Social Capital around the World – Measurements and Outcomes

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A brief History of Social Capital

After World War II the major perspective on society was economic growth. From 1995 on it became measured as Gross Domestic Product (GDP). First studies by Robert Putnam from Harvard University in the United States have asked why regions with similar natural and human resources have such a different economic outcome, e.g. Northern and Southern Italy or the Asian 'miracle' economies.

The findings was that especially trust was at a higher level, an indicator, that is a part of the social goods and, if regarded as an asset, can be called 'social capital'.

As a result, the World Bank founded a Social Capital Initiative in 1998. Several Nobel Laureates in Economics contributed including Elinor Ostrom and Joseph Stiglitz. The Initiative has been disbanded in 2004 on unknown reasons.

The last working paper has been released with figures from 2010 that are worth to mention in order to understand what measuring the value of social capital meant in the beginning:

The value of trust as a proportion of total Wealth 2010

Country	Trust score (0-1)	%of total Wealth
Turkmenistan	0.275	89.4
China	0.585	85.5
Saudi Arabia	0.371	49.1
Iraq	0.160	18.5
Lebanon	0.067	4.5

Source: https://openknowledge.worldbank.org/server/api/core/bitstreams/9cb2bde6-81d6-5e92-a128-21a134574e44/content

The score came from the data of the World Values Survey (WVS) that assessed trust by the question:

"Do you think most of the people can be trusted?" (Yes/No)

We started to measure trust in 2016 using a ladder of one to ten. In Cambodia where the WVS measured low trust at 0.105 only, we measured mutual trust at 6.6 points, five times more than the WVS.

Our question: “Trust among the people?” (ladder from 1 to 10). While the WVS only asked 1000 National participants, we asked in total 14.493 participants in all of the 24 provinces of Cambodia. Since 2016 we measure eight indicators of social capital worldwide.

The perspective of the World Bank was to better understand and enhance economic growth.

The perspective of the World Social Capital Monitor is to diminish the damage caused by mistrust.

In 1998 yet, the World Bank considered the negative impact of conflicts on the economic outcome. When they found out, that the major players and donors of the World Bank are financing and enhancing most of these conflicts, they stopped to further mentioning social capital. In 2017 the World Bank published a last blog on Social Capital with results from the World Social Capital Monitor:

https://blogs.worldbank.org/voices/forgotten-dimension-sdg-indicators-social-capital

Bonding vs. Bridging Social Capital

When members of a group stay together and keep a strong solidarity among each other this is called ‘bonding’ social capital.

Without a strong bonding social capital e.g. the Palestinians (see Alexander Dill with UN Ambassador Khraishi) would not have resisted for more than 70 years against the Israeli occupation.

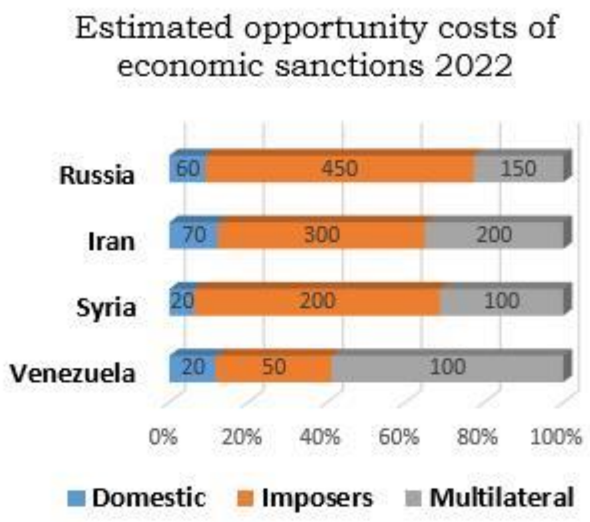
Unfortunately the Palestinians cannot achieve peace and an economic outcome with bonding Social Capital only.

They need the bridging one (see image with the bridge) as well.

In April 2023, the Basel Institute of Commons and Economics published a study on the opportunity cost of sanctions and military within the UN IATF on Financing for Development:

https://developmentfinance.un.org/sites/developmentfinance.un.org/files/Opportunity_costs_the_hidden_source_to_financing_sustainable_development.pdf

We distinguished three forms of costs for sanctions: domestic, costs for the imposers (mainly losses in trade) and multilateral costs. These are estimates. Unfortunately there is no economic research published on the total costs of sanctions.



As we can see in case of Iran, the costs of the imposers – e.g. the European Union – are much higher than the ones in Iran due to the loss in trade and the currency gap. Sanctions are a lose-lose case though. In our view therefore ending the sanctions is a clear and huge business case for all parties involved.

So why not diminishing the opportunity costs for conflicts by increasing the bridging social capital? This is not only trust, but as well:

Number	Eight indicators measured on a ladder between 10 (high) and 1 (low):
1	The local social climate
2	The trust among people
3	The willingness to (co)-finance public goods by austerity measures
4	The willingness to (co)-finance public goods by taxes and contributions
5	The willingness to invest in local economy, SME and cooperatives
6	The helpfulness among people
7	The friendliness among people
8	The hospitality among people

If we are able to identify bridging social capital across conflicting groups and parties, we get a rational and scientific base to reclaim peaceful relations instead of military threat and war. That’s what the World Social Capital Monitor is for.