

“Thought Paper”: The Role of Social Capital in Frontier Capital Markets

#2: On The Difficulty Quantifying Social Capital **Jana Shakarian and Daniel Evans**

The ability to quantify social capital promises the capability to potentially control and direct this critical factor of socio-economic development. The perfect set of tools to manage social capital could aid policymakers in an array of issues on the local as well as the global level. Scholars from very different disciplines have demonstrated that it is possible to influence an entire social network by addressing only a few individuals (Lui et al. 2011:169, Schelling 1978/2006, Kempe et al. 2003, Goyal et al. 2010, Galeotti & Goyal 2007). If this proves to be effective for social networks on a communal level, the social capital provided by driver nodes (if congruent with nodes providing highly diverse social resources according to Lin’s position generator) might be the points of influence we need to address in order to modify the character of the entire network. Some examples of potential real-world applications might include the fight against poverty and economic development, social exclusion and discrimination, crime, as well as other socio-economic issues (see Roberts & Roche: 18).

Scholars are greatly divided in opinion concerning the possibility of measuring a phenomenon as complex and intangible as social capital (Adler, Paul S. & Seok-Woo Kwon 2002: 22). Portes (1999) suggests that social capital cannot be measured in any meaningful way, while Fukuyama (1999: 23) conceives that the measurement is “not a trivial task” (Fukuyama 1999: 23, in Roberts & Roche: 17). In dealing with such an abstract and multifaceted concept, it would be conceivable to limit the scope of the analysis in order to enhance practicality. It should be understood that any choice of items to be analyzed (and the associated dismissal of other aspects) forms preconceptions, which influence how we look at the subject (Grootaert et al. 2004:1). Hence in all past efforts to quantify social capital, scholars have focused on measurable aspects that addressed their specific interests and were generally inclined to limit non-

measurable aspects. These circumstances render the endeavor of quantifying and understanding the socio-economic impact, and possibly managing social capital risky. Additionally, when engaging in comparative, cross-cultural research, it should be noted that the dimensions of social capital and their importance to the individual are context-specific. This challenges not only the appropriateness of every single interview question, but also the adjustment of the entire questionnaire to include locally important issues (Grootaert et.al. 2004: 2).

In the past, scholars of social capital only sparsely engaged in empirical research (Van Der Gaag & Snijders 2004: 2). Many earlier advances in measuring social capital are found at fault based on the applied methodology or their theoretical groundwork. Although thoroughly based on Coleman's (1988) typology of social capital, Putnam (1993), Sampson et.al. (1999), and Fukuyama (1995; 1999) relied on pre-existing data in their research. Putnam used data from the General Social Survey, the World Values Survey as well as voter turnout records and other sources (Roberts & Roche 2004: 17, Van Der Gaag & Snijders 2004: 2). This type of approach avoids the problems associated with setting up tools for data collection and the fieldwork (Roberts & Roche:17f), and thus does not allow the adjustment of the empirical tools to more effectively pursue the desired objective in its specific context. Based on the same theoretical groundwork, Onyx and Bullen's (2000) approach ignores the profitable output the individual may gain from available social capital (Roberts & Roche 2004: 18).

On the theoretical level, the divergence between scholars emphasizing social resources benefitting either the individual or the group has created some confusion (Lin 1999: 33). Most authors agree that the individual as well as the group see merits from the assets gained through social capital as individual accrual of resources is widely seen to be valuable for the community as well. Coleman (1990) ascribes a collective nature to social capital, emphasizing trust, norms and the like as forms of social capital. To him social capital is function; in that, it is everything borne out of a social structure that generates benefits for the individual (Lin 1999:33). The effect determines the cause: it is social capital, if it becomes tangible in the resources gained. Thus, for Coleman and other scholars, collective benefits merge with trust, norms and other

group features, which otherwise may explain the provision of social capital by the individual. The overlap in the term of social capital carry not only the risk of not explaining anything, but also present added difficulty for the measurement and the building of a cohesive theory of social capital (Lin 1999: 33). Another challenge to the quantification of social capital has been a past emphasis on measuring social relationships rather than social resources (Van Der Gaag & Snijders 2004:2). Furthermore, some scholars appear to switch level of perspective in their theories. Bourdieu (1986), for example, takes the structural (group focus) viewpoint to explain the reproduction of social capital (in the hands of the dominant class), but focuses on the individual that utilizes social resources to improve its position (Lin 1999:32).

Once all the problematic issues on the theoretical as well as the empirical level are solved, so Lin thoroughly believes, “social capital should and must be measurable” (1999: 35). But the endeavor still faces challenges, such as the poor standardization of measurement instruments (Van Der Gaag & Snijders 2004:2), which limits the comparability of studies.

The Way Ahead

Once again, sociologists and economists are in general agreement that social capital needs to be quantified in some way but admit that this is a concept that is very difficult to measure. Our team’s next Social Capital “thought paper” will review some of the most influential methods and techniques that been devised in order to attempt this difficult task.