

Why Social Capital 2016? Updated version by Alexander Dill, April 2016

The roots: 'We felt we'd mostly done what we could do'

From 1985 on, when French sociologist Pierre Bourdieu started to introduce *cultural capital* and *human capital* become *en vogue*, *Social Capital* expressed the idea that social relations and goods represent a value as well.

But how to measuring a non-material asset?

While social scientists love to do their surveys from the desk, for a long while measuring Social Capital meant to identify existing indicators and to use these aggregated data. Robert Putnam, the most famous American researcher on Social Capital, gathered the data on the percentage of the people volunteering and compared them with economic data. While the Northern US States and Northern Italy showed the strongest correlation between volunteering and prosperity, Putnam introduced Social Capital as a resource to influencing economic success and growth. His major oeuvre 'Bowling alone – America's declining Social Capital' from 1995 has inspired many scientists to look out for the same correlation in their region or country.



Elinor Ostrom (died in 2012)

In 1997 the World Bank started a Social Capital Initiative and in 1999 published the leading resource up to now, the anthology 'Social Capital – a Multifaceted Perspective'. Among the authors were three, at the time future Nobel laureates: Amartya Sen (1998), Joseph Stiglitz (2001) and Elinor Ostrom (2009).

Authors of the 1999 World Bank anthology book by nation

17	United States of America
2	United Kingdom
1	Canada



SC pioneer Michael Woolcock

The selection of the authors showed what Social Capital stayed for a long while: a research field with a specific root in the Anglo-American mentality. Why that? The voluntarism of the people is required the less public goods ensure and back their society.

Michael Woolcock from the World Bank, coordinator of the Social Capital Initiative, wrote me in November 2015: 'The last major paper I did was in 2010, around the time when the entity within the Bank that oversaw the production of the 2004 document, the Social Capital Initiative, was disbanded. Not for any underhanded reasons;

the prevailing bureaucratic structures and funding mechanisms within the World Bank changed for everyone, and **we felt we'd mostly done what we could do.**'

I tried to contact other living authors from the 1999 anthology such as Robert Putnam, Amartya Sen, Joseph Stiglitz and John F. Helliwell, but none of them was interested in having a dialogue on Social Capital. Maybe their age and status has to be considered as well.

Social Development	260.000
Social Impact	145.362
Social Capital	56.133
Social Sustainability	26.271
Social Inclusion	25.284
Social Cohesion	11.802

Tags auf Researchgate, 11.06.2015

As the tags in the international science portal Researchgate proof (left), Social Capital is still at rank three with 56k tags. Social Development and Social Impact seem to be more relevant, but are less embedded in special theories and concepts.

Up to now when you talk to senior scientists in the field such as to Jan van Deth from the German University of Mannheim, 2002 author of a summary on measuring Social Capital, you will learn that there are *different concepts* of

Social Capital. After featuring a list of *pitfalls* while measuring Social Capital van Deth concluded:

,The open and evidently functionalist conceptualizations should be seen as positive characteristics and not as violations of methodological restrictions. In the end, the only relevant arguments for using a concept are its usefulness, fruitfulness and efficiency in genuine empirical research. The social capital concept deserves to be appraised along these lines. ‘



Methodological pluralist Jan van Deth from Mannheim, Germany

The approaches to measure: ‘Do you think most people can be trusted?’

In theory there is a quite easy way to measure the impact of Social Capital on society and economy: to include Social Capital in the System of National Accounts (SNA) that feeds the statistics on GDP per capita. That would mean to consider and of course to estimate the transaction costs created by a lack of trust, solidarity and helpfulness. With this approach Social Capital would become a sort of *negative GDP* and lead to correcting the figures on GDP.

Few scholars tried to assess in this kind of spirit. One international Index, the Happy Planet Index from the New Economic Foundation in London, considered ecological footprint and biodiversity. Therefore according to our Global Index Benchmark, today comparing 10 international indices to assess countries, the HPI is the only index to presenting some developing countries at the top. But why are transaction costs and ecological damages still not considered while composing the GDP? The American export amounted \$ 1.51 trillion in 2015.

While taking into account the alleged expenses to achieve this remarkable turnover the result looks less successful:

Transaction costs United States 2015

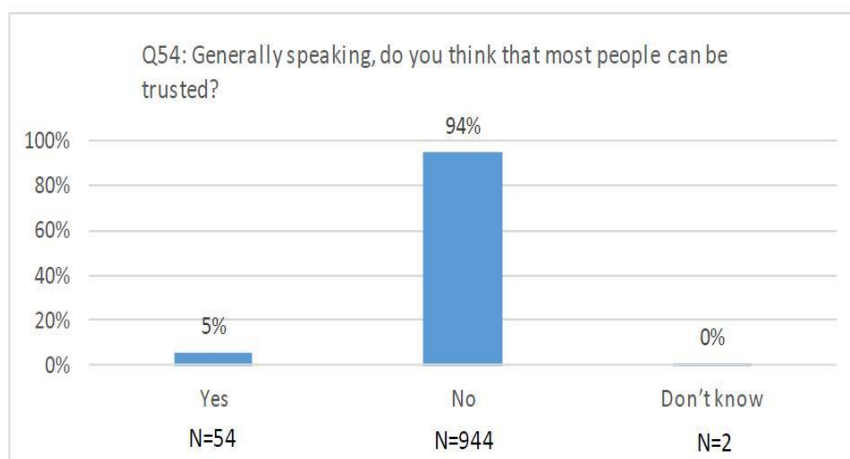
Total amount exports	\$ 1,51 trillion
National defence	\$ 631 billion
International Affairs	\$ 50 billion
Veterans Benefits and Services	\$ 158 billion
Total transaction costs	\$ 839 billion
Net exports after transaction costs	\$ 671 billion

The transaction costs only in foreign relations reduce the total income by exports by more than 50 per cent! Of course international affairs require a budget and as well a national

army. But \$ 100 billion for both might be enough to maintain the diplomatic relations in order to participate in the World's trade. Of course only supranational trust, solidarity and helpfulness would lead to a reduction of these crazy transaction costs, that cause another \$ 2 trillion expenses in the countries opposing themselves against the threat by America.

In 2015 by comparison Switzerland recorded exports of \$ 290.1 billion and spent \$ 4.70 billion on national defence and \$3.70 on international relations. This is 2.9 per cent of the exports. Same in Germany, Italy, Japan and Scandinavia: successful international trade and relations with negotiable transaction costs.

6.2 Trust: General



Of course the motivation to feeding a big army is not driven by the aim to conduct economic efficiency but by traditional bonding, the search for national cohesion and irrational fears.

In any case an army and its veterans are part of the foreign transaction costs such as the domestic costs

for justice, prisons, social aid and interests on sovereign debt. They can only be reduced by an increase of Social Capital to replacing their necessity.

Another way to assessing Social Capital (and issues cutting across) by aggregated data is empirical research. Let's have a look at the most widespread question posed on trust worldwide (picture above). The trust question is used by the World Value Survey (WVS) and quoted in many indices.

The result we featured here was from Cambodia and part of a study on Democracy in Cambodia conducted by the Asia Foundation. By chance the Basel Institute together with the Pannasastra University of Cambodia just started a Social Capital Assessment in this country. And that was our question on generalized trust:

Question Cambodia: ‘Trust among the people?’ from 10 (high) to 1 (low)

	Average	Deviation
Battambang	6.4	1.6
Phnom Penh	6.3	1.2
Takeo	6.0	1.4
Kandal	4.6	1.3
Kampong Cham	7.0	0.6
Average	6.1	1.2

Source: test survey in February 2016, Basel Institute

With an average score of 6.1 for trust Cambodia is at the level of the German country Bavaria (6.78), one of the richest countries of the world.

Why that astonishing difference between the two surveys?

Binary questions don't allow to differentiate your answer and are forcing you to decide.

Of course there are people you won't trust – and so you won't agree with the opinion that *most* of the people can be trusted.

But look at that image:

The bridge will work at the moment both partners bring together their stones at the same moment. A single stone will fall to the water.

People with a high amount of mistrust always consider: “I



By Frits Ahlefeldt

would trust...*if*”, but the essence of trust of course is to give it in advance. A successful transaction means to approach each other to the point where a common act becomes possible. So the major application of Social Capital is not to enhance individual economic success, but to create the conditions under which prosperity can happen: building up trust, reclaiming solidarity to providing public goods, evoking helpfulness and friendliness, practicing respect and hospitality.

مهمان نوازی بین افراد چگونه است؟

Dari (Afghan): “Please estimate the hospitality of the people at your place.”) For experts it’s not surprising to learn that the town of Herat in Afghanistan with a score of 7.69 is among the worldwide leaders in hospitality. Similar scores can be found in a lot of developing countries, where hospitality is – together with friendliness – THE core asset.

These are findings of a survey called *Social Capital Assessment* being conducted by the online platform <https://trustyourplace.com> since the beginning of 2016.

In difference to the 27-pages- SOCAT (Social Capital Assessment Tool) that has been released by the World Bank in the year 2000, today’s assessment is reduced to eight items and the questionnaire only takes four minutes to be filled out either online or mobile.



Open access, anonymity and a field to insert qualitative statements are the new principles to assessing Social Capital around the world.

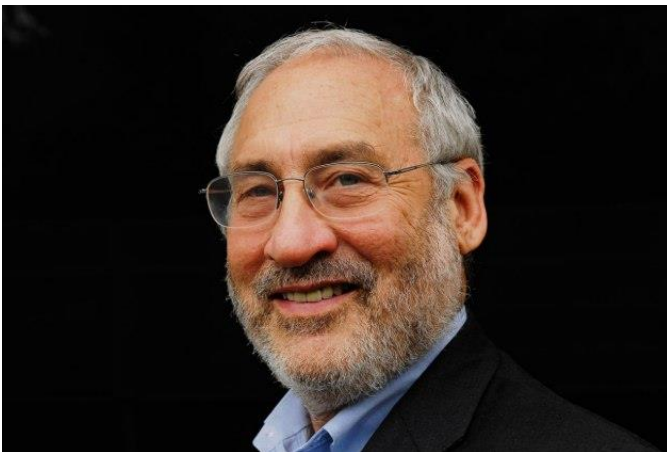
Assessing Social Capital: Cambodian students with the Austrian sociologist Hanna Kribbel

Open access completely changes the rules of social surveys. While a panel reduces the interviewee on being a data generating robot, because he cannot decide to share his opinion and estimate, an open access survey has to give an immediate incentive or meaning to the participants.

The expression ‘among the people’ makes the respondent become a competent advisor and sociologist of his community. From the first assessment on he will change his perspective on the local common goods and starting to feel being a part of them.

Future: Social Engineering by considering Social Capital

Up to now the research on Social Capital has not been political at all and remained 'academic' in the meaning of the word: delivering concepts and arguments without recommending a decision. 'It's up to the politics'. The last attempt to advocate Social Capital has been made in 2009 in the so called *Stiglitz-Fitoussi Report* to the European Commission.



On page 186 Nobel laureate Joseph Stiglitz considered that bridging Social Capital is the most under-measured form of social relations.

Of course the reaction was zero. A year later, In 2010 Helen Clark, the administrator of the United Nations Human Development Programme wrote me: "Considering Social Capital in our index is **very unlikely.**"

Stiglitz: 'Social Capital is tacit knowledge'— and that's the best argument to ignore it.

According to the risk researcher Dirk Helbing from the ETH Zurich we should know more on Social Capital in order to protect it. So called 'networked risks' replace single risks and therefore depend on the Social Capital, e.g. to share information on risks and to collaborate across the borders of nation, ethnicity or group. In *Nature* (2013) Helbing wrote on Social Capital:

'To assess systemic risks fully, a better understanding of social capital is crucial.

Social capital is important for economic value generation, social well-being, and societal resilience, but it may be damaged or exploited, like our environment. Therefore, humans need to learn how to quantify and protect social capital.'



Helbing: 'It may happen that we destroy the social capital before even knowing it.'

If we want to activate the Social Capital in order to end violent conflicts and poverty caused by societal injustice, assessing Social Capital will be the first step only.

Algorithms can't do that

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If we can identify and enhance bridging Social Capital we are entering a form of social engineering, overlapping with group therapy and social networking.

The low standard deviation we measure in the Social Capital Assessment appears magic: how do people manage to estimate their common goods that according? Why don't they project their personal disappointment on their scores? Why don't they lie to make their community appearing better than it is in reality?



Alexander Dill with Julie Tran from MakeChange TV in Göteborg, Sweden.

There has to exist some form of transpersonal social conscience. And Social Capital may be a name for it.

Credits: (only credits that can be downloaded)

Putnam, Robert, *Bowling Alone: America's Declining Social Capital*, in: Journal of Democracy, Jan 1995, p 65-78

<http://xroads.virginia.edu/~HYPER/DETOC/assoc/bowling.html>

Social Capital. A multifaceted perspective, edited by Partha Dasgupta and Ismail Serageldin, The World Bank, Washington 1999 (with contributions of Robert Putnam, Elinor Ostrom, John F. Halliwell, Amartya Sen and Joseph Stiglitz)

<http://documents.worldbank.org/curated/en/1999/09/439794/social-capital-multifaceted-perspective> **ATTENTION 23 MB!**

Helbing, Dirk, *Globally networked risks and how to respond*, Nature Vol 497/2013, p. 51-59

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Van Deth, Jan W., *Measuring social capital: orthodoxies and continuing controversies*, International Journal for Social Research Methodology, 2003, Vol. 6, p. 79-92

http://commons.ch/wp-content/uploads/Measuring-Soc-Kap_van_Deth.pdf