed because social capital is being used in so many different disciplines; far from precluding agreement, it is remarkable how much overlap there actually is, presenting us with a timely opportunity to adopt a concept that transcends familiar disciplinary provincialisms. Definitional debates have been going on for the best part of a decade now, and lest they continue to absorb time and resources best spent on more important issues, I am prepared to declare that while the battles are not over, the war has essentially been won. There is an emerging consensus on the definition of social capital, one built on an increasingly solid empirical foundation, and it is as follows: social capital refers to the norms and networks that facilitate collective action.

Second, to avoid tautological reasoning, I maintain that any definition of social capital should focus on its sources rather than consequences, on what it **is** rather than what it **does** (Edwards and Foley 1997). (Without this distinction, as Portes [1998] points out, an argument could be put forward that successful groups were distinguished by their dense community ties, failing to consider the possibility that the same ties could be **preventing** success in another otherwise similar group.) This approach eliminates an entity such as “trust,” a vitally important entity in its own right but which for our present purposes can be regarded as an outcome (of repeated interactions, of credible legal institutions, of reputations). Just as “test scores” are an indicator of human capital, and not human capital itself – individuals and governments invest in schools that are the source of human capital, not test scores, which are an outcome – so too “trust” is better understood not as social capital per se, but rather as a measure of it. We invest in the networks and social institutions that produce trust, not trust in and of itself.

Third, for clarity’s sake, social capital makes most sense when it is understood as a relational (i.e. sociological), rather than psychological[12] or political variable.[13] (Having said that, I think there **is** a sense in which the spirit of social capital can be applied to broader political economy concerns, and I discuss this below.) If we are to be true to the dictums of scholarship – namely, that the reliability and validity of data (whether qualitative or quantitative), its analysis and interpretation, constitute the central focus of our deliberations – then the broader definition is becoming increasingly untenable, because the best and most coherent empirical research on social capital, **irrespective of discipline**, has operationalized it as a sociological variable (see Foley and Edwards 1999). Furthermore, if “social capital” is facile or distracting, as some (e.g. Fine 1999) maintain, then this too should be demonstrated empirically, not refuted polemically. Given the ever-accumulating weight of evidence documenting the significance of social capital, however, the burden of proof is rapidly shifting to the detractors. A virtue of adopting a relatively narrow definition is that it encourages supporters and sceptics alike to play by the same rules. Importantly, it also enables us to rule **in** a century’s worth of research on neighbourhood and community effects that, while not employing the social capital terminology per se, is entirely consistent with the spirit of it.

Fourth, in order to accommodate the range of outcomes associated with social capital, it is necessary to recognize the multidimensional nature of its sources. The most common and popular distinction – drawing on Cooley’s (1909) notion of primary (and, by implication, secondary) groups, and Granovetter’s (1973) work on “strong” and “weak” ties – is between “bonding” and “bridging” social capital (Gittell and Vidal 1998, p. 10). The former refers to relations between family members, close friends and neighbours, the latter to more distant friends, associates and colleagues. Bridging is essentially a horizontal metaphor, however, implying connections between people who share broadly similar demographic characteristics. As Fox (1996) and Heller (1996) have stressed, social capital also has a vertical dimension. Poverty is largely a function of powerlessness and exclusion, and because of that a key task for development practitioners and policy makers is ensuring that the activities of the poor not only “reach out,” but are also “scaled up” (Uvin 1995; Uvin, Jain and Brown 2000). An important component of this strategy entails forging alliances with sympathetic individuals in positions of power (Brown and Fox 1998), an approach Hirschman (1968) wryly calls “reform by stealth.” To further extend the Hirschmanian discourse, this vertical dimension can be called “linkages.” The capacity to leverage resources, ideas and information from formal institutions beyond the community is a key function of linking social capital (World Bank 2000b).

A multidimensional approach allows us to argue that it is different **combinations** of bonding, bridging and linking social capital that are responsible for the range of outcomes we observe in the literature, and to incorporate a dynamic component in which optimal combinations change over time. These distinctions have particular significance for understanding the plight of the poor, who typically have a close-knit and intensive stock of bonding social capital that they leverage to “get by” (Briggs 1998; Bebbington 1999), a modest endowment of the more diffuse and extensive bridging social capital typically deployed by the non-poor to “get ahead” (Barr 1998; Narayan 1999; Kozel and Parker 2000), and almost no linking social capital enabling them to gain sustained access to formal institutions such as banks, insurance agencies and the courts (see World Bank 2000b, Chapter 7).

Fifth, it is important to stress that a narrowly sociological definition of social capital (i.e. one centred on networks within, between and beyond communities) must not blind us to the institutional context within which these networks are embedded, especially the role of the state. Indeed, I contend that the vibrancy or paucity of social capital cannot be understood independently of its broader institutional environment: communities can be highly engaged because they are mistreated or ignored by public institutions (e.g. providing credit and security because banks and police refuse to do so), or because they enjoy highly complementary relations with the state. As a number of economists and anthropologists have noted (e.g. Besley and Coate 1995; Davis 1999), the absence or weakness of formal institutions is often compensated for by the creation of informal organizations (Narayan 1999). As such, I caution against explanations of the rise and fall of social capital – and policy arguments for enhancing or reviving it – that occur in an institutional vacuum. Weak, hostile or indifferent governments have a profoundly different effect on community life (and development projects), for example, than governments that respect civil liberties, uphold the rule of law and resist corruption (Kaufmann, Kraay and Zoido-Lobaton 1999a,1999b).

This is especially the case in developing countries, but the same principle holds for OECD countries, especially for understanding the plight of minorities and marginalized groups (e.g. illegal immigrants, the poor). It is also important when it comes to understanding problematic social issues such as "ethno-linguistic fractionalization," which some (e.g. Easterly and Levine 1997) have argued is a significant source of economic stagnation. The most recent work, by Collier (1999), Posner (2000) and Easterly (2000b), however, argues that high levels of ethnic fractionalization per se are in fact not a concern (indeed, diversity can be a asset); rather, it is the presence of two or three large competing ethnic groups **coupled with weak public institutions** that spells danger. This explains in part why ethnically heterogeneous societies like the US, Canada, the UK and Australia (and OECD countries in general) have been able to enjoy the fruits of their diversity.

3. Responding to the Critics

The broad popularity and policy influence of social capital has, not surprisingly, met with a backlash in some quarters. In addition to concerns about conceptual overreach and lack of empirical specificity discussed above, a number of other questions have been raised. Some of these are legitimate, of course, and need to be addressed, since no idea or agenda is well served by advocates who fail to take stock on a regular basis, who romanticize community, or who do not acknowledge and attend to weaknesses. Many of these concerns are simply unfounded, however, or at least do not constitute grounds for dismissal. In this section, I outline and respond to six issues raised by the critics.

Social capital is flawed, say the critics, because it:

a. *Just repackages old ideas; is more style (good "marketing") than substance*

The "good marketing" aspect of this claim is true, but that does not make it a flaw. The hype surrounding social capital, like any "product," would have collapsed under its own weight long ago if there was no sufficiently rigorous empirical foundation on which it was built, and if a broad constituency of people did not "buy it." But the foundation is strong and expanding, and the audience wide and deep. Sociology for too long has been content to let its key ideas trade under obscure, jargon-laden terminology that has little resonance with other disciplines or (more importantly) the general public. The idea of social capital is at heart a pretty simple and intuitive one, and it consequently speaks to a lot of different people. Without unduly compromising itself, the idea of social capital gives classical (and contemporary) sociological themes a voice they would not otherwise have.

b. *Is merely the latest social scientific fad/buzz word*
The downside of successfully "marketing" a new but still imprecise idea is that a lot of people try to ride its coattails. Such people seek to procure credibility for their work by calling what they do "social capital research," even if they have only a passing knowledge of how most others have used the term. Repeated too many times, it creates a situation where social capital does indeed appear to be "all things to all people." Although the number of studies continues to expand exponentially, a coherent and rigorous core is emerging. As a consensus (of sorts) is reached about its definition and theoretical underpinnings, the difference between the contenders and pretenders will become much clearer. It is important to note that there is also a "demand side" component to social capital's recent popularity, in that it satisfies a conceptual void in both mainstream economic and social theories of development about how to deal seriously with "the social dimensions." As long as that void exists, and as long as the idea of social capital can convincingly fill it, the buzz should be welcomed, not scorned.

c. *Encourages and rewards "economic imperialism" (social relations as "capital"?)*
The idea of social capital has been developed primarily by economic sociologists, and as such provides equal opportunity for both sociological and economic "imperialism" (or economic rationalism, as it is called in Australia). In the end, however, I am not convinced that any kind of imperialism is really all that bad in either direction. Disciplines should have the confidence of their convictions; there are no laws saying who can or should study what subject with what tool kit, and the prize should go to those who provide the most compelling answers to the most important questions. To the extent we live in a world where the dominant ideas – in both popular discourse and public policy – are those of economics, we should welcome windows of opportunity for modifying the more extreme elements of those ideas, and having a concrete alternative to those ideas. To talk of social relations as "capital," for example, is not sociological heresy or a sell-out to economics: it simply reflects the reality that our social relationships are one of the ways in which we cope with uncertainty (returning to our family when we lose our job), extend our interests (using alumni networks to secure a good job), realize our aspirations,

and achieve outcomes we could not attain on our own (organizing a parade). Perhaps social capital's greatest quality, however, is that it helps transcend the imperialism wars altogether, providing a common discourse across disciplinary, sectoral and methodological divides.

d. *Reinforces or legitimizes orthodox ("Washington consensus"[14]) development policies*
This is a recent but largely spurious critique, in that it denies and masks the very real changes in the way development theory and practice is being conducted today at the major development organizations, especially when compared with those of a decade ago (World Bank 2000b), and fails to recognize that social capital theory can be a powerful tool for explaining how and why certain power structures themselves are established and perpetuated. The idea of social capital is not entirely value neutral (no idea is), but seen as a complement of physical capital (tools and resources), financial capital (monetary assets) and human capital (education and health), it can forge an important conceptual space for taking the social dimension seriously. In this light, the perpetuation or decline of (neo-) "Washington consensus" development policies is shaped by a much larger constellation of forces. Social capital should be seen as part of the solution, not the problem, for those with a legitimate axe to grind about the bad old days of development. Importantly, social capital is facilitating sociology's entry into high-level policy discussions – an arena from which it has been comfortably excluded until now – giving the discipline the chance to have a real influence on issues it claims to care deeply about.

e. *Neglects considerations of power, especially for those who are relatively powerless*
Social capital has been appropriated by scholars, activists and policy makers spanning the political spectrum (an interesting fact in and of itself), so it is possible to read the literature selectively and arrive at the above conclusion. A more complete reading, however, reveals that a social capital perspective can be used not only to help explain the emergence and persistence of power relations, but – perhaps more important – to provide a constructive basis for doing something about it. It is one thing to recognize, for example, that poverty is caused in part by the exclusion of certain marginalized groups from public, private and civic institutions; it is quite another to say what should happen next. Marxist theory predicts and promotes revolution, on an assumption of shared interests among disenfranchised groups; neo-classical theory assumes markets (formal and informal) will emerge of their own accord to reach an efficient equilibrium;

modernization theory advocates the wholesale transformation of all traditional social relationships if greater prosperity is to be attained. At its best, a social capital perspective recognizes that exclusion from economic and political institutions is created and maintained by powerful vested interests, but that marginalized groups themselves possess unique social resources that can be used as a basis for overcoming that exclusion, and as a mechanism for helping forge access to these institutions. Intermediaries such as non-governmental organizations have a crucial role to play in such a process, because it takes a long time to earn both the confidence of the marginalized, and the respect of institutional gatekeepers. In short, it takes an articulated effort of both "top-down" and "bottom-up" to help overcome this exclusion, but it can be, has been and is being done, with positive and lasting results.

f. Is a Western (especially US) concept supported by Western research, with little relevance elsewhere

All ideas are grounded in language and history, and for whatever reason, we find ourselves living at a time when most of the best social science departments in the most prestigious (and well-funded) universities happen to reside in the Western world. For better or worse, "social capital" is an idea that has emerged from this milieu, but one of the reasons for grounding our understanding of it in "intuition" (as well as empirical research) is that it is the basic intuition, not the precise words or formal definition, that travels best across time, space and circumstance. The words "social capital" translate poorly into many European languages, let alone Asian or African ones, but everything from individual PhD dissertations to multimillion dollar cross-national research projects are being carried out in its name, producing remarkably complementary findings: high quality social capital research has been carried out in countries as different as India, Togo, Haiti, Italy and Canada. All social scientific words suffer translational problems – the idea of a "household" or "neighbourhood" does not even exist in some languages – but that is no reason not to search for creative and culturally appropriate solutions.

4. Social Capital and Models of Economic Growth – Getting the Social Relations Right

This conceptualization of the role of different types and combinations of social networks in development represents an important departure from earlier theoretical approaches, and therefore has important implications for contemporary development research and policy. To see why, it is instructive to briefly review those theories.

Until the 1990s, the major theories of development held rather narrow, even contradictory, views of the role of social relationships in economic development, and offered little by way of constructive policy recommendations. In the 1950s and 1960s, for example, modernization theory regarded traditional social relationships and ways of life as an impediment to development. When modernization theorists explained "the absence or failure of capitalism," Moore (1997, p. 289) correctly notes, "the focus [was] on social relations as obstacles." An influential United Nations (1951) document of the time encapsulated this view; for development to proceed, it proclaimed,

> ancient philosophies have to be scrapped; old social institutions have to disintegrate; bonds of caste, creed and race have to burst; and large numbers of persons who cannot keep up with progress have to have their expectations of a comfortable life frustrated.
>
> (cited in Escobar 1995, p. 3)

This view gave way in the 1970s to the arguments of dependency and world-systems theorists, who held social relations among corporate and political elites to be a primary mechanism of capitalist exploitation. The social characteristics of poor countries and communities were defined almost exclusively in terms of their relations to the means of production, and the inherent antipathy between the interests of capital and labour. Little mention was made of the possibility (or desirability) of mutually beneficial relationships between workers and owners, of the tremendous variation in success enjoyed by developing countries, or of political strategies other than "revolution" by which the poor could improve their lot. Communitarian perspectives,[15] on the other hand, with their emphasis on the inherent beneficence and self-sufficiency of local communities, underestimated the negative aspects of communal obligations, overestimated the virtues of isolation, and neglected the importance of social relations to constructing effective formal institutions. For their part, neo-classical and public choice theories – the most influential in the 1980s and early 1990s – assigned no distinctive properties to social relations per se. These perspectives focussed on the strategic choices of rational individuals interacting under various time, budgetary and legal constraints, holding that groups (including firms) existed primarily to lower the transactions costs of exchange; given undistorted market signals, the optimal size and combination of groups would duly emerge. "Selecting incentives" and third-party enforcement were needed where markets failed to ensure that groups acted to serve collective interests.

For the major development theories, then, social relations have been construed as singularly burdensome, exploitative, liberating or irrelevant. Reality, unfortunately, does not conform so neatly to these descriptions and their corresponding policy prescriptions. Events in the post-Cold War era – from ethnic violence and civil war to financial crises and the acknowledgement of widespread corruption – have demanded a more sophisticated appraisal of the virtues, vices and vicissitudes of “the social dimension” as it pertains to the wealth and poverty of nations.

The social capital literature, in its broadest sense, represents a first approximation to the answer to this challenge. It is a literature to which all the social science disciplines have contributed, and it is beginning to generate a remarkable consensus regarding the role and importance of institutions and communities in development. Indeed, one of the primary benefits of the idea of social capital is that it is allowing scholars, policy makers and practitioners from different disciplines to enjoy an unprecedented level of cooperation and dialogue (Brown 1998; Brown and Ashman 1996). In reviving and revitalizing mainstream sociological insights, there has been a corresponding appreciation that different disciplines have a vital, distinctive and frequently complementary contribution to offer to inherently complex problems. Another distinctive feature of the social capital approach is its approach to understanding poverty. Living on the margins of existence, the social capital of the poor is the one asset they can potentially draw upon to help negotiate their way through an unpredictable and unforgiving world. As Dordick (1997) astutely notes, the very poor have “something left to lose,” namely each other. While much of the discourse surrounding poor people, poor communities and poor economies is one of “deficits,” a virtue of the social capital perspective is that it allows theorists, policy makers and practitioners to take an approach that recognizes important “assets.”

If, as I have argued, we should adopt a relatively narrow sociological definition of social capital, but understand it as inherently embedded in an institutional context, where does this leave us in terms of applying social capital to questions of economic growth? What relevance does a social theory of norms and networks have for minders of regional and national economic performance in OECD countries?

This question can be answered in a number of ways, but I will identify four. The first is that social capital, so understood, should mind its own business, focus on communities and leave macro-economic concerns to the experts. A second response is to search for existing proxies for network size and structure, and simply “add” them to the catalogue of other variables deemed significant for growth. A third answer is to do the hard work of integrating serious qualitative and quantitative research strategies into the design of comprehensive new instruments to more accurately measure social capital. A fourth strategy is to take the central ideas underlying the social capital perspective (the “spirit” of social capital, if you will), and apply them in innovative ways to broader issues of political economy. Of these answers, the first is overly modest, the second overly ambitious. The third is a desirable long-run objective, the fourth an intriguing possibility with more immediate returns. Needless to say, I cast my lot with champions of answers three and four. In the remaining space, let me sketch out these positions in further detail.

Toward New, Better, More Comprehensive Measures

For social capital to become a serious indicator of regional and national well-being, measures of it need to be drawn from large representative samples, using indicators that have been pretested and refined for their suitability. Such efforts are under way in a number of countries, with the distinct possibility that social capital questions may soon be included in the census of several OECD countries. In developing countries such as Guatemala, the highly acclaimed Living Standards Measurement Survey (LSMS) – the standard bearer for high quality household data on income, expenditure, health and education – is about to incorporate a social capital module, the first of its kind. Just as this survey will enable us to make reliable national-level estimates of the levels of poverty, education and health, so too will it provide more or less comparable data on social capital. The quantitative measures to be gleaned from this survey of more than 9,000 representative households will be complemented by a major qualitative analysis at the village level. Armed with data of this scale and quality, there is a strong possibility that social capital will soon be "mainstreamed" into the range of familiar economic measures used to take the pulse of society (unemployment rates, consumer price indexes, inflation levels, and the like).

It is important to stress that, while gathering "hard data" is indispensable, the qualitative aspects of social capital should not be neglected. In many respects, it is something of a contradiction in terms to argue that universal measures can be used to capture local idiosyncratic realities. At a minimum, this means that the construction of survey instruments to measure social capital should follow intensive periods in the field, ascertaining the most appropriate way to ask the necessary questions. This has been a feature of the work of the Sagauro Seminar at Harvard University studying social capital in the US, and more modestly, of my own efforts (with Vijayendra Rao and colleagues at the Institute for Economic Growth in Delhi) to understand the risk management functions of social capital in the slums of Delhi (see Coutinho, Rao and Woolcock, 2000). In an age of electronic communications and busy schedules, it is all too easy to download other people's surveys, append them to your own and march off to the field with noble intentions. Previous efforts should be a guide to, but not a substitute for, doing the hard work that social capital research entails. Furthermore, social capital theory stresses "processes" (means) as much as it does "products" (ends), and qualitative methods provide especially fruitful techniques for unpacking the mechanisms behind those processes. Clean models and dirty hands are both required (cf. Hirsch, Michaels and Friedman 1990).

Incorporating the Spirit of Social Capital into Political Economy and Public Policy

The policy response to reading the social capital literature should not be a call for more choirs and soccer clubs, as writers satirizing Putnam (1993) have tended to infer. Social capital is not a panacea, and more of it is not necessarily better. But the broader message rippling through the social capital literature is that how we associate with each other, and on what terms, has enormous implications for our well-being, whether we live in rich or poor countries. As such, a number of important findings that have recently emerged independently from the political economy literature, though they (rightly) avoid the social capital terminology, are entirely consistent with the emerging social capital perspective.

To see why, recall the three dimensions of social capital outlined above, and my insistence that they be understood in the context of their institutional environment. If it is true that meager stocks of bridging social capital make it more difficult for ideas, information and resources to circulate between groups, then it follows that larger economic, social and political forces that divide societies will be harmful for growth. Economic inequality, and overt discrimination along gender and ethnic lines, for example, should be harmful to growth. Similarly, if leveraging social capital is an important risk management strategy during times of economic distress (e.g. losing a job, enduring crop failure, suffering a prolonged illness), it follows that divided societies will experience greater difficulty managing economic shocks. Moreover, my emphasis on understanding the efficacy of social capital in its institutional context implies that how communities manage both opportunities and risk will be necessarily dependent on the quality of the institutions under which they live. Rampant corruption, frustrating bureaucratic delays, suppressed civil liberties, failure to safeguard property rights and uphold the rule of law forces communities to supply privately and informally what should be delivered publicly and formally. Accordingly, in countries where these conditions prevail, there should be little to show for even the most well-intentioned efforts to build schools, hospitals and encourage foreign investment.

Recent work by Dani Rodrik (1999a, 1999b) and William Easterly (2000a) provides powerful econometric evidence in support of the idea that economic growth in general, and the ability to manage shocks in particular, is the twin product of coherent public institutions **and** societies able to generate what Easterly calls a “middle class consensus.”

Countries with divided societies (along ethnic and economic lines) **and** weak, hostile or corrupt governments are especially prone to a growth collapse. When shocks hit – as they did in the mid-1970s and early 1980s – these countries proved unable and/or unwilling to make the necessary adjustments. Lacking well-established precedents, procedures and institutional resources for managing conflict, these economies experienced a major growth collapse from which some have still not recovered (see below).[16]

For students of economic growth in the 1960s, as Rodrik (1999a) correctly notes, it was hard to adjudicate between the merits of different strategies, as all economies – open/closed, natural resources/manufacturing, landlocked/coastal, temperate/tropical, large/small – did relatively well. The real test came with the oil crises of the 1970s and the global recession of the early 1980s, which produced a growth collapse in the developing economies of “Grand Canyon” proportions, one that did not end until the mid-1990s. The devastating growth collapse of 1975 to 1995 cost the average person in the typical developing country around $2,000,[17] and set back by at least a decade the level of economic development that would have been attained had the 1955 to 1974 growth trajectory been maintained. By comparison, the recent Asian financial crisis will appear as temporary, localized and relatively minor. The OECD nations also suffered a growth collapse in the late 1970s/early 1980s; they recovered relatively quickly, but have returned to modest growth rate levels more commensurate with their history. (Importantly, the prospects of poor nations seem to be heavily dependent on the performance of OECD nations [Easterly 2000c].)

So, while social capital scholarship per se is surely on the safest ground when it speaks to community development issues, the spirit of social capital is also consistent with findings now emerging in studies of macro-economic growth. It is in this sense that I think social research on economic issues and economic research on social issues is reaching a remarkable – but largely unacknowledged – consensus. More dialogue and diplomacy among social scientists, rather than perennial civil war, might enable us to harness these collective insights in the joint pursuit of a more productive and inclusive global economy.

5. Conclusion

For both countries and communities, then, rich and poor alike, managing risk, shocks and opportunities is a key ingredient in the quest to achieve sustainable economic development. Whether shocks manifest themselves as trade declines, natural disasters, strikes, disputes over access to water, domestic violence or the death of a spouse, those able to weather the storm will be those that are more likely to prosper. A social capital perspective seeks to go beyond primordial “cultural explanations” for these different response strategies, to look instead for structural and relational features. Development is more than just a matter of playing good "defence" (or "getting by"), however; it also entails knowing how to initiate and maintain strategic "offence" ("getting ahead"). From large public–private partnerships (Tendler 1995) to village-level development programs (Bebbington and Carroll 2000), success turns on the extent to which ways and means can be found to forge mutually beneficial and accountable ties between different agents and agencies of expertise. It is in this sense that I argue that "getting the social relations right" (Woolcock 2001) is a crucial component of both the means and ends of development. If the idea and the ideals of social capital help move us in this direction – and does so by encouraging and rewarding greater cross-fertilization between disciplines and methodologies, and between scholars and policy makers[18] – then it more than justifies its place in the new development lexicon.

Notes

1 This paper draws on Woolcock (2000) and Woolcock and Narayan (2000).

2 To be sure, the power of wealthy nations, corporations and individuals to exert a disproportionate degree of influence in developing countries remains an important issue, but in the 1960s, 1970s and 1980s the myopic focus by dependency theorists on these "external forces" trumped most serious efforts to examine "internal conditions." Modernization theorists raised some of these concerns, but largely in unhelpful ways (e.g. examining national or ethnic "cultural traits" or levels of "achievement motivation") which they believed were reflected in patterns and degrees of development. For a review of the more recent literature on culture and development, see Alkire, Rao and Woolcock (2000).

3 Even today, it is the rare development economics textbook that contains a single index entry for "institutions," "communities" or even "corruption." "Governments," where discussed at all, are usually portrayed as rent-seeking and/or price-distorting entities capable of few positive or proactive contributions to society other than the provision or protection of essential public goods.

4 The pioneering work of Joseph Stiglitz, Amartya Sen and Mancur Olson on (respectively) incomplete information, human development and institutional rigidities was also influential (see, only most recently, Stiglitz 1998, Sen 1999 and Olson 2000).

5 Elinor Ostrom (1990) and Norman Uphoff (1992) also made influential contributions through their work on the importance of social relations to the maintenance of common property resources (especially the management of watersheds in developing countries).

6 For comparable innovative work in anthropology, see Singerman (1995) and Ensminger (1996).

7 See Woolcock (1998) for an overview of the intellectual history of social capital. Extensive social capital citations in fields other than development are presented in Woolcock (1998) and Foley and Edwards (1999).

8 Indeed, an early criticism of the social capital literature was that it failed to appreciate the forms and consequences of these costs. For members of cults, for example, group loyalties may be so binding that attempts to leave result in death; some successful members of immigrant communities have reportedly Anglicized their names in order to divest themselves of obligations to support subsequent cohorts (Portes and Sensenbrenner 1993). More onerously, the destructive acts of hate groups, drug cartels and terrorist organizations may impose enormous burdens on society as a whole (Rubio 1997).

9 See Temple (2001) for a review of this latter literature.

[10] See, among others, Collier and Gunning 1999; Knack 1999a; Knack and Keefer 1997; La Porta et al. 1997.

[11] For a summary of various measures of social capital, see Grootaert (1997), Box 3.

[12] Cf. Krishna and Uphoff's (1999) distinction between "cogitive" and "structural" social capital. Glaeser, Laibson and Sacerdote's (2000) rendering of social capital is also essentially psychological (i.e. individualistic and behavioural).

[13] A relatively narrow definition of social capital does not preclude cross-country comparisons, but the reality is that we simply do not have the data we need at this time to make meaningful statements. I discuss this aspect in more detail below.

[14] The "Washington consensus" is a phrase coined by John Williamson (1993) to refer to the common elements of structural adjustment packages unilaterally offered to developing countries by the major multilateral development agencies. The essential elements are trade openness, privatization of state-owned industries, macro-economic stability, currency convertibility and low inflation.

[15] This perspective encapsulates the views of the Independent Commission of the South (1990) and Etzioni (1994), among others. On the doctrine of self-reliance, a key theme of communitarians, see Rist (1997, Chapter 8).

[16] For recent related work on the importance of governance and bureaucratic structures for development, see Campos and Nugent (1999), Evans and Rauch (1999), Kaufmann, Kraay, and Zoido-Lobaton (1999a, 1999b), La Porta et al. (1998), Rauch and Evans (2000) and Tendler (1997). For early work relating social capital to growth, see Helliwell and Putnam (1995).

[17] This figure represents the difference between the growth rates that prevailed during the 1975–1995 period, and the 2.35 percent rate of growth sustained over 1955–1974. The figure is measured in constant 1995 dollars, based on the median economy in 1974, which had a GNP/c of $730. The growth collapse, therefore, cost the average person in this economy roughly three times their annual income. See Woolcock (2000).

[18] Especially among prominent sociologists, who seem reluctant to enter the policy domain. A notable exception is Massey and Espinosa (1997).

References

Adelman, I., and C.T. Morris. 1967. *Society, Politics, and Economic Development: A Quantitative Approach*. Baltimore, MD: Johns Hopkins University Press.

Alkire, S., V. Rao, and M. Woolcock. 2000. "Culture and Development Economics: Theory, Evidence, Implications." Mimeo. Washington, DC: The World Bank.

Barr, A. 1998. *Enterprise Performance and the Functional Diversity of Social Capital.* Working Paper Series 98-1. University of Oxford, Institute of Economics and Statistics.

Bebbington, A. 1999. "Capitals and Capabilities: A Framework for Analyzing Peasant Viability, Rural Livelihoods and Poverty." *World Development* 27(12): 2021–2044.

Bebbington, A., and T. Carroll. 2000. *Induced Social Capital and Federations of the Rural Poor. Social Capital Initiative*, Working Paper No. 19. Washington, DC: The World Bank.

Becker, G. 1962. "Investment in Human Capital: A Theoretical Analysis." *Journal of Political Economy* 70(5) Part 2: 9–49.

Besley, T., and S. Coate. 1995. "Group Lending, Repayment Incentives, and Social Collateral." *Journal of Development Economics* 46(1): 1–18.

Briggs, X. 1998. "Brown Kids in White Suburbs: Housing Mobility and the Multiple Faces of Social Capital." *Housing Policy Debate* 9(1): 177–221.

Brown, L.D. 1998. "Creating Social Capital: Nongovernmental Development Organizations and Intersectoral Problem Solving." In Walter W. Powell and Elisabeth Clemens (eds.), *Private Action and the Public Good.* New Haven: Yale University Press.

Brown, L.D., and D. Ashman. 1996. "Participation, Social Capital, and Intersectoral Problem Solving: African and Asian Cases." *World Development* 24(9) Special Issue: 1467–1479.

Brown, L.D., and J. Fox (eds.). 1998. *The Struggle for Accountability: The World Bank, NGOs, and Grassroots Movements*. Cambridge, MA: MIT Press.
Burt, R. 2000. “The Network Structure of Social Capital.” In Robert Sutton and Barry Staw (eds.), *Research in Organizational Behavior*. Greenwich, CT: JAI Press, forthcoming.
Campos, N., and J. Nugent. 1999. “Development Performance and the Institutions of Governance: Evidence from East Asia and Latin America.” *World Development* 27(3): 439–452.
Coate, S., and M. Ravallion. 1993. “Reciprocity Without Commitment: Characterization and Performance of Informal Insurance Arrangements.” *Journal of Development Economics* 40(1): 1–24.
Coleman, J. 1988. “Social Capital in the Creation of Human Capital.” *American Journal of Sociology* 94 (Suppl): S95–S120.
Collier, P. 1999. “The Political Economy of Ethnicity.” *Annual Bank Conference on Development Economics 1998*. Washington, DC: The World Bank.
Collier, P., and J.W. Gunning. 1999. “Explaining African Economic Performance.” *Journal of Economic Literature* 37(1) March: 64–111.
Cooley, C.H. 1909. *Social Organization: A Study of the Larger Mind*. New York: Charles Scribner’s Sons.
Coutinho, L., V. Rao, and M. Woolcock. 2000. “Becoming *Pucca*: Strategies for Survival and Mobility in Delhi Slums.” Washington, DC: The World Bank, forthcoming.
Davis, W. 1999. “Vanishing Cultures.” *National Geographic* 196(2): 62–89.
Dordick, G. 1997. *Something Left to Lose: Personal Relations and Survival Among New York’s Homeless*. Philadelphia, PA: Temple University Press.
Easterly, W. 2000a. *The Middle Class Consensus and Economic Development*. Policy Research Working Paper 2346. Washington, DC: The World Bank.
———. 2000b. “Can Institutions Resolve Ethnic Conflict?” Washington, DC: The World Bank, forthcoming.
———. 2000c. “The Lost Decades... and the Coming Boom? Policies, Shocks, and Developing Countries’ Stagnation 1980–98.” Washington, DC: The World Bank, forthcoming.
Easterly, W., and R. Levine. 1997. “Africa’s Growth Tragedy: Policies and Ethnic Divisions.” *Quarterly Journal of Economics* 112(4) November: 1203–1250.
Edwards, B., and M. Foley. 1997. “Social Capital and the Political Economy of Our Discontent.” *American Behavioral Scientist* 40(5): 669–678.
Ensminger, J. 1996. *Making a Market: The Institutional Transformation of an African Society*. New York: Cambridge University Press.
Escobar, A. 1995. *Encountering Development: The Making and Unmaking of the Third World*. Princeton, NJ: Princeton University Press.
Etzioni, A. 1994. *The Spirit of Community: The Reinvention of American Society*. New York: Simon & Schuster.
Evans, P. 1992. “The State as Problem and Solution: Predation, Embedded Autonomy, and Structural Change.” In Stephan Haggard and Robert Kaufman (eds.), *The Politics of Economic Adjustment: International Constraints, Distributive Conflicts, and the State*. Princeton, NJ: Princeton University Press: 139–181.
———. 1995. *Embedded Autonomy: States and Industrial Transformation*. Princeton, NJ: Princeton University Press.
Evans, P., and J. Rauch. 1999. “Bureaucracy and Growth: A Cross-National Analysis of the Effects of ‘Weberian’ State Structures on Economic Growth.” *American Sociological Review* 64(5): 748–765.
Fafchamps, M., and B. Minten. 1999. *Social Capital and the Firm: Evidence from Agricultural Traders in Madagascar*. Working Paper No. 21. Washington, DC: The World Bank, Social Capital Initiative. Available online at: http://www.worldbank.org/poverty/scapital/wkrppr/sciwp17.pdf

Fernandez, R., E. Castilla, and P. Moore. 2000. "Social Capital at Work: Networks and Employment at a Phone Center." *American Journal of Sociology* 105(5): 1288–1356.
Fine, B. 1999. "The Developmental State is Dead – Long Live Social Capital?" *Development and Change* 30(1): 1–19.
Foley, M., and B. Edwards. 1999. "Is It Time to Disinvest in Social Capital?" *Journal of Public Policy* 19(2): 141–173.
Fox, J. 1996. "How Does Civil Society Thicken? The Political Construction of Social Capital in Rural Mexico." *World Development* 24(6): 1089–1103.
Fukuyama, F. 1995. *Trust: The Social Virtues and the Creation of Prosperity*. New York: Free Press.
Gittell, R., and A. Vidal. 1998. *Community Organizing: Building Social Capital as a Development Strategy*. Thousand Oaks, CA: Sage Publications.
Glaeser, E., D. Laibson, and B. Sacerdote. 2000. *The Economic Approach to Social Capital*. NBER Working Paper No. 7728. Cambridge, MA: National Bureau of Economic Research.
Goldstein, A. 1999. *Thinking Outside Pandora's Box. Background Paper for the Policy Research Report on Gender and Development*. Washington, DC: The World Bank.
Granovetter, M. 1973. "The Strength of Weak Ties." *American Journal of Sociology* 78(6): 1360–1380.
Grootaert, C. 1997. "Social Capital: The Missing Link?" Chapter 6 of *Expanding the Measure of Wealth: Indicators of Environmentally Sustainable Development*. ESD Studies and Monographs Series No. 17. Washington, DC: The World Bank. Reprinted in April 1998 as Working Paper No. 3 of the World Bank's Social Capital Initiative. Available online at: http://www.worldbank.org/poverty/scapital/wkrppr/sciwp3.pdf
Hall, R., and C. Jones. 1999. "Why Do Some Countries Produce So Much More Output per Worker Than Others?" *Quarterly Journal of Economics* 114(1): 83–116.
Hanifan, L.J. 1916. "The Rural School Community Center." *Annals of the American Academy of Political and Social Science* 67: 130–138.
Heller, P. 1996. "Social Capital as a Product of Class Mobilization and State Intervention: Industrial Workers in Kerala, India." *World Development* 24(6): 1055–1071.
Helliwell, J. 1996. *Economic Growth and Social Capital in Asia*. Working Paper No. 5470. Cambridge, MA: National Bureau of Economic Research.
Helliwell, J., and R. Putnam. 1995. "Economic Growth and Social Capital in Italy." *Eastern Economic Journal* 21(3): 295–307.
Hirsch, P., S. Michaels, and R. Friedman. 1990. "Clean Models vs. Dirty Hands: Why Economics Is Different from Sociology." In Sharon Zukin and Paul DiMaggio (eds.), *Structures of Capital: The Social Organization of the Economy*. New York: Cambridge University Press: 39–56.
Hirschman, A. 1958. *The Strategy of Economic Development*. New Haven: Yale University Press.
———. 1968. *Journeys Toward Progress: Studies of Economic Policy-Making in Latin America*. New York: Greenwood Publishing Group.
Independent Commission of the South on Development Issues. 1990. *The Challenge to the South: The Report of the South Commission*. Oxford: Oxford University Press.
Isham, J. 1999. "The Effect of Social Capital on Technology Adoption: Evidence from Rural Tanzania." Mimeo. Middlebury College, Department of Economics.
Kaufmann, D., A. Kraay, and P. Zoido-Lobaton. 1999a. *Aggregating Governance Indicators*. Policy Research Working Paper No. 2195. Washington, DC: The World Bank.
———. 1999b. *Governance Matters*. Policy Research Working Paper No. 2196. Washington, DC: The World Bank. Available online at: http://www.worldbank.org/wbi/governance/gov_pdfs/govmatrs.pdf

Kawachi, I., and L. Berkman. 2000. "Social Cohesion, Social Capital and Health." In Lisa Berkman and Ichiro Kawachi (eds.), *Social Epidemiology*. New York: Oxford University Press: 174–190.

Kawachi, I., B. Kennedy, and R. Glass. 1999. "Social Capital and Self-Rated Health: A Contextual Analysis." *American Journal of Public Health* 89: 1187–1193.

Knack, S. 1999a. *Social Capital, Growth and Poverty: A Survey and Extensions*. World Bank, Social Capital Initiative, Working Paper #7. Available online at: http://www.worldbank.org/poverty/scapital/wkrppr/sciwp7.pdf

———. 1999b. "Economic Applications of Social Capital: An Economist's Perspective." Paper Presented at the Annual Meeting of the American Agricultural Economists Association, Nashville.

Knack, S., and P. Keefer. 1995. "Institutions and Economic Performance: Cross-Country Tests Using Alternative Institutional Measures." *Economics and Politics* 7(3): 207–227.

———. 1997. "Does Social Capital Have an Economic Payoff? A Cross-Country Investigation." *Quarterly Journal of Economics* 112(4): 1251–1288.

Koo, B.H., and D. Perkins (eds.). 1995. *Social Capability and Long-Term Economic Growth*. New York: St. Martin's Press.

Kozel, V., and B. Parker. 2000. "Integrated Approaches to Poverty Assessment in India." In Michael Bamberger (ed.), *Integrating Quantitative and Qualitative Research in Development Projects*, 59–68. Washington, DC: The World Bank.

Krishna, A., and N. Uphoff. 1999. *Mapping and Measuring Social Capital: A Conceptual and Empirical Study of Collective Action for Conserving and Developing Watersheds in Rajasthan, India*. Social Capital Initiative, Working Paper #13. Washington, DC: The World Bank. Available online at: http://www.worldbank.org/poverty/scapital/wkrppr/sciwp13.pdf

La Porta, R., F. Lopez-de-Silanes, A. Shleifer, and R. Vishney. 1997. "Trust in Large Organizations." *American Economic Review Papers and Proceedings* 87(2): 333–338.

———. 1998. *The Quality of Government*. NBER Working Paper No. 6727. Cambridge, MA: National Bureau of Economic Research.

Lesser, E. 2000. "Leveraging Social Capital in Organizations." In Eric Lesser (ed.), *Knowledge and Social Capital: Foundations and Applications*. Boston: Butterworth-Heinemann: 3–16.

Loury, G. 1977. "A Dynamic Theory of Racial Income Differences." In P.A. Wallace and A. LaMond (eds.), *Women, Minorities, and Employment Discrimination*. Lexington, MA: Lexington Books.

Massey, D., and K. Espinosa. 1997. "What's Driving Mexico-U.S. Migration? A Theoretical, Empirical, and Policy Analysis." *American Journal of Sociology* 102(4): 939–999.

Meyerson, E. 1994. "Human Capital, Social Capital, and Compensation: The Relative Contribution of Social Contacts to Managers' Incomes." *Acta Sociologica* 37: 383–399.

Moore, M. 1997. "Societies, Polities and Capitalists in Developing Countries: A Literature Survey." *Journal of Development Studies* 33(3): 287–363.

Morgan, S., and A. Sorensen. 1999. "Parental Networks, Social Closure, and Mathematics Learning: A Test of Coleman's Social Capital Explanation of School Effects." *American Sociological Review* 64(5): 661–681.

Moser, C. 1996. *Confronting Crisis: A Comparative Study of Household Responses to Poverty and Vulnerability in Four Poor Urban Communities*. Washington, DC: The World Bank.

Narayan, D. 1997. *Voices of the Poor: Poverty and Social Capital in Tanzania*. ESSD Studies and Monographs Series, Vol. 20. Washington, DC: The World Bank.

———. 1999. *Bonds and Bridges: Social Capital and Poverty*. Policy Research Working Paper No. 2167. Washington, DC: The World Bank.

North, D. 1990. *Institutions, Institutional Change, and Economic Performance*. New

York: Cambridge University Press.

Olson, M. 2000. *Power and Prosperity: Outgrowing Communist and Capitalist Dictatorships*. New York: Basic Books.

Ostrom, E. 1990. *Governing the Commons: The Evolution of Institutions for Collective Action*. New York: Cambridge University Press.

Portes, A. 1998. "Social Capital: Its Origins and Applications in Contemporary Sociology." *Annual Review of Sociology* 24: 1–24.

Portes, A., and J. Sensenbrenner. 1993. "Embeddedness and Immigration: Notes on the Social Determinants of Economic Action." *American Journal of Sociology* 98(6): 1320–1350.

Posner, D. 2000. "Ethnic Fractionalization: How (Not) to Measure It? What Does (and Doesn't) It Explain?" Mimeo. UCLA, Department of Political Science.

Putnam, R. 2000. *Bowling Alone: The Collapse and Revival of American Community*. New York: Simon and Schuster.

Putnam, R., with R. Leonardi and R. Nanetti. 1993. *Making Democracy Work: Civic Traditions in Modern Italy*. Princeton, NJ: Princeton University Press.

Rauch, J., and P. Evans. 2000. "Bureaucratic Structure and Bureaucratic Performance in Less Developed Countries." *Journal of Public Economics* 75(1): 49–71.

Rist, G. 1997. *The History of Development: From Western Origins to Global Faith*. New York: St. Martin's Press.

Ritzen, J., W. Easterly, and M. Woolcock. 2000. "Social Cohesion, Institutions, and Growth." Washington, DC: The World Bank, forthcoming.

Rodrik, D. 1999a. *The New Global Economy and Developing Countries: Making Openness Work*. Baltimore, MD: Johns Hopkins University Press.

———. 1999b. "Where Did All the Growth Go? External Shocks, Social Conflicts, and Growth Collapses." *Journal of Economic Growth* 4(4): 385–412.

Rubio, M. 1997. "Perverse Social Capital – Some Evidence from Colombia." *Journal of Economic Issues* 31(3): 805–816.

Sampson, R., J. Morenoff, and F. Earls. 1999. "Beyond Social Capital: Spatial Dynamics of Collective Efficacy for Children." *American Sociological Review* 64(5): 633–660.

Schafft, K., and D. Brown. 2000. "Social Capital and Grassroots Development: The Case of Roma Self-Governance in Hungary." *Social Problems* (forthcoming).

Schultz, T.W. 1961. "Investment in Human Capital." *American Economic Review* 51(1): 1–17.

Sen, A. 1999. *Development as Freedom*. New York: Alfred Knopf.

Singerman, Diane. 1995. *Avenues of Participation: Family, Politics, and Networks in Urban Quarters of Cairo*. Princeton, NJ: Princeton University Press.

Stiglitz, J. 1998. "Towards a New Paradigm for Development: Strategies, Policies, and Processes." Prebisch Lecture, UNCTAD. Geneva. Available online at: http://www.worldbank.org/html/extdr/extme/prebisch98.pdf

Temple, J. 2001. "Growth Effects of Education and Social Capital in the OECD Countries." In this volume.

Temple, J., and P. Johnson. 1998. "Social Capability and Economic Growth." *Quarterly Journal of Economics* 113(3): 965–990.

Tendler, J. 1995. "Social Capital Across the Public–Private Divide." Mimeo. MIT, Department of Urban Studies and Planning.

———. 1997. *Good Government in the Tropics*. Baltimore, MD: Johns Hopkins University Press.

Townsend, R. 1994. "Risk and Insurance in Village India." *Econometrica* 62(3): 539–591.

Uphoff, N. 1992. *Learning from Gal Oya: Possibilities for Participatory Development and Post-Newtonian Social Science*. Ithaca, NY: Cornell University Press.

Uvin, P. 1995. "Fighting Hunger at the Grassroots: Paths to Scaling Up." *World*

Development 23(6): 927–939.
Uvin, P., P. Jain, and L.D. Brown. 2000. “Think Large and Act Small: Toward a New Paradigm for NGO Scaling Up.” *World Development* 28(8): 1409–1419.
Varshney, A. 2000. “Ethnic Conflict and Civic Life: Hindus and Muslims in India.” New Haven: Yale University Press, forthcoming.
Wenger, E., and W. Snyder. 2000. “Communities of Practice: The Organizational Frontier.” *Harvard Business Review*. 78(1): 139–145.
Williamson, J. 1993. “Democracy and the ‘Washington Consensus’.” *World Development* 21(8): 1329–1336.
Wilson, W.J. 1996. *When Work Disappears: The World of the New Urban Poor*. New York: Alfred Knopf.
Woolcock, M. 1998. “Social Capital and Economic Development: Toward a Theoretical Synthesis and Policy Framework.” *Theory and Society* 27(2): 151–208.
———. 2000. “Managing Risk and Opportunity in Developing Countries: The Role of Social Capital.” In Gustav Ranis (ed.), *The Dimensions of Development*, 197–212. Yale: Center for International and Area Studies.
———. 2001. “Using Social Capital: Getting the Social Relations Right in the Theory and Practice of Economic Development.” Princeton, NJ: Princeton University Press, forthcoming.
Woolcock, M., and D. Narayan. 2000. “Social Capital: Implications for Development Theory, Research, and Policy.” *World Bank Research Observer* 15(2): 225–250.
World Bank. 1997. *World Development Report 1997*. New York: Oxford University Press.
———. 1998. *Assessing Aid: What Works, What Doesn’t and Why?* New York: Oxford University Press.
———. 2000a. *The Quality of Growth*. Washington, DC: The World Bank.
———. 2000b. *World Development Report 2000/01*. New York: Oxford University Press.