Social capital and economic development: Toward a theoretical synthesis and policy framework

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It is only a four-hour flight between Madras and Singapore, but the difference between the conditions surrounding one's departure from the former and arrival at the latter can make the distance seem more like four centuries. The contrasts most striking to the visitor are organizational. Simple routines familiar to western travelers – forming orderly queues to check luggage, boarding first those passengers seated at the rear of the aircraft, waiting for the plane to come to a complete standstill at the terminal before preparing to alight – are apparently alien practices in South India. Singapore, on the other hand, basks in prestigious international awards for its meticulously clean and efficient airport, offering transit passengers a free two-hour tour of the city, and boasting that those wishing to enter the country can complete immigration formalities, collect their baggage, and clear customs all within twenty minutes of arrival. No particularly sophisticated technology or complex training is required to carry out these tasks, but one country manages to perform them magnificently while the other does not. It is perhaps no coincidence that one country also owns history's fastest and most equitable economic transformation, while the other, for the most part, remains mired in widespread corruption, poverty, and misery.

The obstacles to effective and efficient organizational life in South Asia extend beyond the airport terminals to the most remote tribal communities. For all but the wealthy or well-connected, the passage to such places entails traveling for hours at breakneck speed along narrow, pot-holed roads in busses so crowded that passengers taking their poultry and produce to market are forced to cling precariously to the roof or share the driver's seat while straddling the gear stick. Getting on board requires engaging in a Darwinian struggle to beat off other prospective sojourners, with women, children, and the elderly left to

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fend for themselves as best they can. If conditions inside are a little claustrophobic one can always take solace in the fact that the vehicle hasn't (yet) suffered the fate of its numerous unfortunate predecessors, the mangled shells of which adorn the roadside at all too frequent intervals. Traveling at night means that the driver at least has a chance of spotting on-coming traffic as he completes his fifth consecutive overtake around a blind corner, but lights are often optional. Getting off the bus is almost as hazardous, especially if one happens to be sitting in the rear, since drivers get noticeably irritated at the prospect of actually having to stop to exchange passengers.

The clamor and tension surrounding these episodes soon passes, however, and the initial tranquillity of a village in the early hours of a winter afternoon can make up for most of the drama that has gone before. A foreign visitor will be an immediate source of considerable comment if not outright amusement, and it is hard not to get caught up in the quasi-celebrity status bestowed upon you as the hordes gather and the silent press conferences commence. You can be sure that your hosts will do all they can to make things as presentable as possible, but heroic efforts to maintain a sense of decorum soon come undone. Pot-bellied youngsters emerge sucking on animal dung, lepers haul themselves through the dust to beg persistently at your feet. On this visit a frail man stumbles out from his house sobbing, thrusting a tiny baby wrapped in well-worn swaddling clothes into your arms. It is his fifth daughter, he wails, born just yesterday. He is so disappointed; all his life he has waited in vain for a son. With the baby's four scrawny sisters now at his side, the father pleads first for a prayer and then a gift for his new daughter, but the former is probably all that stands between this picture of innocence and an early exit from an otherwise wretched existence. She is dead before the week is out, poisoned by her parents.

When asked to explain why such miserable conditions prevail in their village and what they think needs to be done to improve things, the villagers' answers are revealing. The main problems, they say, are that most people simply cannot be trusted, that local landlords exploit every opportunity to impose crushing rates of interest on loans, and pay wages so low that any personal advancement is rendered virtually impossible. There are schools and health clinics in the village, they lament, but teachers and doctors regularly fail to show up for work. Funds allocated to well-intentioned government programs are siphoned off by local elites. Police torture innocent villagers suspected of smuggling. Husbands regularly beat or abandon their wives. Utter destitution is only a minor calamity away. You venture that surely everyone would all be better off if they worked together to begin addressing some of these basic concerns. "Perhaps," they respond, "but any such efforts seem always to come to naught. Development workers are no different: just last month, someone who claimed to be from a reputable organization helped us start savings and credit groups, only to vanish, absconding with all our hard-earned money. Why should we trust you? Why should we trust anyone?"

Episodes such as these could be reported from literally hundreds of thousands of villages across south Asia, sub-Saharan, Africa, and other parts of the developing world.[1] In the apparent absence of what an increasing number of social scientists now refer to as "social capital" – generally defined as the information, trust, and norms of reciprocity inhering in one's social networks[2] – seemingly obvious opportunities for mutually beneficial collective action are squandered. Reports from the former communist countries and the Middle East identify equally pervasive problems.[3] In these environments, where crime, corruption, and congestion are everyday realities, it is hardly surprising that attempts to implement even the most thoughtfully conceived development policies lead to early and frequent failure.

Similar explanations of developmental failures in the Third World, of course, featured prominently in the writings of the early modernization theorists (e.g. Parsons, Levy, Inkeles) and have long been at the heart of arguments justifying colonialism (Kipling's "white man's burden"), but these approaches harbor a thinly-veiled disdain for traditional societies,[4] while holding that only the systematic adoption of the values, practices, and resources of the West can overcome pervasive distrust and other "backward" behaviors, and thereby establish the necessary preconditions for greater material prosperity.[5] The subsequent discrediting of modernization theory in both its sociological and economic guise, however, and its replacement, respectively, by world-systems and neo-classical growth theories have led to a situation where the units of analysis in contemporary studies of development are either nation-states and transnational corporations or "rational" individuals and firms. The contribution of civil society[6] and other institutional arrangements mediating the space between states and markets has been lost, incorporating themselves neither into a coherent body of knowledge nor sensitive and sensible policy prescriptions. The idea of social capital is both appealing and promising precisely because it offers a potential strategy for obviating these concerns while bridging theoretical and disciplinary divides.

As things currently stand, however, Robert Putnam correctly observes that the neglect of social capital issues in economic development theory and policy manifests itself in

> proposals for strengthening market economies and democratic institutions [in developing and transitional countries that] center almost exclusively on deficiencies in financial and human capital (thus calling for loans and technical assistance). However, the deficiencies in social capital in these countries are at least as alarming. *Where are the efforts to encourage "social capital formation"?*[7]

This article attempts to provide an answer to Putnam's probing question by providing a brief intellectual history of social capital and a detailed critique of the two major sub-fields within development studies that have endeavored to incorporate the letter and spirit of social capital into their empirical research. More ambitiously, it endeavors to distill a coherent framework for incorporating social capital into development theory and policy by examining studies conducted at the micro and macro level that have explored the conditions under which social capital both helps *and hinders* economic advancement.

The problem and properties of social capital

The classical economists identified land, labor, and *physical* capital (i.e., assets that generate income) as the three basic factors shaping economic growth. In the 1960s, neo-classical economists such as T.W. Schultz and Gary Becker[8] 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.[9] 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, assist with, and disseminate their 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 trust, cooperation, and commitment to common objectives. The vast majority of people, moreover, live, work, vote, pray, and recreate as members of various but distinct social groups that shape one's very identity, values, and priorities. Membership in these communities provides (or, importantly, prevents) access to key professional networks, political insiders, and cultural elites; it is also the context in which one gives and receives care, friendship, encouragement, and moral support.

To physical and human capital, sociologists and political scientists (and some economists) working within the field of the so-called "new economic sociology"[10] have thus begun to speak of *social* capital, a broad term encompassing the norms and networks facilitating collective action for mutual benefit. *Ceteris paribus*, one would expect communities blessed with high stocks of social capital to be safer, cleaner, wealthier, more literate, better governed, and generally "happier" than those with low stocks, because their members are able to find and keep good jobs, initiate projects serving public interests, costlessly monitor one another's behavior, enforce contractual agreements, use existing resources more efficiently, resolve disputes more amicably, and respond to citizens' concerns more promptly.[11] This, at least, was the conclusion of Putnam's seminal research,[12] and the implications for economic development theory and policy would appear self-evident: establish, nurture, and sustain social capital. Upon closer inspection, however, identifying these implications more precisely proves problematic. To see why, we need to review what the social capital literature tell us about itself.

Social capital in its contemporary guise was first identified as such by Jane Jacobs,[13] Pierre Bourdieu and Jean-Claude Passeron,[14] and Glenn Loury,[15] but has since been developed most extensively by James Coleman,[16] Ronald Burt,[17] Robert Putnam,[18] and Alejandro Portes.[19] It now assumes a wide variety of meanings and has been cited in a rapidly increasing number of social, political, and economic studies,[20] but – as so often happens with promising new terms in social science – with limited critical attention being given to its intellectual history or its conceptual and ontological status. These indiscriminate applications of social and other "capitals" are part of what Baron and Hannan disparagingly refer to as the recent emergence of "a plethora of capitals." Sociologists, they lament, "have begun referring to virtually every feature of social life as a form of capital."[21] In the case of social capital, several theoretical and empirical weaknesses emerge as a result.

First, social capital's revisionist grounding in different sociological traditions risks trying to explain too much with too little.[22] Rational choice theorists, for example, regard social capital as an informational resource emerging as a result of interaction between rational agents needing to coordinate for mutual benefit. Social norms, according to Coleman,[23] are thus given "closure" when two or more individuals discover that it is in their joint interest to cooperate. Durkheimians, however, perennially at odds with utilitarians, claim that social capital in the form of normative "non-contractual elements of contract" is in fact what makes possible any commitment to action, rational or otherwise, shaping not only the goals that people seek but how, whether, and when they seek to attain them. For network theorists, social capital is simply one's non-rational social ties. If social capital can be rational, pre-rational, or even non-rational, what is it *not*?[24] At the very least, these different conceptualizations suggest that there may be various forms or dimensions of social capital.

Second, while neo-Weberian theorists construe social capital (or its equivalent) as the combination of "ties" and norms binding individuals within constituent elements of large organizations (cf. Rueschemeyer and Evans' "non-bureaucratic foundations of bureaucratic functioning"[25]) or linking them across different institutional realms,[26] others regard social capital as a "moral resource" such as "trust"[27] or a cultural mechanism used to define and reinforce the boundaries of particular status groups.[28] This leaves unresolved whether social capital is the infrastructure or the content of social relations, the "medium," as it were, or the "message." Is it both? "Defining social capital functionally," Edwards and Foley correctly point out, "makes it impossible to separate what it is from what it does."[29] Matters are complicated further when social capital is classified as a public good that is, by definition, "under-produced" by society. Social capital in the form of trust, it is argued, is created as a by-product of other collective endeavors such as participation in civic associations, but these activities are themselves public goods, and are also identified as social capital, leaving us with the problematic conceptual task of distinguishing between "the sources of social capital [and] the benefits derived from them."[30]

A third concern, emanating from the first two, is that social capital can justify contradictory public-policy measures, which may explain in part why it has been seized upon by advocates from all points on the political spectrum. On the one hand, much of the social capital literature harbors an implicit nineteenth-century concern for the loss of Tönnies' *gemeinschaft*, which manifests itself in communitarian arguments that the solution to modern social ills lies in re-establishing the "mediating structures" of local civic associations.[31] Whatever merits there may be to such claims, they are quickly usurped by those conservatives who regard state-society relations as an inherently zero-sum game – "as the state waxes, other institutions wane."[32] For writers such as William Schambra, for example, dismantling the welfare state will necessarily spawn new forms of voluntary support groups, which welfare programs and "national community" ideologies have allegedly eroded or "crowded out."[33] Other conservatives such as Francis Fukuyama locate the source of social capital within "culture," arguing that while the state can destroy sources of social capital (e.g., the church in Soviet Russia) it is inherently ill-suited to promoting them since, by his reckoning, the level of state intervention in the economy is inversely proportional to a society's endowment of social capital.[34] A society's stock of social capital – assuming that more is indeed better – is thus enhanced by dismantling the state.

As a middle case, Putnam's own widely-acclaimed story of regional variations in the performance of local government in north and south Italy can be interpreted as a case documenting a society's *indifference* to government action: if social capital is "path dependent," i.e., deeply ingrained in centuries of history and culture, then societies may have a broad tolerance for various types and degrees of state intervention.[35] Similarly, current laments for the "strange disappearance of civic America" may be misplaced in a nation such as the United States founded on classical republican ideals and a long history of high levels of civic engagement. While not endorsing a dismantling of the state, it hardly warrants active intervention either.[36]

Liberal social capital enthusiasts, on the other hand, regard state-society relations as positive-sum. Beyond correcting "market failures" and ensuring that the rule of law and due process applies equally to all citizens – the tasks of the so-called neo-utilitarian "minimal state" of public choice theorists – liberals argue that the state can actively nurture a stable, progressive, and predictable environment in which it is possible for a vibrant civil society to emerge and flourish.[37] Theda Skocpol, for example, documents some of the many ways in which federal-government policies have supported civil society in the United States (e.g., PTAs), concluding that "conservatives may imagine that popular voluntary associations and the welfare state are contradictory opposites, but historically they have operated in close symbiosis."[38] For liberals, a broadly participative civil society not only contributes to the "checks and balances" on government action, but provides citizens with the organizational skills and information they need to make informed decisions while simultaneously providing a forum in and through which suitable political leaders may be identified, nominated, and elected.[39] This debate has particularly important implications for economic development initiatives in poor societies, where there are so many obstacles to forging a mutually beneficial complementarity between the state and society, but as it stands different policy makers from opposing political camps can agree that social capital is important while offering contradictory measures for attaining it.[40]

Fourth, most discussions of social capital proclaim it an unqualified "good," i.e., something to be maximized. After all, if a little trust, group participation, and cooperation is a good thing, should not more of it be better? Not necessarily. As Olson[41] argued some time ago, and as Portes and Landolt[42] recently point out, social capital also has a "downside" in that strong, long-standing civic groups may stifle macroeconomic growth by securing a disproportionate share of national resources or inhibiting individual economic advancement by placing heavy personal obligations on members that prevent them from participating in broader social networks.[43] While Olson's thesis itself remains controversial,[44] the best evidence in support of the latter argument comes from the ethnic entrepreneurship literature,[45] where entry into a given community – say, Koreans in south-central Los Angeles, Puerto Ricans in New York – gives the new arrival access to financial and personal support so that a small business can be started. Lacking material assets (physical capital), recognized skills and fluency in English (human capital), the immigrant is able to call upon her social capital to launch a new life. If the business is successful, however, there will likely come a time when the ethnic community is neither large enough nor heterogeneous enough to provide the product and factor markets necessary for more complex economic exchange (see discussion below). Access to new networks extending beyond the ethnic community are therefore required, but this will be very difficult if intra-community obligations are highly demanding. This outcome supports the view that social capital has both "benefits" and "costs," that groups can possess "too much" or "too little" of it in terms of the amount required for efficient economic exchange, and that the sources of social capital required to sustain this exchange at one point in time may shift as transactions become more or less complex. Broadly speaking, this suggests that there may be different types of social capital, and that collectively they are resources to be optimized, not maximized.

Where do these criticisms of the idea of social capital – that a single term is inadequate to explain the range of empirical situations demanded of it, that it confuses sources with consequences, justifies contradictory social policies, and understates corresponding negative aspects – leave us? Short of dismissing the term altogether, one possible resolution of these concerns may be that there are different types, levels, or dimensions of social capital, different performance outcomes associated with different combinations of these dimensions, and different sets of conditions that support or weaken favorable combinations. Unraveling and resolving these issues requires a more dynamic than static understanding of social capital; it invites a more detailed examination of the intellectual history of social capital, and the search for lessons from empirical research that embrace a range of any such dimensions, levels, or conditions.

A brief intellectual history of social capital

The actual words "social capital" were employed for a very different purpose as far back as Alfred Marshall and John Hicks to distinguish between temporary and permanent stocks of physical capital,[46] though the idea that norms of cooperation were needed to guide the invisible hand of market transactions can be traced to the Scottish Enlightenment. Even here, however, as Hirschman[47] and more recently Platteau[48] have shown, there was considerable ambivalence. David Hume, for example, argued that appropriate moral behavior, or what he called the "moral sense" or "sympathy," would emerge of its own accord to support new forms of economic activity. Norms as such were therefore largely rational constructions, deriving, as McNally (incorporating quotes from Hume) puts it,

> from the individual's understanding of the necessity for norms of conduct and behavior. Thus, [for example,] although "self-interest is the original motive to the establishment of justice," as society develops it becomes the case that "a sympathy with public interest is the source of the moral approbation, which attends that virtue."[49]

Edmund Burke, on the other hand, had a much more pessimistic view, arguing that markets could not function at all unless they were supported by the "prior existence of 'manners' … 'civilization' and … what he called 'natural protecting principles' grounded in the 'spirit of a gentleman' and 'the spirit of religion.'"[50] Adam Smith took a more ambivalent stance in both *The Wealth of Nations* and *The Theory of*

Moral Sentiments, arguing, on the one hand, that the market did indeed require certain moral sensibilities but, on the other, that there were serious limits to the market's self-regulating capacity and its ability to produce equitable welfare-enhancing outcomes.[51] Institutions such as the state and the church therefore had important roles to play in both providing and regulating the market. The early nineteenth-century German social critic Adam Muller, while overtly hostile to Smith's materialism, argued that a community's stock of "spiritual capital" largely determined its economic fortunes.[52]

The role of norms and institutions in explaining economic life was suppressed for much of the nineteenth century, however, as utilitarians and classical political economists such as Mill, Bentham, and Ricardo elected to take social science down the road pioneered by *The Wealth of Nations* rather than *The Theory of Moral Sentiments*.[53] The latter strand became the purview of the early French sociological tradition in the nineteenth century, receiving additional impetus from German economic historians alienated by the so-called marginal revolution launched within mainstream economics by Jevons and Marshall. As Swedberg has documented,[54] the Durkheimian, Weberian, and Marxist traditions within classical sociology were all heavily influenced by the economic debates and issues of that period, and much of what we now refer to as "social capital" lay at the heart of these concerns. Similar debates surrounded sociology's controversial entry into the American universities through the University of Chicago in the 1890s, where the case for social forces as independent factors shaping urban development served to differentiate the sociologists from the economists. Two paths thus divided, and by the early twentieth century qualitatively different approaches to the study of economic life – once a topic of universal social-scientific concern if not agreement – now served to define the boundary between competing academic disciplines on both sides of the Atlantic.

Some initial insights into the prototypical origins and effects of "social capital" as retrieved from the classical sociology literature at the turn of the twentieth century have been outlined by Portes and Sensenbrenner, who contend that there are four different types of social capital corresponding to each of the major theoretical traditions. Defining social capital as "those expectations for action within a collectivity that affect the economic goals and goal-seeking behavior of its members, even if these expectations are not oriented toward the economic sphere,"[55] these authors argue that from Marx and Engels, for example, we can extract the notion of "bounded solidarity," i.e., that adverse circumstances can act as a source of group cohesion (e.g., sharing among refugees). From Simmel we learn of "reciprocity transactions," the norms and obligations that emerge through personalized networks of exchange (e.g., favors between neighbors). Durkheim and Parsons discuss the importance of "value introjection," the idea that values, moral imperatives, and commitments precede contractual relations and inform individual goals other than the strictly instrumental (e.g., gifts to children), while from Weber we discern the idea of "enforceable trust," that formal institutions and particularistic group settings use different mechanisms for ensuring compliance with agreed-upon rules of conduct – the former (e.g., bureaucracies) using legal/rational mechanisms, the latter (e.g., families) substantive/social ones.

As we shall see, each of these four classical sources, and another descending from the utilitarian tradition, has its counterpart in contemporary research on social capital, but few who invoke the term today are concerned with alternative uses and theoretical constructs, or with trying to establish meaningful connections between them, a situation that has manifested itself in Baron and Hannan's "plethora of capitals." Important theoretical and conceptual questions thus remain unanswered. If social capital is indeed "capital," for example, can it meaningfully encapsulate such diverse entities as trust, norms, and networks? Does social capital refer to the sources or the consequences of group membership? Can distinct forms of social capital be identified empirically? If so, how are they related to one another? If there are benefits and costs associated with possessing certain forms of social capital, how does the calculus of these change under different conditions and over time? A fruitful starting point for trying to develop a more encompassing, rigorous, and coherent conceptual framework for incorporating social capital into economic development theory and policy is to extend the insights from the classical writers on the basis of a systematic exploration of the contemporary empirical research.

Social capital as embedded and autonomous social relations

Although various manifestations of "social capital" have been invoked in numerous studies since the late 1970s (see note 19), the most extensive empirical research and coherent theoretical advances have come in the late 1980s and 1990s from two distinct literatures within the so-called "new sociology of economic development," namely ethnic entrepreneurship studies (at the micro level), and comparative institutionalist studies of state-society relations (at the macro).[56] The former is most closely associated with work of Ivan Light, Alejandro Portes, and Roger Waldinger, while the latter with Robert Bates, Alice Amsden, Peter Evans, and Robert Wade, but little effort has so far been made to synthesize the insights from these different camps to advance a more unified conceptual framework for understanding social capital theory and policy, a conceptualization capable of answering the criticisms and questions of social capital outlined above.

The basis for attempting such a synthesis rests on the centrality of two key concepts shared by these literatures, concepts referring (though only recently explicitly so) to two distinct but complementary forms of social capital. These concepts are, respectively, "embeddedness" and "autonomy." The idea of embeddedness comes originally from Karl Polanyi but was introduced to contemporary sociologists by Granovetter, who argued that

> between the oversocialized approach of generalized morality and the undersocialized one of impersonal, institutional arrangement, [with its] … sweeping (and thus unlikely) predictions of universal order or disorder, [the embeddedness approach instead] … assumes that the details of social structure will determine which is found.[57]

Where Polanyi[58] and the modernization theorists had construed development as a process whereby the economy became increasingly "separate" or "differentiated" from the idiosyncrasies and arbitrariness of the rules and rituals governing pre-industrial social relations, and where neo-classical writers assumed that individual utility-maximizing behavior characterized economic behavior at all times and in all places, Granovetter's seminal contribution was to argue that all economic action was inherently enmeshed in social relations of one configuration or another, and that development essentially brought about a change in the kind, not degree, of embeddedness.[59]

In his discussion of embeddedness, Granovetter dismissed the distinction between "markets and hierarchies"[60] employed by the new institutional economists to explain the Coase[61] problem of the existence of firms, arguing instead that firms are distinguished not so much by their "informal" or "formal" qualities (since elements of both are always present)[62] but rather the "structures of personal relations and networks of relations between and within firms." In his view, "both order and disorder, honesty and malfeasance have more to do with [these different types of social relations than] … they do with organizational form."[63] Granovetter's distinction between the contributions of social relations as either "personal ties" or "networks" is consistent with and expands upon his earlier work on the "strength of weak"[64] ties in shaping labor-market outcomes.

In the late 1980s, the embeddedness thesis was incorporated into substantive research on economic development at both the micro and macro levels. The important individual contributions from each camp are discussed below, but three common claims emerged from this research. The first was that all forms of exchange are inherently embedded in social relationships; as Braudel puts it, "it is too easy to call one form of exchange economic and another social. In real life, all types are both economic and social."[65] The idea of embeddedness proved useful for explaining the workings of a broad range of economic institutions, from bazaars and pizza parlors to stock markets and state-owned enterprises. The second claim was that embeddedness itself could take several distinct forms: social ties, cultural practices, and political contexts, for example, all had a powerful effect on shaping the types of opportunities and constraints individuals faced as they sought economic advancement.[66]

The third – and perhaps most significant – claim was that the many benefits gained by embeddedness in a given network were indeed not without corresponding costs. Furthermore, the calculus of these costs and benefits appeared to change markedly as development proceeded. The high degree of density and closure characterizing the social relations undergirding the relatively simple, small-scale, informal exchange in village markets, for example, could in fact impose considerable constraints on successful members of these communities as they attempted to make the transition to membership in the larger, more extensive, and sophisticated exchange networks coordinated by formal institutions and the rule of law. Both forms of exchange might still be embedded in social relations, but the transition from coordinating exchange in the former to the latter was highly problematic, since it entailed gaining knowledge of how to participate in, construct, and maintain new institutional forms. Similarly, social mechanisms needed to be in place to protect the social ties among powerful institutional actors – especially those transcending the public and private realm – from becoming vehicles for corruption, nepotism, or exploitation.

In order to establish whether the costs or benefits of embeddedness prevailed in any given situation, scholars began suggesting that the presence or absence of a complementary set of *autonomous* social ties needed to be incorporated into the analysis. At the micro level, this meant focusing on the extent to which community members also had access to a range of *non*-community members; at the macro level, it entailed examining the extent to which senior policy makers were not just connected to key industry leaders, but were themselves simultaneously governed by a professional ethos committing them to negotiating and pursuing collective goals, and recruiting and rewarding colleagues on the basis of merit. To overcome the numerous collective action problems[67] entailed in coordinating "developmental" (as opposed to predatory, rent-seeking, or other inefficient) outcomes, actors – and the groups of which they were members – had to be able to draw on both "embedded" and "autonomous" social ties.

Importantly then, just as there were different forms of embeddedness, so too were there distinct but corresponding forms of autonomy. (These are seen most clearly in the basic distinction between social relations at the micro and macro level, as we shall see below.) For organizations ranging from agricultural cooperatives and urban small businesses to factories and transnational corporations, embeddedness was thus a necessary but insufficient condition for coordinating long-term development; autonomous social relations complementing the benefits and where necessary offsetting the costs of embeddedness were also required. By the late 1980s, the nature and extent of combinations of embedded and autonomous social relations was emerging as the general conceptual framework within which the new sociology of economic development sought to address substantive issues at both the micro and macro level.[68] By the mid-1990s, importantly, scholars working in the fields of both ethnic entrepreneurship and comparative institutionalism had explicitly identified embedded and autonomous social relations as distinct forms of social capital.[69]

The sense in which "embeddedness" and "autonomy" is employed at the micro and macro level, then, is not the same; embeddedness at the micro level refers to intra-community ties, whereas at the macro level it refers to state-society relations; autonomy at the micro level refers to extra-community networks, while at the macro level it refers to institutional capacity and credibility (see Figure 1). This does not create an irreconcilable problem, but it does suggest that any synthesis of social capital as it has developed at the micro and macro levels may have to

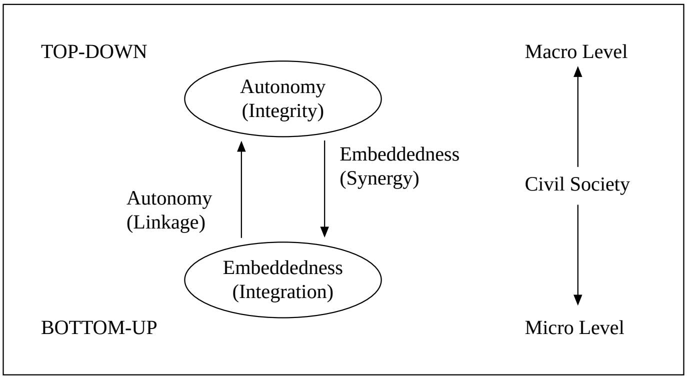

Figure 1. Top-down and bottom-up development and the forms of social capital.

integrate four distinct forms. An initial examination of the propositions advanced by students of ethnic entrepreneurship and the comparative institutionalists allows us to consider the grounds for such a synthesis.

On the basis of their studies of entrepreneurship in immigrant communities in the United States, Portes and Sensenbrenner[70] and Portes[71] propose that social capital is high in groups (i) with distinct phenotypical or cultural characteristics, which increases prejudice toward them and thereby lowers the probability of entry and exit; (ii) engaged in strong, frequent confrontation with other groups perceived to be more powerful; (iii) suffering a high degree of discrimination and without alternative avenues for social honor and economic opportunity; and (iv) possessing a high degree of internal communication and able to confer unique rewards upon its members. High levels of social capital can be "positive" in that it gives group members access to privileged, "flexible" resources and psychological support while lowering the risks of malfeasance and transactions costs, but may be "negative" in that it also places high particularistic demands on group members, thereby restricting individual expression and advancement; permits free riding on community resources; and negates, in those groups with a long history of marginalization through coercive non-market mechanisms, the belief in the possibility of advancement through individual effort.

Portes and Sensenbrenner's model of the antecedents and effects of social capital is helpful in terms of identifying some of the conditions under which social capital *has* formed, rightly stresses both the "positive" and "negative" aspects of social capital within particular groups or localized communities, and demonstrates that social relations need to be dynamic to accommodate more complex economic exchange. The model's shortcomings are revealed when it comes to providing clues as to how or through whom: (i) the positive aspects of social capital can be "created" in those communities in which it is absent or being eroded (do we *encourage* inter-group conflict and discrimination?); (ii) the positive aspects of a particular group's social capital can be harnessed to help produce other desirable qualities in or public goods for the group; (iii) the negative aspects of social capital can be dissipated or overcome; (iv) social capital is nurtured and maintained in large formal organizations; and (v) mutually beneficial relations between communities and external institutions can be initiated, nurtured, and sustained.

Elements of the latter aspects have been addressed most comprehensively by the comparative institutionalists of development. Like Portes and Sensenbrenner, authors adopting this approach also seek to ground their theoretical framework in the classical traditions, though their focus is essentially macro, e.g., identifying the conditions that can account for the different types of state-society relations in developing countries, and the varying degrees of success enjoyed by Third World states seeking to be "developmental." Drawing on Durkheim and Weber, for example, Rueschemeyer and Evans argue that the state's developmental capacity depends on its willingness and ability to construct the bureaucracies necessary for coordinating increasingly complex economic exchange.[72] Doing so, however, is highly problematic since it entails achieving internal coherence across and within departments, while simultaneously remaining both externally "relatively autonomous" from dominant class fractions and yet embedded in society so that it can ascertain and implement collective goals, needs, and interests. Matters are further complicated by the fact that successful state action may undermine the very conditions that enabled it to prosper in the first place (e.g., empowering some groups while making others redundant). Accordingly, comparative-historical research contends that there is not a single neo-utilitarian "minimal state," but rather varying degrees and forms of interaction between states and their societies that together shape the extent to which developmental (and related socio-political) outcomes are attained.

This general thesis has its intellectual roots in the early work of Veblen, Polanyi, Hirschman, Gerschenkron, and Moore,[73] but took on a more sophisticated theoretical and empirical base in the 1980s with Johnson's classic studies of Japan.[74] It has since been extended most prominently by Peter Evans, Alice Amsden, Robert Wade,[75] and their students in studies of Africa, East Asia, Latin America, and selected global industries such as agriculture, computers, automobiles, and steel.[76] This approach makes a valuable theoretical contribution to understanding the role of the state and state-society relations in development, but it largely overlooks the fact that groups *within societies* also vary considerably in terms of their developmental achievements, and is difficult to translate into concrete policy recommendations, particularly at the micro level. Moreover, beyond strongly endorsing the importance of fostering "synergy" between accountable states and their societies, comparative institutionalists are largely silent on how this happy relationship can be created (or at least encouraged), especially where it is needed most, i.e., in "predatory" socio-political environments.

The conceptual and empirical limitations of both the ethnic entrepreneurship and comparative institutionalist literature suggest the need for a broader and more dynamic model encompassing both domains. Such a conceptualization of social capital formation would seek to address the various theoretical anomalies and conceptual weaknesses identified above while drawing on the strengths of existing insights. From a policy standpoint, it would also help to provide a framework for understanding the conditions under which vicious circles of defection and distrust – such as those described in the opening passages of this article – might be turned into more virtuous ones of mutual support and cooperation, how third parties might become willing and able to work with those communities in need of positive developmental outcomes, and how the existing social resources and local knowledge of poor communities can be articulated with the material resources and scientific expertise of external agencies. The importance of conceiving social capital at different levels of society can be seen most clearly by examining the organizational dilemmas of development in poor communities.

Social capital and dilemmas of economic development

Our discussion so far suggests that while the emerging interest in "investing in social capital formation" is a potentially useful component of better economic-development theory and policy, it is nonetheless highly problematic, since it masks classical sociological concerns that (a) the nature and extent of social relationships vary within and among different institutional sectors, (b) the tasks performed by these relationships necessarily change as economic exchange becomes more sophisticated, and (c) that both "too little" and "too much" social capital at any given institutional level can impede economic performance. Accordingly, if social capital is to retain its status as a meaningful theoretical and empirical concept, it must be not only a resource that helps groups overcome essentially *static* dilemmas of collective action (important as these might be); it must also encompass a range of societal dimensions and display certain key attributes that can be called upon in the course of resolving *dynamic* organizational dilemmas, where the very success of collective action itself influences the various types of social relations coordinating that success in the future.[77]

In order to explore these different levels, dimensions, and combinations of social capital it is necessary to give more precise labels to embeddedness and autonomy as they manifest themselves at the micro and macro level. At the micro level, I will henceforth refer to embeddedness (i.e., intra-community ties) as Integration, and autonomy (i.e., extra-community networks) as Linkage.[78] Embeddedness (i.e., state-society relations) at the macro level will be referred to as Synergy, while autonomy (i.e., institutional coherence, competence, and capacity) will be identified as Organizational Integrity.

Each of these four new terms has both a classic referent and a contemporary exemplar. In micro level (or bottom-up) development, the importance of social integration is derived initially from Durkheim's familiar notions of mechanical and organic solidarity,[79] but is used explicitly in Wilson's seminal work on inner-city poverty[80] and Klitgaard and Fedderke's[81] comparative study of national growth rates. The idea of linkages comes from Simmel, who early on recognized that poor communities needed to generate social ties extending beyond their primordial groups if long-term developmental outcomes were to be achieved.[82] He succinctly expressed the importance but problematic nature of this transition, arguing that accompanying an expansion in the division of labor

> there arise[s] a need and an inclination to reach out beyond the original spatial, economic, and mental boundaries of the group and, in connection with the increase in individualization and concomitant mutual repulsion of group elements, to supplement the original centripetal forces of the lone group with a centrifugal tendency that forms bridges with other groups….

> [A]s long as the small primitive group is self-sufficient, a pervasive equality exists in that each member of the group works for the group itself; every achievement is sociologically centripetal. However, as soon as the boundaries of the group are ruptured and it enters into trade in special products with another group, internal differentiation develops between those who produce for export and those who produce for domestic consumption – two wholly opposed modes of being.[83]

At the macro (or top-down) level, the idea of organizational integrity has its origins in Weber,[84] who argued that economic development was intimately associated with the emergence of formal bureaucracies and the universal rule of law – what he called collectively "the routines of administration" – which provided the secure and predictable basis on which individual interests and abilities could be channeled into the attainment of larger collective enterprises. As he put it,

> [t]he modern capitalist enterprise rests primarily on calculation and presupposes a legal and administrative system, whose functioning can be rationally predicted, at least in principle, by virtue of its fixed general norms.... The modern enterprise finds incompatible the theocratic or patrimonial governments ... whose administrations operated according to their own discretion and, for the rest, according to inviolably sacred but irrational traditions.... [T]he specific features of modern capitalism, in contrast to these ancient forms of capitalist acquisition, nowhere developed in such irrationally constructed states....[85]

Weber's bureaucrats were a signal feature of the modernization process because they had been recruited and socialized into a historically new organizational form, one characterized by "formal employment, salary, pension, promotion, specialized training and functional division of labor, well-defined areas of jurisdiction, documentary procedures, [and] hierarchical sub- and super-ordination."[86] In time, the growth and formalization of state bureaucracies was mirrored in political parties and private businesses, which needed to find ways and means of ensuring their organization's continuity, power, and status. It was Weber's view, however, that having attained a certain measure of size and stature, large bureaucracies would essentially become "iron cages," unable and unwilling to change to meet new circumstances.[87]

The recent work of the comparative institutionalists expands upon this theme, regarding institutional performance – particularly that of the state – as an empirical, not normative, issue. Some bureaucracies are indeed rigid and inefficient, they concede, but the range (and desirability) of performance outcomes is much broader, spanning murderous renegade political militias (Pol Pot's Khmer Rouge) to international humanitarian relief organizations (the Red Cross). When and under what conditions do destructive or moribund institutions emerge rather than constructive, responsive ones? In the case of governments, why are some states predatory (e.g., so-called "rogue states"), others weak or indifferent, and still others actively developmental? Extending the Weberian thesis, comparative institutionalists argue that two key organizational dimensions should be the focus of attention in providing answers to these questions: the internal structures that establish and perpetuate capacity and credibility, and the external ties to clients and constituents. Importantly, what is true for students of the state – that they "must offer a clear vision of both the state's internal structure and the character of state-society relations"[88] – also holds for large organizations in general. Accordingly, where organizational integrity can be used as short-hand for the Weberian thesis, the idea of synergy – defined as the "ties that connect citizens and public officials across the public-private divide"[89] – is expanded to refer more generally to the social relations between representatives of formal organizations.[90] Just as various combinations of integration and linkage lead to different developmental outcomes at the micro level, so too can integrity and synergy at the macro level be combined to effect outcomes with diverse developmental impacts. "Any one factor occurring by itself tends to have the opposite effects, overall, to those which it has when it is combined with the other factors."[91]

These four distinct dimensions of social capital – integration and linkage at the micro level, integrity and synergy at the macro level – can be seen most graphically when they are assembled together in different combinations, and where both the micro and macro levels interact with one another (see Figure 1). As we shall see, different combinations of these four dimensions of social capital can account for a range of development outcomes, from what I will call anarchic individualism (the absence of all four dimensions of social capital) at one extreme to beneficent autonomy (the presence of all four dimensions) at the other. The same dimension of social capital can thus serve very different developmental purposes when combined with other forms. As such, social relationships in general constitute a unique, vitally important, but nonetheless highly problematic resource in terms of effecting positive developmental outcomes, and are thus the basis of major theoretical and policy dilemmas. To clarify the basis of these dilemmas, I shall distinguish between, respectively, "bottom-up" and "top-down" dilemmas of development, and examine the specific evidence relevant to each of the dimensions and combinations of social capital outlined above.

The micro level: bottom-up dilemmas of development

"Bottom-up" development initiatives are those that emerge or take place at the local (or "grassroots") level. In Uphoff's terminology, this level encompasses individuals, households, small groups, and communities, stopping short of the more formal bureaucratic divisions administered by the state (such as the "sub-district").[92] Bottom-up development typically functions in and through social relations among people with common neighborhood, ethnic, religious, or familial ties (i.e., those with high endowments of social integration). As such, integration constitutes an important source of social capital, enabling participants to provide one another with a range of services and resources ranging from job referrals, gardening equipment, and kitchen supplies to property surveillance, commuter transport, and child minding. The more intensive the social ties and generalized trust within a given community, the higher its "endowment" of (this form of) social capital.

There is a dilemma, however, since more is not necessarily better. Where generalized trust – what Albert Einstein once called the "disinterested cooperation of many individuals"[93] – extends *only* to immediate family members and blood relatives, a stark non-developmental reality is likely to be present. First identified by Edward Banfield as "amoral familism,"[94] it is characterized by an "excess of community" built on such fierce ethnic loyalties and familial attachments that members are discouraged from advancing economically, moving geographically, and engaging in amicable dispute resolution with outsiders. Amoral familism is thus characterized by the presence of social integration but the absence of linkage (see Figure 2). Under amoral familism, as Platteau puts it,

> no universally shared social ethic can exist. Codes of conduct are governed by a limited-group morality which emphasises the strength of ties to close personal relations; procedural norms, when they exist, are particularistic; procedural standards are low; reward and sanction mechanisms (including litigation) as well as taxation and subsidies are meted out in a specific way so as to make patronage effective; wealth is currently acquired or redistributed through trafficking, racketeering, plundering, looting, or favouritism.... In many cases the "small men" draw their livelihood from participating at the lowest level in the various factions, cliques, or groups fighting for power.[95]

LINKAGE (Extra-community networks)	*High*	Anomie	Social opportunity
	Low	"Amoral individualism"	"Amoral familism"
		Low	*High*
		INTEGRATION (Intra-community ties)	

Figure 2. Integration and linkage in bottom-up dilemmas of development.

Amoral familism, needless to say, greatly undermines the efficiency of all forms of economic exchange by vastly increasing transaction costs.[96] As Toye[97] and Colclough[98] point out, the difficulty of development in social environments characterized by amoral familism also raises important questions about the universal desirability and viability of privatization as a developmental objective, since efforts to sell off collectively owned goods under these conditions may not only intensify existing social problems but actually create new ones. The absence of linkages across civil society is an important factor in explaining the disappointing transition to a market economy in Russia, where "privatization … [fails miserably] to foster innovation, encourage investment, boost worker productivity, raise production standards, or stimulate the efficient use of scarce resources."[99] Problems with development in South Asia,[100] southern Italy,[101] and sub-Saharan Africa[102] have been attributed at least in part to social environments characterized by integration without linkages.

"Amoral individualism," on the other hand, exists where there is neither familial nor generalized trust, where narrow self-interest literally permeates all social and economic activity, and where members are isolated – either by circumstance or discrimination – from all forms of cohesive social networks. It is thus characterized by the absence of both integration and linkage. This case is empirically rare, but perhaps the best-known example is the infamous Ik tribe in Uganda.[103] Once described by anthropologist Margaret Mead as "a people who have become monstrous beyond belief," the Ik routinely lied to and stole from everyone, including immediate family members, if this was needed to provide even basic goods, and showed no remorse in abandoning their own children when times were hard. Not surprisingly, life in this Hobbesian world was literally poor, nasty, brutish, and short.[104] In western urban settings, one variation on amoral individualism may be the plight of those homeless people, who, having no family and community resources to draw upon in their hour of need, are literally left to fend for themselves on the streets.[105] While poverty in strictly economic terms can be just as intense in rural as in urban areas, the presence in the former setting of tighter and more enduring community networks prevents many of the more visible manifestations of poverty associated with large cities.

A third case, classically associated with urban settings and modernization, is that of anomie, where individuals have newly-found freedom and opportunity to participate in a wide range of activities but lack the stable community base to provide guidance, support, and identity; i.e., they have linkage but no integration.[106] Identified by Durkheim as one of the hallmarks of modernization, the normlessness of anomie results in not only heightened cognitive dissonance for individuals but also increased rates of disaffection, suicide, and violent crime across society. Interestingly, students of the recent political and economic transformations in Central and Eastern Europe are reporting findings consistent with Durkheim's arguments of a century before. Hagan, Merkens, and Boehnke,[107] for example, cite a rise in right-wing extremism among the youth of Berlin; Mishler and Rose, Inglehart, and Woller[108] all show that the credibility of new democratic governments in these regions turns in part on their capacity to nurture the institutions of civil society that help to prevent citizen anomie and alienation; while Galtung argues that anomie continues to be an endemic feature of all rapid societal transformations.[109]

Comparative studies of the success of different ethnic entrepreneurs in poor urban communities in the United States provide additional evidence in support of the anomie thesis. Consider, for example, the case of Mexicans in San Diego and Haitians in Miami, who display low levels of integration despite a sizable ethnic community that could potentially offer them considerable economic resources and social opportunities. As Portes puts it,

> neither community possesses a well-developed ethnic economic that can generate *autonomous opportunities* for its members. Both communities have large numbers of transient and recent arrivals and individuals without legal status.... [T]he institutional development of [these] ethnic communities has been hampered by its recency, the tenuous legal status of much of its population, and widespread discrimination from outsiders.[110]

Without a strong community group to provide initial financial resources, small businesses fail to get started or go bankrupt in the early stages. With "too much" freedom and "not enough" community, immigrants begin to display a short-term commitment to their host country, establishing a cycle that undermines their sense of ethnic identity and commitment to its institutions.[111] Classic signs of anomie emerge, and the end result is, not surprisingly, modest developmental performance.

For developmental outcomes to be achieved in poor communities, linkage thus needs to be combined with integration. Strong intra-community ties, or high levels of integration, can be highly beneficial to the extent they are complemented by some measure of linkage, as repeatedly demonstrated in first-generation immigrant communities such as the Koreans in Los Angeles[112] or the Chinese in San Francisco.[113] Excluded from mainstream financial and civic institutions, for example, recent arrivals move into co-ethnic enclaves such as "Chinatown" in which a range of indigenous social institutions exist for meeting basic credit and security requirements. But these resources often come at a price: longer-term members of such communities have on occasion had to resort to such drastic measures as Anglicizing their names in order to avoid having their modest but diligently-acquired assets siphoned off by subsequent cohorts of co-ethnic immigrants.[114] Thus not only is it the case that, as Waldinger points out, "the same social relations that … enhance the ease and efficiency of economic exchange among community members implicitly restrict outsiders,"[115] they also explicitly restrict *insiders*. Those who are able to forge new social ties into the wider business community, however, even in less dramatic circumstances, are the ones who enjoy greater economic success. This also suggests that the need for and obligations toward group members in poor communities changes as one's economic status increases. Paradoxically, then, the more successful the indigenous social institutions are in providing their members with financial and other resources, the less necessary those institutions become.[116]

Granovetter captures the essence of these bottom-up dilemmas of development in his own review of the ethnic entrepreneurship literature in anthropology and economic history, observing that

> individuals and groups attempting to assemble firms may face on the one hand the problem of insufficient solidarity among themselves, which produces a failure of trust, and on the other hand the problem of uncontrolled

> solidarity, which produces excessive noneconomic claims on an enterprise. Under what conditions can these mirror-image problems be overcome?[117]

The solution Granovetter proposes, citing the example of rotating savings and credit associations (RoSCAs),[118] involves a social mechanism[119] he calls "coupling and decoupling," in which members of economic groups draw initially upon the resources of family and peers but then attempt to forge broader and more autonomous ties beyond the group as their need for larger markets and more sophisticated inputs expands.

In short, for development to proceed in poor communities, the initial benefits of intensive intra-community integration, such as they are, must give way over time to extensive extra-community linkages: too much or too little of either dimension at any given moment undermines economic advancement. This gradual shift in the strength and direction of social ties as economic exchange becomes more complex is in fact a highly problematic transition, one that has tremendous importance for understanding the prospects for medium-term economic growth and governance in those developing economies, especially those where poverty alleviation strategies centering on the formation of small groups (e.g., microfinance, agricultural, and environmental management programs) are becoming increasingly popular.[120]

The insights derived from the classical theorists and contemporary studies of urban poverty and ethnic entrepreneurship suggest that business groups in poor communities thus need to forge and maintain linkages transcending their community so that: (i) the economic and non-economic claims of community members can be resisted when they undermine (or threaten to undermine) the group's economic viability and expansion; (ii) entry to more sophisticated factor and product markets can be secured; and (iii) individuals of superior ability and ambition within the business group itself are able to insert themselves into larger and more complex social networks. In successful bottom-up development programs, linkages to broader extra-community institutions are forged incrementally; a community's stock of social capital in the form of integration can be the basis for launching development initiatives,[121] but it must be complemented over time by the construction of new forms of social capital, i.e., linkages to non-community members.

There is a second basic dilemma, however. The internal dynamics and development of economic groups in poor communities does not occur in isolation, but rather in the context of a particular history and regulatory framework that can itself strengthen or undermine the capacity of independent groups in civil society to organize in their own collective interest. Such groups, in turn, can play an important role in shaping government policies and performance. The nature of state-society relations is thus crucial to understanding both the prospects of economic groups and, in turn, their efficacy in shaping the willingness and ability of the state (and other large corporate actors) to act in a developmental manner. The developmental effectiveness of state-society relations therefore turns on the articulation of the interests, needs, and resources of both parties.

Focusing on the conditions supporting an effective complementarity and cooperation between the state and civil society, and more generally the public and private sectors, helps forge a path for development theory between rigid socialist models, isolationist communitarian prescriptions, and simplistic "free market" doctrines. This path calls for a more sophisticated understanding of the role of state-society relations in development, arguing that a range of developmental outcomes is possible, depending on the prevailing combinations of the state's organizational capacity, and its engagement with and responsiveness to civil society. At one extreme are so-called "collapsed states"[122] such as Somalia, where a nightmarish anarchy reigns; the state, and with it basic law and order, simply ceases to exist in any meaningful form.[123] Foreign nationals must be evacuated, refugees die en masse of disease and starvation, undesirables are simply executed. Here, there is neither organizational integrity nor synergy (see Figure 3, below).

Collapsed states are closely related to what Evans[124] calls "predatory states," in which the absence of competent and coherent government bureaucracies leads to rampant corruption, the destruction or commandeering of private (and common) property, and the willful violation of basic human rights. Featuring ruthless non-accountable military dictators, and regimes staffed by mercenaries or cronies, predatory states routinely squander aid money on munitions and luxury goods, flaunt any pretense of due process, and shamelessly torture, maim, and murder their disaffected citizens.[125] Rogue or predatory states are effective at least in the sense that they are able to carry out

		Organizational Integrity (Corporate coherence and capacity)	
		Low	*High*
Synergy (State-society relations)	*Low*	Anarchy (Collapsed states)	Inefficiency, ineffectiveness (Weak states)
	High	Predation, corruption (Rogue states)	Cooperation, accountability, flexibility (Developmental states)

Figure 3. Organizational integrity and synergy in top-down dilemmas of development.

their own narrow agendas, but they do so less because of their deft organizational prowess than their monopoly of violence (often carried out by teenage death squads), low tolerance for dissent, and by exploiting (or, where necessary, simply creating) personal connections to industry leaders to maintain their personal supply of food, vehicles, money, and weapons. They thus have a low level of organizational integrity, but a modest degree of synergy. Needless to say, this combination is hardly conducive to developmental outcomes; in fact, it can actively reduce average living standards.

Organizational integrity without synergy can be equally unproductive, however. Under communism and socialism – Soviet Russia, Eastern Europe, and China before the mid-1970s, for example – there is "too much" bureaucracy and "too little" civil society,[126] which results in the all-too-familiar charges of rent-seeking, inefficiency, and ineffectiveness. The Indian state is often cited as a prime example of this in democratic countries:[127] despite a highly prestigious and well-educated civil service (the Indian Administrative Service), ties to key business leaders are generally limited, highly particularistic, and poorly coordinated across industry groups.[128] It thus possesses moderately high organizational integrity and cohesion, but low synergy. We might term India and postcommunist nations "weak states";[129] here the government may be committed in principle to upholding common law and may refrain from actively plundering the common weal, but in practice misappropriates scarce resources, is largely indifferent to the plight of vulnerable groups (women, the elderly, poor, and disabled), produces shoddy goods, responds slowly if at all to citizen demands, and is notoriously inept in supporting businesses seeking to be competitive in world markets. Mafias and militia groups emerge to provide the private protection that the designated public institutions cannot.

Collapsed, rogue, and weak states are the myopic target of those committed to the view that in matters of economic development (and elsewhere), the state is the problem rather than the solution. By distinguishing between the conditions that give rise to a *range* of performance outcomes, however, it is possible to articulate the present analysis with the long but often neglected tradition of seeing states, markets, and civil society as products of and contributors to the institutional and cultural environments in which they are historically located. Where there is a sustained and dynamic interaction between a competent, responsive state and its various constituents, we find prosperous and equitable economies, of which the "developmental states"[130] such as Japan, South Korea, and Singapore are the prime examples. Here, state-society relations – especially those between government ministries and major business groups – are characterized by what Evans calls "embedded autonomy," in which a coherent, connected, and cohesive development framework emerges as a result of "a concrete set of social ties which bind the state to society and provide institutionalized channels for the continual negotiation and renegotiation of goals and policies."[131] Such a process ensures on-going organizational effectiveness and efficiency by requiring, recognizing, and rewarding highly competent staff while simultaneously minimizing the potential for corruption and malfeasance.[132] In short, state-society relations characterized by overlapping ties providing connectedness *and* strong intra-corporate relations ensuring integrity are needed for countries (and particular industries within them) to be developmental.

Importantly, what is true of state-society relations holds more generally for all forms of "top-down" development: any institution with a developmental agenda must be at once engaged with the communities it seeks to serve *and* capable of maintaining its own credibility and effectiveness.[133] Such an approach, in turn, begs three important questions: What conditions facilitate the emergence of top-down social relations characterized by synergy and integrity? Can some measure of synergy and integrity be established where prevailing conditions seem inimical to it? If so, how?

Constraints and opportunities in bottom-up and top-down dilemmas of development

While there is a vast and important literature exploring the virtues, vices, and vicissitudes of bottom-up or top-down development, I argue that the most pressing issues for development theory and policy – especially those concerned with poverty alleviation – emerge from the interaction between both realms. As Uphoff correctly recognizes, the prospects of local-level development efforts very much turn on the extent to which both bottom-up and top-down dilemmas are resolved:

> paradoxical though it may seem, "top-down" efforts are usually needed to introduce, sustain, and institutionalize "bottom-up" development. We are commonly constrained to think in "either-or" terms – the more of one the less of the other – when both are needed in a positive-sum way to achieve our purposes.[134]

The preceding discussion of the dilemmas of bottom-up and top-down development, however, invites us to consider the *diversity* of developmental outcomes that such an interaction may generate. The construction of what Ragin calls a "truth table"[135] enables us to identify the range of logically possible outcomes (see Figure 4). At one extreme we have the inevitable developmental failures of what we might term "anarchic individualism" – the somewhat farcical prospect of, say, an effort by remnants of a collapsed state to launch a family-planning program among the Ik – where all four dimensions of social capital are absent. At the other, we have the probable developmental successes of "beneficent autonomy," where all dimensions are present – e.g., efforts by cohesive and coherent institutions to empower a diverse range of subordinate groups in civil society, and importantly, to facilitate the forging of accountable connections both within and among those diverse groups. The other possible combinations of the different dimensions of social capital fill out the places in between anarchic individualism and beneficent autonomy.

Forging and sustaining social relations connecting top-down resources and bottom-up capacity building is not easily achieved. In places where bottom-up dilemmas are especially acute, the direct intervention by top-down agencies itself becomes more problematic since it tends to change the very conditions that made intervention necessary and possible in the first place. By strengthening previously subordinate groups or weakening previously dominant groups – creating what Evans, paraphrasing Marx, calls the "gravedigger problem"[136] – suc-

	Bottom-Up		Top-Down		Performance Outcome
	"Integration"	*"Linkage"*	*"Synergy"*	*"Integrity"*	
	Intra-Community	Extra-Community	State-Society	Corporate Cohesion	
	X_1	X_2	X_3	X_4	Y
1	low	low	low	low	"anarchic individualism"
2	low	low	low	high	
3	low	low	high	low	
4	low	low	high	high	
5	low	high	low	low	
6	low	high	low	high	
7	low	high	high	low	
8	low	high	high	high	
9	high	low	low	low	
10	high	low	low	high	
11	high	low	high	low	
12	high	low	high	high	
13	high	high	low	low	
14	high	high	low	high	
15	high	high	high	low	
16	high	high	high	high	"beneficent autonomy"

Figure 4. Interactions between bottom-up and top-down dilemmas of development.

cessful development potentially sets in motion an underlying dynamic creating new distributional coalitions with fresh claims to make on the resources of both the state and other social groups.[137] For sustained economic development, then, the interaction between "top-down" and "bottom-up" must therefore be a dynamic one: in the case of bottom-up development, intensive extra-community ties (integration) must begin to coexist with more extensive albeit "weaker" extra-community networks (linkage), while at the same time top-down combinations of state-society relations (synergy) must coexist with cohesive corporate ties (integrity). The ethnic entrepreneurship and comparative institutionalist literature thus identifies four distinct types of social relations – i.e., four different types of social capital – whose presence, absence, or interaction with each other has major consequences for development outcomes.

Perhaps the most important implication of this result is that it helps to identify the source of some of the most vexing policy concerns in economic development, namely how states and external agencies can be a positive force in the lives of the billions of people who still live in abject poverty. Robert Klitgaard, reflecting on his experience as a World Bank representative in Equatorial Guinea, articulates this concern most succinctly:

> How can the outside world help without hurting, apply leverage without trampling sovereignty? Dilemmas of how to give and receive seem particularly stark in Africa, with so much need and so much leverage and so little understood about either. But this tension between benevolence and autonomy is also a fundamental human problem that in myriad ways and circumstances each of us encounters. How can we work for change while respecting what exists? How can we exercise analytical skills and make critical judgments while still affirming the imperfect people and situations we encounter? And how can we extend our limits in order to receive from the people to whom we are trying to give?[138]

The social capital framework I have outlined identifies particular obstacles to development, but it also highlights several intriguing opportunities for positive policy interventions that may provide an answer to Klitgaard's searching questions. For example, do the high levels of integration characterizing indigenous social relations in many poor communities actually constitute a resource that can be used as a basis for constructing substantive development programs? If so, how? Similarly, given that forging linkages to outside organizations is a central task for development workers, how can this be done? Under what conditions will any linkages "induced" by development field staff endure once those staff depart? The logic of the present analysis suggests that the answers to these questions turn on the extent to which multiple forms of social relations are present simultaneously. Both clients and staff must be aware from the outset that their joint task is to draw on existing strengths to construct any "missing" dimensions of social capital, not just to overcome present dilemmas, because the very success of their venture will change the circumstances that made it necessary and possible to intervene in the first place. For their part, "receivers" may initially require training and basic inputs, but in the long-run the primary measure of a program's success should be the extent to which clients, first, are assuming increasing amounts of responsibility for the viability of new equitable institutions, and second, have established clear mechanisms for ensuring access to and sustained participation in wider, formal institutions.

Similar logic applies to "givers." Development advisors representing organizations with low credibility and trustworthiness (i.e., low integrity), for example, will be unlikely to gain the confidence of their clients for the length of time needed to build the relationships on which viable programs can be launched; program failure will be the likely result. Similarly, slick organizations indifferent or unresponsive to the stated needs and concerns of their clients (i.e., with low synergy) will devise and implement inappropriate programs, which will also have little positive impact. Development agencies from the World Bank to grass-roots NGOs need to cultivate both integrity and synergy if their skills and resources are to be transferred effectively, and continue to be appropriately deployed once they depart.

Social capital and economic development revisited

So why don't poor villagers trust outsiders, or even each other? What obstacles prevent them from working together in a more cooperative manner to solve joint problems? Why are some countries able to create and maintain institutional environments that are so much more conducive to effective, efficient, and equitable development than others?

The final step in this analysis entails establishing a clear causal account of the conditions that make for coherence, connections, and complementarity between states and societies, between privileged and marginal groups within society, between Klitgaard's "givers and receivers." If social capital is defined as the nature and extent of a community's personal and institutional relationships, what, in turn, determines the types and combinations of these relationships that are likely to be present? I propose that a community's prospects for effecting sustainable, equitable, and participatory economic development are low where: (1) class, sex, and ethnic inequalities are widespread, increasing, and legitimated; (2) poverty is endemic, unchecked by social safety nets, and difficult to escape through stable employment;[139] (3) uniform laws are weak, unjust, flaunted, or indiscriminately enforced; (4) polities are not freely and fairly elected or voters have few serious electoral choices; (5) dominant and subordinate groups have little shared stake in common outcomes; (6) war, famine, rampant inflation, disease, or chronic underemployment undermine a basic sense of order and predictability; and (7) minorities are overtly or covertly discriminated against. All of these conditions emerge historically, eroding a community's stock of integration and linkages, and its organizational integrity and synergy.

Such statements may appear self-evident, but prevailing development theories, which hold free markets, privatization, and minimalist democratic government to be the only significant conditions required for development to proceed, give them short shrift. Neither the organizational genius of Singapore's Changi airport nor the plight of the Indian villagers described in the opening anecdote, I contend, are outcomes that can be satisfactorily accounted for by neo-utilitarian arguments that the agents concerned simply have different "tastes" for cooperation and that the state is inherently the problem rather than the solution, by modernization theory's "cultural explanations," or by dependency and world-systems theory's insistence on pervasive exploitation. A comprehensive explanation must incorporate an account of prevailing social relations within society and the nature of state-society relations; the two cannot be understood apart from one another. To be sure, culture, power, and rationality can and do play an important role in shaping development outcomes, but it is in and through social relations that outcomes are actually mediated. It is impossible to understand the prospects of development policies and projects without knowing the characteristics of social relations at both the micro and macro level, whether and how these levels articulate with one another, and how this degree of articulation has emerged historically.

The fruitfulness of the framework of social capital outlined above can be seen most graphically in the case of institutions explicitly transcending both the macro and micro levels. One pertinent example is that of group-based microfinance institutions (GBMFIs), the most famous being the Grameen Bank in Bangladesh, where over two million poor borrowers, mostly women, boast repayment rates of 97 percent on small loans.[140] Although there have been conspicuous failures, GBMFIs remain one of the most widely-acclaimed success stories in recent efforts to alleviate poverty through small-scale income and employment generation among the more than four billion people in the world who are currently without access to secure and equitable financial services.

GBMFIs share with indigenous rotating savings and credit associations (RoSCAs) the practice of using peer groups as an alternative source of collateral for the extension of credit to the poor,[141] but have a more complex and enduring institutional structure. The most important difference is that where RoSCAs are essentially a spontaneous "bottom-up" group formation, initiated and sustained by members themselves in response to their isolation from orthodox commercial banks, group-based financial institutions are launched "top-down," by actors (usually staff of non-governmental organizations [NGOs]) external to the communities in which they have come to serve. This is a highly problematic task, requiring staff to win the confidence of poor villagers, to instruct distrustful and illiterate people in the ways of organized banking. It is a task requiring the NGO itself to remain credible and efficient in its activities,[142] while recognizing that it must help successful borrowers go beyond their intra-community ties – the basis of their credit groups – to forge new extra-community ties and links to commercial banks as their incomes rise and the economic exchanges in which they are involved become more complex.

GBMFIs face the multiple organizational challenges of being an agent of beneficent autonomy, of becoming less necessary as they become more successful. They are thus a prime example of what Robert Merton would call a "strategic research site"[143] for the analysis of the two basic development dilemmas in poor societies identified above – to reiterate: the bottom-up task of "coupling and decoupling" between social groups as their economic requirements expand, and the establishment of an enduring synergy between coherent developmental institutions and their would-be constituents[144] – and the manner in which interaction between them over time changes the relative importance of each dimension.

Implications for development theory and policy

For better or worse, social capital now makes regular appearances in forums ranging from op-ed pages and intellectual magazines to the most prestigious academic journals and university presses. As arguably the most influential concept to emerge from economic sociology in the last decade, it behooves serious students to critique, clarity, and refine what they mean by this tantalizing term, lest it go "from intellectual insight appropriated by policy pundits, to journalistic cliché, to eventual oblivion."[145] How does our review of social capital and the organizational dilemmas of economic development help reverse this trend? More specifically, how does it answer the four major questions about social capital raised at the beginning of this article?

The "top-down" and "bottom-up" organizational dilemmas of development, and the weaknesses identified earlier with social capital as it is currently employed in the literature, suggest that providing a precise definition and measures[146] of social capital is an inherently difficult assignment. Nevertheless, some important lessons emerge from a review of embeddedness and autonomy, two of the key forms of social capital identified by economic sociologists of development. First, the general idea of social capital is on the strongest theoretical grounds when it draws on and extends the combined insights of Durkheim, Weber, and Simmel on the roles that different types of social relationships play in effecting institutional outcomes. Rather than trying to prove or refute assertions that social relations are always and everywhere the construction of "rational" agents, or instead the result of primordial norms or "culture," a more fruitful approach invokes a social-structural explanation of economic life and seeks to identify the types and combinations of social relations involved, the institutional environments shaping them, and their historical emergence and continuity. The four ideal-typical forms of social relations identified in this article are a useful starting point for synthesizing such an analysis.

Second, definitions of social capital should focus primarily on its sources rather than its consequences. As I have repeatedly stressed here, there are both costs and benefits associated with a given "source" of social capital; long-term benefits, if and when they occur, are the result of the combination of different but complementary types of social relations, combinations whose relative importance will in all likelihood shift over time as the tasks required of them change. Precisely because other forms of social capital may *not* be able to be mobilized, however, there is nothing automatic about "optimal" combinations of social relations emerging to meet given "needs" at a particular moment in time, as functionalist and neo-classical theories of the firm assert. Top-down resources and bottom-up capacity building need to be in a dynamic and cooperative relationship in order to assemble the range of people and materials capable of overcoming problems or to take advantage of opportunities.[147] Similarly, trust and norms of reciprocity, fairness, and cooperation are "benefits" that are nurtured in and by particular combinations of social relationships; they are undeniably important for facilitating and reinforcing efficient institutional performance, but they do not exist independently of social relationships. In short, "consequences" may be one indicator of the types and combinations of social capital that are present, but they are not to be confused with social capital itself.

Third, that strategic combinations of different types of social capital are required to sustain economic life provides a firm rebuttal of arguments that state-society relations are inherently a zero-sum game. Whether states perform well or poorly is an empirical issue, and which of these outcomes prevails turns on the coherence, credibility, and capacity of the state, the nature and extent of its engagement with civil society, and, importantly, the organizational features of civil society itself. Undergoverned societies are as hostile to equitable development as overgoverned economies. What is true of the state holds also for other large institutions, especially those with a developmental agenda: without a capacity to "give" in a responsive and accountable manner while simultaneously cultivating *with* "receivers" a more just, participatory, and equitable social environment, development initiatives will struggle to achieve their goals. In the post-Cold War era, these basic sources of social capital have been largely overlooked in our celebration of free markets, privatization, and globalization.

Fourth, social capital has a number of distinctive properties, among them being the possibility that it can be deployed for both developmental and destructive purposes, and that a given form of social capital confers costs as well as benefits. It is the specific combinations of different types of social capital at the micro and macro level that determines whether the calculus of costs and benefits favors the former or the latter. Furthermore, the calculus of these costs and benefits changes over time, as development itself alters the underlying conditions shaping the prevailing combinations of social relationships. Social capital is thus a crucial but enigmatic component of the development equation, precisely because it can enhance, maintain, or destroy physical and human capital. The challenge for development theorists and policy-makers alike is to identify the mechanisms that will create, nurture, and sustain the types and combinations of social relationships conducive to building dynamic participatory societies, sustainable equitable economies, and accountable developmental states.[148]

To summarize, I contend that development outcomes are shaped by the extent to which basic social dilemmas at the micro and macro level are resolved. Positive outcomes are attained to the extent that both embedded and autonomous social relations prevail at *both* levels. This happens when people are willing and able to draw on nurturing social ties (i) within their local communities; (ii) between local communities and groups with external and more extensive social connections to civil society; (iii) between civil society and macro-level institutions; and (iv) within corporate sector institutions. All four dimensions must be present for optimal developmental outcomes. This successful interaction within and between bottom-up and top-down initiatives is the cumulative product of an on-going process that entails "getting the social relations right." If the social relations are "wrong" – i.e., one or more of the four dimensions listed above is absent – then, *ceteris paribus*, development outcomes will be sub-optimal. Entrenched poverty, inequality, discrimination, underemployment, and lawlessness all serve to undermine the particular combinations of social relations required for sustainable, equitable, and participatory development. At the macro level, external development assistance should be conditional on these objectives being seriously addressed; at the micro level, internal projects should seek to nurture participatory organizations that are empowered to assume increasing levels of responsibility for their own well-being while also building linkages between local communities and formal institutions.

Conclusion

I began this article by identifying some of the organizational differences between a society in which simple collective action problems are seemingly resolved with maximum efficiency and one in which perennial instances of "mutual defection" lead to frustrations, hostility, and everyday inconvenience. Rather than seeing such outcomes as the inevitable product of "culture" or "discrimination" alone, it is more fruitful and constructive to regard them as historical and institutional processes in which the mediating variable is the extent to which a mutually beneficial interaction coordinates specific levels, dimensions, and combinations of social relationships. The structure of the state, the nature and extent of its involvement in civic and corporate life, and the organization of society together constitute the key factors determining whether a country succeeds or fails in development, whether it provides travellers with transport systems that are safe, efficient, and comfortable, or hazardous, crowded, and unreliable. Avner Greif gets it exactly right when he argues that

> past, present, and future economic growth is not a mere function of development, technology, and preferences. It is a complex process in which the organization of society plays a significant role. The organization of society itself, however, reflects historical, cultural, social, political, and economic processes. Comparative historical analysis is likely to enhance our comprehension of the evolution of diverse societal organization, since this process is historical in nature. Furthermore, such an analysis provides the historical perspective and diversity required to examine institutional evolution and the

> interrelations between culture, the organization of society, and economic growth.[149]

Such an approach argues that the relations within and between social groups at different levels of society shape the prospects for sustainable, equitable growth and just, participatory governance. The social relations in which civic and economic life is conducted matters greatly, but too often influential theorists and policy makers have regarded it as epiphenomenal, or of little consequence in shaping the fortunes of developing and transitional countries; as Evans astutely puts it,

> contemporary development strategies focus attention on macro-economic results without contributing much to the understanding of the micro-institutional foundations on which they depend.... Without denying the necessity of exploiting the incentive structures and flexibility that markets provide, it is clearly time for a broader definition of the institutional bases of improved human welfare and enhanced productivity in poor countries.[150]

Social capital provides sociologists in particular with a fruitful conceptual and policy device by which to get beyond exhausted modernization and world-systems theories[151] and make potentially important contributions to questions of economic development, contributions that complement orthodox economic approaches in some respects and challenge them in others. Social capital's greatest merit, however, is that it provides a credible point of entry for sociopolitical issues into a comprehensive multi- and interdisciplinary approach to some of the most pressing issues of our time. In social capital, historians, political scientists, anthropologists, economists, sociologists, and policy makers – and the various camps *within* each field – may once again begin to find a common language within which to engage one another in open, constructive debate, a language that disciplinary provincialisms have largely suppressed over the last one-hundred-and-fifty years. By the same token, it is important to concede that we still have much to learn about social capital, and that for the time being our empirical expectations of it should be correspondingly modest. Theoretical claims and policy recommendations made on the basis of the incremental accumulation of evidence constitute the surest and most responsible agenda for future research.

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Notes

1. An oft-cited refrain is that of Arrow, who contends that "among the properties of many societies whose economic development is backward is a lack of mutual trust." Kenneth Arrow, *The Limits of Organization* (New York: W.W. Norton & Co., 1974), 26.
2. This general definition summarizes the positions of the major contributors to social capital theory (such as it is). For more specific definitions, see James Coleman: "Social capital is defined by its function. It is not a single entity, but a variety of different entities having two characteristics in common: They all consist of some aspect of social structure, and they facilitate certain actions of individuals who are within the structure. Like other forms of capital, social capital is productive, making possible the achievement of certain ends that would not be attainable in its absence." Coleman, *Foundations of Social Theory* (Cambridge: Harvard University Press, 1990), 302; Pierre Bourdieu: "[social capital is] the sum of resources, actual or virtual, that accrue to an individual or a group by virtue of possessing a durable network of more or less institutionalized relationships of mutual acquaintance and recognition." Bourdieu and Loïc Wacquant, *Invitation to Reflexive Sociology* (Chicago: University of Chicago Press, 1992), 119; Ronald Burt: "[social capital refers to] friends, colleagues, and more general contacts through whom you receive opportunities to use [other forms of] capital.... Relations within and between firms are social capital ... [; it] is the final arbiter of competitive success." Burt, *Structural Holes* (Cambridge: Harvard University Press, 1992), 9; Glenn Loury: "[social capital refers to] naturally occurring social relationships among persons which promote or assist the acquisition of skills and traits valued in the marketplace.... [It is] an asset which may be as significant as financial bequests in accounting for the maintenance of inequality in our society" (Loury, "The economics of discrimination: getting to the core of the problem," *Harvard Journal for African American Public Policy* 1 (1992): 100; Robert Putnam: "social capital ... refers to features of social organization, such as trust, norms, and networks, that can improve the efficiency of society by facilitating coordinated actions." Putnam, *Making Democracy Work* (Princeton: Princeton University Press, 1993), 167; and Alejandro Portes: "social capital refers to the capacity of individuals to command

scarce resources by virtue of their membership in networks or broader social structures." Portes, "Economic sociology and the sociology of immigration: a conceptual overview," in Alejandro Portes, editor, *The Economic Sociology of Immigration: Essays on Networks, Ethnicity and Entrepreneurship* (New York: Russell Sage Foundation, 1995), 12. There are several problems with these definitions, for reasons I outline below.

3. For compelling recent accounts, see, among others, Benjamin Barber, *Jihad versus McWorld* (New York: Times Books, 1995), Robert Kaplan, *The Ends of the Earth: A Journey at the Dawn of the 21st Century* (New York: Random House, 1996), and Stephen Holmes, "What Russia teaches us now," *The American Prospect* 33 (1997): 30–39. The latter parts of the opening passage should not in any way be read as the mark of a disrespectful, unappreciative, or condescending attitude toward the people and places in question. That said, I wish neither to romanticize or make light of the daily struggles of the poor in developing countries, nor to remain morally indifferent in the face of such practices as infanticide. Between ethnocentrism and cultural relativism I seek a more detached but nuanced position.
4. As an influential United Nations document of the time put it, "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." United Nations, *Measures for the Economic Development of Underdeveloped Countries* (New York: United Nations, Department of Social and Economic Affairs), cited in Arturo Escobar, *Encountering Development* (Princeton: Princeton University Press, 1995), 3.
5. The view that certain "social rigidities" such as caste and community pervade South Asian culture and thus retard efficient economic activity (the so-called "Hindu rate of growth") has been a popular theme at least since Weber's *The Religion of India* (Glencoe, Il.: The Free Press, 1958 [1916–17], translated by Hans Gerth and Don Martindale). See also Louis Dumont, *Homo Hierarchicus* (Chicago: University of Chicago Press, 1970) and Lloyd Rudolf and Susan Rudolf, *In Pursuit of Lakshmi: The Political Economy of the Indian State* (Chicago: University of Chicago Press, 1987). Appeals to "cultural explanations" of social outcomes, however, do not get us very far; as Sen rightly reminds us, it is highly problematic to attribute specific ideas or behaviors to certain cultures (e.g., "freedom" as a Western idea, "authority" as an Asian one), as there is always considerable heterogeneity even within a given cultural unit. A more fruitful line of inquiry begins by asking "what is right, what makes sense?" in terms of policies likely to support greater levels of social participation and economic development in Asia, and elsewhere. Amartya Sen, "Our culture, their culture," *The New Republic* April 1 (1996): 32.
6. Civil society refers to that broad class of institutions located between the family and the state, the forums in and through which there is an attempt to harmonize, where necessary, "the conflicting demands of individual interests and social good." Adam Seligman, *The Idea of Civil Society* (Princeton: Princeton University Press, 1993), x.
7. Putnam, "The prosperous community: social capital and public life," *The American Prospect*, Spring (1993): 38.
8. See T.W. Schultz, "Investment in human capital," *American Economic Review* 51: 1–16; Schultz, *The Economic Value of Education* (New York: Columbia University

Press, 1963); Gary Becker, "Investment in human capital: a theoretical analysis," *Journal of Political Economy* 70 (1962): 9–49; Becker, *Human Capital*, third edition (Chicago: University of Chicago Press, 1993 [1964]); and, more recently, Robert Lucas, "On the mechanics of development," *Journal of Monetary Economics* 22 (1988): 3–42. In contemporary research, the importance of endogenous factors such as human capital and technology is stressed by the so-called New Growth Economists; for a review of this literature, which has interesting and important complementarities with the social capital approach, see Paul Romer, "The origins of endogenous growth" *Journal of Economic Perspectives* 8/1 (1994): 3–22.

9. Physical capital is sometimes subdivided into financial capital, to distinguish fixed from monetary assets. For useful overviews of the relationship between theories of economic development and the development of economics itself, see Pranab Bardhan, "Economics of development and the development of economics," *Journal of Economic Perspectives* 7/2 (1993): 129–142, and Escobar, *Encountering Development* (chapter 3).
10. The new economic sociology – as opposed to the old economic sociology characterized by Talcott Parsons and Neil Smelser's *Economy and Society: A Study in the Integration of Economic and Social Theory* (New York: Free Press, 1956) – is less deferential to formal economics, seeing little distinction between exchange that is otherwise deemed "economic" *or* "social." Rather than assuming that the presence of an economic problem or opportunity would lead to its automatic resolution – the position of neo-classical economics and functionalist sociology – the new economic sociology regards these events as highly problematic, focusing instead on *how* the relevant combinations of social ties and resources were assembled to meet a given economic challenge. More precisely, it is a field that seeks to position itself between the traditional "oversocialized" and "undersocialized" approaches to understanding economic behavior (see below). On the intellectual history of the new economic sociology, see Richard Swedberg, "Major traditions of economic sociology," *Annual Review of Sociology* 17 (1991): 251–276; for contemporary empirical examples of work continuing in this tradition, see Richard Swedberg, editor, *Explorations in Economic Sociology* (New York: Russell Sage Foundation), and Neil Smelser and Richard Swedberg, editors, *The Handbook of Economic Sociology* (Princeton: Princeton University Press, 1994).
11. The contemporary literature assigns social capital a number of distinctive properties that gives rise to these results. First, where physical capital and human capital are essentially the property of individuals, social capital by extension resides in groups; unlike other capitals, it incorporates expectations of reciprocity, and is essentially immobile (this claim is controversial; see James Baron and Michael Hannon, "The impact of economics on contemporary sociology," *Journal of Economic Literature* 32/September (1994): 1111–1146, and Alejandro Portes and Patricia Landolt, "The downside of social capital," *The American Prospect* 26/May–June (1996): 18–21, 94. Second, stocks of social capital increase rather than decrease through use; where physical capital is worn out or consumed, for example, trust demonstrated today will be amplified tomorrow. Third, however, social capital is more easily destroyed than created; one corrupt employee can discredit an otherwise exemplary organization, a single gaffe by a politician in the final weeks of a campaign can undermine decades of faithful, competent service. Fourth, because of its capacity to resolve collective action problems and enhance productivity, social capital is regarded as complementary to, rather than a sub-

stitute or competitor for, investments in other forms of capital. Finally, it is important to add that both human and social capital can have intrinsic value as well as instrumental value; good health, education, cooperation, and friendships, as Drèze and Sen rightly stress, "can be valued for their own sake – above and beyond their instrumental importance as factors of production. Indeed, being a 'component of human capital' cannot be the most fulfilling achievement to which a human being can aspire." Jean Drèze and Amartya Sen, *India: Economic Development and Social Opportunity* (Delhi: Oxford University Press, 1995), 43.

12. See Putnam, *Making Democracy Work*; "Bowling alone: America's declining social capital," *Journal of Democracy* 6/1 (1995): 65–78; and "Tuning in, tuning out: the strange disappearance of social capital in America," *Political Science and Politics*, December (1995): 664–683.
13. Several plausible candidates – e.g., Alvin Gouldner, "The norm of reciprocity: a preliminary statement," *American Sociological Review* 25/April (1960): 161–178 – can be put forward as founders of the letter and spirit of social capital (see below), but in the contemporary sense in which the term is used, the following passage from Jacobs seems to be the earliest: "[N]etworks are a city's irreplaceable social capital. Whenever the capital is lost, from whatever cause, the income from it disappears, never to return until and unless new capital is slowly and chancily accumulated." Jane Jacobs, *The Life and Death of Great American Cities* (New York: Random House, 1961), 138. An earlier, isolated, astonishingly prescient use of the term is that of Lyda Hanifan, who argued that "social capital … refer[s] to … those tangible assets [that] count for most in the daily lives of people: namely good will, fellowship, sympathy, and social intercourse among the individuals and families who make up a social unit." Lyda Judson Hanifan, *The Community Center* (Boston: Silver, Burdette, and Co., 1920), 78. Hanifan's proposals for "investing" in a community's social bear a striking resemblance to those being made today. I am grateful to Robert Putnam for bringing this citation to my attention.
14. Bourdieu and Passeron, *Reproduction in Education, Society and Culture* (London: Sage, 1990 [1970]).
15. Loury, "A dynamic theory of racial income differences," in P. A. Wallace and A. LeMund, editors, *Women, Minorities, and Employment Discrimination* (Lexington, Mass., Lexington Books, 1977).
16. Coleman, "Social capital in the creation of human capital," *American Journal of Sociology* 94 (1988): S95–S120; *Foundations of Social Theory* (chapter 12); and "A rational choice perspective on economic sociology," in Smelser and Swedberg, editors, *The Handbook of Economic Sociology* (chapter 7).
17. Burt, *Structural Holes*.
18. See endnote 12.
19. Alejandro Portes and Julia Sensenbrenner, "Embeddedness and immigration: notes on the social determinants of economic action," *American Journal of Sociology* 98/6 (1993): 1320–1350.

    For other work on social capital by these authors, see Bourdieu, *Esquisse d'une Théorie de la Pratique. Précédée de trois études d'ethnologie Kabyle* (Geneve: Droz, 1972); *Distinction: A Social Critique of the Judgment of Taste* (Cambridge: Harvard University Press, 1984 [1979]); "Le capital social," *Actes de la Recherche en Sciences Sociales* 32/33 (1980): 2–3; "The forms of capital," in John Richardson, editor, *Handbook of Theory and Research for the Sociology of Education* (Westport, Conn.: Greenwood Press, 1986 [1983]); and *Sociology in Question* (London:

Sage, 1993 [1984]). Loury, "Why should we care about group inequality?" *Social Philosophy and Policy* 5 (1987): 249–271; and "The economics and discrimination…." Coleman, "Norms as social capital," in G. Radnitzky and P. Bernholz, editors, *Economic Imperialism: The Economic Method Applied Outside the Field of Economics* (New York: Paragon House Publishers, 1987); "The creation and destruction of social capital: implications for the law," *Journal of Law, Ethics, and Public Policy* 3 (1988): 375–404; "Social capital, human capital, and investment in youth," in Anne C. Peterson and Jeylan T. Mortimer, editors, *Youth Unemployment and Society* (New York: Cambridge University Press, 1994). Burt, "Social capital, structural holes, and the entrepreneur," mimeo (University of Chicago, Graduate School of Business, 1995). John Helliwell and Robert Putnam, "Social capital and economic growth in Italy," *Eastern Economic Journal* 21/3 (1995): 295–307. Portes, editor, *The Economic Sociology of Immigration*.

20. Social capital research can be grouped into seven substantive fields. In addition to the literature on social theory and economic development – the primary focus of this article – the idea of (if not the exact term) social capital has also been employed extensively in studies of: (1) Families and Youth Behavior Problems. T. Parcel and E. Menaghan, "Family social capital and children's behavior problems," *Social Psychology Quarterly* 56/2 (1993): 120–135; Sara McLanahan and Gary Sandefur, *Growing up with a Single Parent: What Hurts, What Helps* (Cambridge: Harvard University Press, 1994); J. Boisjoly, G. Duncan, and S. Hofferth, "Access to social capital," *Journal of Family Issues* 16/5 (1995): 609–631; John Hagan, H. Merkens, and K. Boehnke, "Delinquency and disdain: social capital and the control of right-wing extremism among east and west Berlin youth," *American Journal of Sociology* 100/4 (1995): 1028–1052; F. Furstenburg and M. Hughes, "Social capital and successful development among at-risk youth," *Journal of Marriage and the Family* 57/August (1995): 580–592; Francis Fukuyama, "The Great Disruption," Tanner Lectures, Brasenose College, Oxford University, 1997. (2) Schooling and Education, James Coleman and Thomas Hoffer, *Public and Private Schools: The Impact of Communities* (New York: Basic Books, 1987); J. Crane, "Effects of neighborhoods on dropping out of school and teenage childbearing," in Chistopher Jencks and Paul Peterson, editors, *The Urban Underclass* (Washington, D.C.: Brookings Institution, 1991); M. Smith, L. Beaulieu, and G. Israel, "Effects of human capital and social capital on dropping out of high school in the south," *Journal of Research in Rural Education* 8/1 (1992): 75–87; John Modell, "When may social capital influence children's school performance?" in Anne C. Peterson and Jeylan T. Mortimer, editors, *Youth Unemployment and Society*; A. Valenzuela and S. Dornbush, "Familism and social capital in the academic achievement of Mexican origin and Anglo adolescents," *Social Science Quarterly* 75/1 (1994): 18–36; M. Smith, L. Beaulieu, and A. Seraphine, "Social capital, place of residence, and college attendance," *Rural Sociology* 60/3 (1995): 363–380. (3) Community Life (a) In physical settings. Phillip Abrams, with Martin Bulmer, *Neighbours* (Cambridge: Cambridge University Press, 1986); A. Case and L. Katz, "The company you keep: the effects of family and neighborhood on disadvantaged youths" (Cambridge, Mass.: National Bureau of Economic Research, Working Paper No. 3705, 1991); Loïc Wacquant and William J. Wilson, "The cost of racial and class exclusion in the inner city," *Annals of the American Academy of Political and Social Science* 501: 8–26, 1989; Robert Ellickson, *Order Without Law: How Neighbors Settle Disputes* (Cambridge: Harvard University Press, 1991); M. Patricia Fernandez-Kelley, "Social and cultural capital in the

urban ghetto: implications for the economic sociology of immigration" in Portes, editor, *The Economic Sociology of Immigration*; Everett Ladd, "The data just don't show erosion of America's 'social capital,'" *Public Perspective* (1996): 4–22; John Clark, "Shifting engagements: lessons from the 'bowling alone' debate," Hudson Briefing Papers, No. 196, 1996; Andrew Greely, "The other civic America: religion and social capital," *The American Prospect* 32 (1997): 68–73. (b) In "virtual" settings. Howard Rheingold, *The Virtual Community: Homesteading on the Electronic Frontier* (New York: HarperPerennial, 1994); Douglas Schuler, *New Community Networks: Wired For Change* (Reading, Mass.: Addison-Wesley, 1996); Sherry Turkle, "Virtuality and its discontents," *The American Prospect* 24 (1996): 50–57. (4) Work and Organizations. H. Flap and N. De Graaf, "Social capital and attained occupational status," *The Netherlands Journal of Sociology* 22 (1986): 145–161; E. Boxman, P. De Graaf, and H. Flap, "The impact of social and human capital on the income attainment of Dutch managers," *Social Networks* 13 (1991): 51–73; Maurice Schiff, "Social capital, labor mobility, and welfare: the impact of uniting states," *Rationality and Society* 4 (1992): 157–75; Francis Fukuyama, *Trust: The Social Virtues and the Creation of Prosperity* (New York: The Free Press, 1995); A. Fellmeth, "Social capital in the United States and Taiwan: trust or rule of law?" *Development Policy Review* 14 (1996): 151–171. (5) Democracy and Governance. Peter Berger and Richard Neuhaus, *To Empower People: The Role of Mediating Structures in Public Policy* (Washington D.C.: American Enterprise Institute, 1977); J. Cohen and J. Rogers, "Secondary associations in democratic governance," *Politics and Society* 20 (1992): 393–472; Sidney Verba, Kay Schlozman, and Henry Brady, *Voice and Equality: Civic Voluntarism in American Politics* (Cambridge: Harvard University Press, 1995); William Mishler and Richard Rose, "Support for parliaments and regimes in transition towards democracy in eastern Europe," *Legislative Studies Quarterly* 19/1 (1994): 5–32; Mishler and Rose, "Trajectories of fear and hope: the dynamics of support for democracy in eastern Europe," *Comparative Political Studies* 28/4 (1995): 553–581; Mishler and Rose, "Trust, distrust, and skepticism: popular evaluations of civil and political institutions in post-communist society," *Journal of Politics* (forthcoming); Rose and Mishler, "Mass reaction to regime change in eastern Europe: polarization or leaders and laggards?" *British Journal of Political Science* 24/2 (1994): 159–182; Jennifer Widner, "State-building and community: understanding local government performance in Africa," paper presented at the American Political Science Association Annual Meeting, San Francisco, 1996; Widner, "Social capital and investment," mimeo (Ann Arbor: Department of Political Science, University of Michigan, 1997); Gary Woller, "Social capital and citizen support for the new democratic regimes of central and eastern Europe," mimeo (Provo: Marriott School of Management, Brigham Young University, 1997). (6) General Cases of Collective Action Problems. Elinor Ostrom, *Governing the Commons: The Evolution of Institutions for Collective Action* (New York: Cambridge University Press, 1990); M. Taylow and S. Singleton, "The communal resource: Transaction costs and the solution of collective action problems," *Politics and Society* 21 (1993): 195–214; Elinor Ostrom, R. Gardner, and J. Walker, *Rules, Games, and Common-Pool Resources* (Ann Arbor: The University of Michigan Press, 1994); Lindon Robison and A. Alan Schmid, "Applications of social capital theory," *Journal of Agricultural and Applied Economics* 27/1 (1995): 59–66; Andre Habish, "Extending capital theory: social capital analysis as a new instrument to understand local institutions" (Bloomington: Workshop in Political Theory and Policy Analysis, W96–5, 1996).

The idea of social capital also trades under the name of "intangible assets": Thorston Veblen, "On the nature of capital, intangible assets and the pecuniary magnate," *Quarterly Journal of Economics* 22 (1908): 104–136; "social energy": Albert Hirschman, *The Strategy of Economic Development* (New Haven: Yale University Press, 1958), and Norman Uphoff, *Learning from Gal Oya: Possibilities for Participatory Development and Post-Newtonian Social Science* (Ithaca: Cornell University Press, 1992); "social capability": Kazushi Ohkawa and Henry Rosovsky, *Japanese Economic Growth: Trend Acceleration in the Twentieth Century* (Stanford: Stanford University Press, 1973); "sociability": Fred Hirsch, *Social Limits to Growth* (Cambridge: Harvard University Press, 1976); "moral resources": Albert Hirschman, "Against parsimony: three easy ways of complicating economic analysis," *American Economic Review* 74 (1984): 88–96; and "ties"/"networks": Mark Granovetter, "The strength of weak ties," *American Journal of Sociology* 78 (1973): 1360–1380; Susan Greenhalgh, "Families and networks in Taiwan's economic development," in E. Winckler and S. Greenhalgh, editors, *Contending Approaches to the Political Economy of Taiwan* (Armonk, N.Y.: M. E. Sharpe, 1988); Walter Powell and Laurel Smith-Doerr, "Networks and economic life," in Smelser and Swedberg, editors, *The Handbook of Economic Sociology* (chapter 15). It is implicit in studies of various "economic groups" – e.g., Stewart Macaulay, "Non-contractual relations in business: a preliminary statement," *American Sociological Review* 25 (1963): 161–178; Nathaniel Leff, "Capital markets in the less developed countries: the group principle," in Ronald McKinnon, editor, *Money and Finance in Economic Growth and Development* (New York: Marcel Dekker, 1976); Leff, "Industrial organizational and entrepeneurship in the developing countries: the economic groups," *Economic Development and Cultural Change* 26/July (1978): 661–675; Yoram Ben-Porath, "The F-connection: families, friends and firms and the organization of exchange," *Population and Development Review* 6/1 (1980): 1–30 – and more recent innovative work by economists and economic historians: see Moses Abramovitz, "Catching up, forging ahead, and falling behind," *Journal of Economic History* 46 (1986): 385–406; Gary Becker, *Accounting for Tastes* (Cambridge: Harvard University Press, 1996); Avner Greif, "Contract enforceability and economic institutions in early trade," *American Economic Review* 83 (1993): 525–549; Greif, "Cultural beliefs and the organization of society: a historical and theoretical reflection on collectivist and individualist societies," *Journal of Political Economy* 102 (1994): 912–950; John Helliwell, "Economic growth and social capital in Asia" (Cambridge, Mass.: National Bureau of Economic Research, Working Paper No. 5470, 1996); Cynthia Taft Morris, "How fast and why did capitalism benefit the majority?" *Journal of Economic History* 55/2 (1995): 211–226; Jean-Philippe Platteau, "Behind the market stage where real societies exist" [Parts I & II], *Journal of Development Studies* 30: 533–577 and 753–817; Stephen Knack and Philip Keefer, "Institutions and economic performance: cross-country tests using alternative institutional measures," *Economics and Politics* 7/3 (1995): 207–227; Knack and Keefer, "Does social capital have an economic pay off? A cross-country investigation," (College Park: University of Maryland, IRIS Working Paper No. 197, 1996); Platteau, "Traditional sharing norms as an obstacle to economic growth in tribal societies," *Cahires de la Faculte des Sciences Economiques et Sociales, Facultes Universitaires Notre-Dame de la Paix* 173 (1996): 201–223; James Rauch, "Trade and search: social capital, sogo shoba, and spillovers" (Cambridge, Mass.: National Bureau of Economic Research, Working Paper No. 5618, 1996).

Two independent groups of economists are currently exploring ways of incorporating norms and values into orthodox theories of growth and organizational performance. See Avner Ben-Ner and Louis Putterman, editors, *Economics, Values, and Organization* (New York: Cambridge University Press, 1997), and works produced under aegis of the MacArthur Foundation, which is sponsoring seminars on inequality, gender, and the evolution of values and preferences; see Herbert Gintis, “Towards a research agenda on the evolution of norms, values, preferences, and capabilities,” mimeo (Department of Economics, University of Massachusetts-Amhert, 1995),

21. Baron and Hannon, “The impact of economics on contemporary sociology,” 1122–1124. The claim that social capital is a form of capital comparable to physical and human capital is problematic, but not overly so. Baron and Hannan contend that to qualify as “capital” an entity must possess an opportunity cost, that social capital in the popular sense lacks this quality, and that it is therefore erroneous to bracket it with physical and human capital. They are partly right – much of one’s social capital stems from an inherited endowment over which one has little influence – but it is also the case that people can and do make deliberate, hence costly, efforts to increase their social capital, as the infamous practice of networking (“it’s not what you know, it’s who you know”) indicates (see Burt, *Structural Holes*, chapter 1). For empirical evidence that social capital is indeed both social and capital, see the promising work of Deepa Narayan and Lant Pritchett, “Cents and sociability: household income and social capital in rural Tanzania,” mimeo (Washington, D.C.: The World Bank, Environment Department, 1997).
22. Ordinarily, a theory’s parsimony – i.e., its capacity to explain the most with the least – is a desirable property; in this instance, however, a single term is being adopted indiscriminately, adapted uncritically, and applied imprecisely.
23. Coleman, “Norms as social capital”; *Foundations* (chapter 11).
24. This concern mirrors the familiar argument made against rational-choice theorists, namely that if all behavior is, by definition, utility-maximizing, then the assumption is rendered non-falsifiable. Similarly, just as Olson’s early work predicts too much “free-riding,” so too an indiscriminate application of social capital over-explains collective action. A partial solution in both cases is to search for the specific conditions under which individuals and groups are able to work together (or not) for mutual benefit, a position that Olson himself now seems to endorse. See Mancur Olson, *The Logic of Collective Action* (Cambridge: Harvard University Press, 1965); cf. Olson, “Preface,” in Todd Sandler, *Collective Action: Theory and Applications* (Ann Arbor: University of Michigan Press, 1992).
25. This formulation actually represents a synthesis of Weber and Durkheim; see Dietrich Rueschemeyer and Peter Evans, “The state and economic transformation: toward an analysis of the conditions underlying effective intervention,” in Peter Evans, Dietrich Rueschemeyer, and Theda Skocpol, editors, *Bringing the State Back In* (New York: Cambridge University Press, 1985), 59.
26. Granovetter, “The strength of weak ties”; William Julius Wilson, *When Work Disappears: The World of the New Urban Poor* (New York: Knopf, 1996).
27. Fukuyama, *Trust*; see also Diego Gambetta, “Can we trust trust?” in Gambetta, editor, *Trust: Making and Breaking Cooperative Relations* (New York: Basil Blackwell, 1988) and James Henslin, “What makes for trust?” in Henslin, editor, *Down to Earth Sociology: Introductory Readings*, fourth edition (New York: The Free Press).
28. This is the sense in which social capital is employed by Pierre Bourdieu; see citations in endnote 19.

29. Bob Edwards and Michael Foley, "Social capital and the political economy of our discontent," *American Behavioral Scientist* 40/5 (1997): 669.
30. Portes and Landolt, "The downside of social capital," 19.
31. See Berger and Neuhaus, *To Empower People*; Amatai Etzioni, *The Spirit of Community* (New York: Crown Publishers, 1993); Alan Ahrenhalt, *The Lost City* (New York: Basic Books, 1995).
32. George F. Will, cited in Theda Skocpol, "Unraveling from above," *The American Prospect* 25 (1996), 20. Cf. Robert Bellah et al.'s trenchant criticism of those who would "strengthen democracy by weakening government." Bellah et al., *The Good Society* (New York: Random House, 1992), 133. For empirical refutations of the zero-sum argument of state-society relations, see Lester Salamon, *Partners in Public Service: Government-Nonprofit Relations in the Modern Welfare State* (Baltimore: Johns Hopkins University Press, 1995), and Theda Skocpol, *Social Policy in the United States: Future Possibilities in Historical Perspective* (Princeton: Princeton University Press, 1995) on the United States, and Bo Rothstein, *The Social Democratic State: The Swedish Model and the Bureaucratic Problem of Social Reforms* (Pittsburgh: University of Pittsburgh Press, 1996), on Sweden.
33. William Schambra, "By the people: the old values of the new citizenship," *Policy Review*, Summer (1994): 32–38.
34. Fukuyama, *Trust*. For a related argument, see Lawrence Harrison, *Who Prospers? How Cultural Values Shape Economic and Political Success* (New York: Basic Books, 1992).
35. Putnam, *Making Democracy Work*. Putnam's critics, while otherwise celebrating his work, have directed most of their attack at his reading of Italy's social and political history.
36. For a critique of Putnam's general thesis as it applies to the United States, see, among others, Michael Schudson, "What if civic life didn't die?" *The American Prospect* 25 (1996): 17–20; Nicholas Lemann, "Kicking in groups," *The Atlantic Monthly* 277/4 (1996): 22–26; Ladd, "The data just don't show America's erosion of 'social capital'"; Clark, "Shifting engagements." See also Margaret Levi, "Social and unsocial capital: a review essay of Robert Putnam's *Making Democracy Work*" *Politics and Society* 24/1 (1996): 45–55.
37. More accurately, scholars in this tradition argue that there is a wide range of actions by the state, from the "predatory" to the "developmental." I discuss the merits of this approach in more detail below.
38. Skocpol, "Unraveling from above," 20. See also Skocpol, *Social Policy in the United States*. For the most part, however, liberals have been conspicuous in their reluctance to offer a broader range of concrete policy recommendations to nurture social capital. To be fair, Putnam's work has been published in the liberal press and he seeks explicitly to identify himself with this camp, arguing forcefully that "differences in social capital appear essentially uncorrelated with welfare spending or government size.... [Social capital is], if anything, *positively* correlated with the size of the state." Putnam, "Turning in, turning out," 671 (emphasis in original). Nevertheless, it is still the case that hasty readers can use Putnam's results to suit opposing political agendas.
39. Verba, Schlozman, and Brady, *Voice and Equality.*
40. That this debate persists despite the wealth of evidence in favor of the "positive sum" camp is testimony more to the strength of ideological commitments among conservatives than the persuasiveness of their contradictory data.

41. Mancur Olson, *The Rise and Decline of Nations* (New Haven: Yale University Press, 1982).
42. Portes and Landolt, "The downside of social capital."
43. Coleman, for example, recognized that social capital "not only facilitates certain actions but also constrains others," but his examples indicate that he was more concerned with showing how social capital could prevent undesirable behavior (crime, lying) just as it could encourage good behavior. Coleman, *Foundations of Social Theory*, 311. As I show in detail below, however, certain combinations of social capital can in fact undermine desirable behavior *and* support destructive behavior.
44. See, for example, the positive relation among local associations, governance, and economic performance in the United States reported in Tom Rice and Alexander Sumberg, "Civic culture and government performance in the American states," mimeo (Ames, Ia.: Department of Political Science, Iowa State University, 1995), John Helliwell, "Do borders matter for social capital? Economic growth and civic culture in U.S. states and Canadian provinces," mimeo (Vancouver: Department of Economics, University of British Columbia, 1996), and Helliwell, "Empirical linkages between democracy and economic growth," *British Journal of Political Science* 24/2 (1994): 225–248, where "old" states such as Vermont and Massachusetts performed best of all. These findings do not support the arguments made in Olson, *The Rise and Decline of Nations*.
45. For an overview of this literature, see Ivan Light and Stavros Karageorgis, "The ethnic economic," in Smelser and Swedberg, *Handbook of Economic Sociology* (chapter 26).
46. Alfred Marshall, *Principles of Economics*, first edition (London: Oxford University Press, 1890); John Hicks, *The Social Framework: An Introduction to Economics* (New York: Clarendon Press, 1942). The classical usage of social capital is the sense in which it used by Louis Putterman, "Social capital and development capacity: the example of rural Tanzania," *Development Policy Review* 13 (1995): 5–22.
47. Albert Hirschman, *The Passions and the Interests: Political Arguments for Capitalism before its Triumph* (Princeton: Princeton University Press, 1977), Hirschman, "Rival views of market society," *Journal of Economic Literature* 20 (1982): 1463–1484.
48. Platteau, "Behind the market stage where real societies exist."
49. David McNally, *Political Economy and the Rise of Capitalism: A Reinterpretation* (Berkeley: University of California Press), 169.
50. Albert Hirschman, "Interest," in J. Eatwell, M. Milgate, and P. Newman, editors, *The Invisible Hand* (The New Palgrave) (London: Macmillan, 1987), 160. The passages from McNally and Hirschman both come from Platteau, "Behind the market stage where real societies exist."
51. See Jerry Evensky, "The role of community values in modern classical liberal economic thought," *Scottish Journal of Political Economy* 39/1 (1992): 21–38; Evensky, "Ethics and the invisible hand," *Journal of Economic Perspectives* 7/2 (1993): 197–205; and Jerry Muller, *Adam Smith in his Time and Ours: Designing the Decent Society* (New York: The Free Press). Evensky (pers. comm., 1997) claims that Smith planned but never wrote the "third leg" of what was supposed to be a three-volume treatise on economic growth and the evolution of society; the unwritten volume was to address the issue of jurisprudence.
52. Adam Muller's notion of spiritual capital embodied both cultural values and "the

organic unity of society and state." While an ardent anti-capitalist, anti-industrialist and otherwise eccentric character, Muller was nevertheless "one of the first to raise – though rudimentarily – the social question." H. Reich, entry for "Adam Muller," in *The New Palgrave* (New York: The Stockton Press, 1987), 561.

53. Randall Collins, *Four Sociological Traditions* (New York: Oxford University Press, 1994).
54. Richard Swedberg, "Economic sociology: past and present," *Current Sociology* 35/1 (1987): 1–215; Swedberg, "Major traditions of economic sociology."
55. Portes and Sensenbrenner, "Embeddedness and immigration," 1321. Cf. the alternative definitions in endnote 2.
56. The classic intermediary position is, of course, the de Tocquevillian one, represented most compellingly in the work of Putnam, *Making Democracy Work*, in which a vibrant civil society acts to reconcile the "passions" of the micro level and the "interests" of the macro. As I argued above, however, Putnam's thesis as currently constituted does not resolve adequately the different uses of social capital at the micro and macro levels. Designating the comparative institutionalist work as "macro" is done mainly for heuristic purposes; this work, unlike the true macro-sociological work of Braudel, Wallerstein, or Mann, is perhaps more accurately identified as operating at the intersection of the macro and "meso" levels (i.e., the social ties crossing the public-private divide), but I find this latter term cumbersome. For our purposes, "the macro level" is simply short-hand for the formal business, political, and social organizations of society.
57. Mark Granovetter, "Economic action and social structure: the problem of embeddedness," *American Journal of Sociology* 91 (1985): 493.
58. Polanyi argued, for example, that as a result of the structural transformation, "the noncontractual organizations of kinship, neighborhood, profession and creed were … *liquidated* since they claimed the allegiance of the individual and thus restrained his [economic] freedom." Karl Polanyi, *The Great Transformation* (Boston: Beacon Press, 1957 [1944]), 163 (emphasis added).
59. For a more detailed review of the idea of embeddedness, see Bernard Barber, "All economies are embedded: the career of a concept and beyond," *Social Research* 62/2 (1995): 387–413.
60. See Oliver Williamson, *Markets and Hierarchies: Analysis and Antitrust Implications* (New York: Free Press, 1975); and Williamson, *The Economic Institutions of Capitalism* (New York: Free Press, 1985).
61. Ronald Coase, "The nature of the firm," *Econometrica* 4 (1937): 386–405.
62. The argument is not that the distinction between "formal" and "informal" does not matter – it clearly does in the case of contracts, for example – but rather that it should not be the basis for defining the boundary between a "market" and a firm (or "hierarchy"). Douglas North, whose recent work has been increasingly open to the input of non-economists, also stresses the idea that informal social mechanisms continue to be important even in highly advanced economies. "[F]ormal rules," he contends, "in even the most developed country, make up a small (although very important) part of the sum of constraints that shape choices; a moment's reflection should suggest to us the pervasiveness of informal constraints." Douglas North, *Institutions, Institutional Change and Economic Performance* (New York: Cambridge University Press, 1990), 36.
63. Granovetter, "Economic action and social structure," 502.
64. Granovetter, "The strength of weak ties."
65. Ferdinand Braudel, *Civilization and Capitalism, 15th–18th Century*. Vol. 2, *The*

Wheels of Commerce (London: Fontana Press, 1985), 227. Cited in Richard Swedberg and Mark Granovetter, "Introduction," in Granovetter and Swedberg, editors, *The Sociology of Economic Life* (Boulder: Westview Press, 1992), 12.

66. See Sharon Zukin and Paul DiMaggio, "Introduction," in Zukin and DiMaggio, editors, *Structures of Capital: The Social Organization of the Economy* (New York: Cambridge University Press, 1990).
67. "Dilemmas of collective action" is a term used predominantly by rational choice and game theorists – e.g., Robert Axelrod, *The Evolution of Cooperation* (New York: Penguin, 1984); Garrett Hardin, "The tragedy of the commons," *Science* 162: 1243–1248; Olson, *The Logic of Collective Action*; Ostrom, *Governing the Commons* – to refer to what other social-science traditions call the "problem of order." The classical sociologists, along with Parsons and most recently Wrong, held this to be "the most fundamental and general question in social theory," Dennis Wrong, *The Problem of Order* (New York: The Free Press, 1994), 7. The problem of order has been addressed extensively by the normative/functionalist theories of Durkheim and Parsons, structuralists such as Marx and Dahrendorf, and the psychoanalytic theory of Freud – see Michael Hechter, *Principles of Group Solidarity* (Berkeley, University of California Press, 1987), and Wrong, *The Problem of Order*. Specifically, dilemmas of collective action are those situations in which, absent credible monitoring and enforcement mechanisms, individuals fail to cooperate for mutual benefit. As Putnam puts it, "the performance of all social institutions, from international credit markets to regional governments to bus queues, depends on how these problems are resolved." Putnam, *Making Democracy Work*, 164.
68. On the emergence of the macro-level wing of the new sociology of economic development (i.e., "the new comparative political economy") during the 1980s, see Peter Evans and John Stephens, "Development and the world economy," in Neil Smelser, editor, *Handbook of Sociology* (Beverly Hills: Sage, 1988).
69. See Mark Granovetter, "The economic sociology of firms and entrepreneurs," in Portes, editor, *The Economic Sociology of Immigration*; and Portes, "Economic sociology and the sociology of immigration: a conceptual overview." The comparative institutionalists were the late-comers to this conceptualization; it is only recently that the connection is finally made explicit: "Social capital inheres, not just in civil society, but in an enduring set of relationships that span the public-private divide … it is social capital built in the interstices between state and society that keeps [economic] growth on track." Peter Evans, "Government action, social capital and development: reviewing the evidence on synergy," *World Development* 24/6 (1996): 1122.
70. Portes and Sensenbrenner, "Embeddedness and immigration."
71. Portes, "Economic sociology and the sociology of immigration."
72. Rueschemeyer and Evans, "The state and economic transformation."
73. Thorston Veblen, *Imperial Germany and the Industrial Revolution* (Ann Arbor: University of Michigan Press, 1966 [1915]); Polanyi, *The Great Transformation*; Hirschman, *The Strategy of Economic Development*; Alexander Gerschenkron, *Economic Backwardness in Historical Perspective* (Cambridge: Harvard University Press, 1962); Barrington Moore, *Social Origins of Dictatorship and Democracy* (Boston: Beacon Press, 1967).
74. Chalmers Johnson, *MITI and the Japanese Miracle* (Stanford: Stanford University Press, 1982).
75. Peter Evans, "Predatory, developmental and other apparatuses: a comparative political economy perspective on the third world state," *Sociological Forum* 4/4

(1989): 561–587; Evans, "The state as problem and solution: predation, embedded autonomy, and structural change," in Stephan Haggard and Robert Kaufman, editors, *The Politics of Economic Adjustment* (Princeton: Princeton University Press, 1992); Evans, *Embedded Autonomy* (Princeton: Princeton University Press, 1995); Alice Amsden, *Asia's Next Giant: South Korea and Late Industrialization* (New York: Oxford University Press, 1989); and Robert Wade, *Governing the Market: Economic Theory and the Role of Government in East Asian Industrialization* (Princeton: Princeton University Press, 1990).

76. For related work, see Robert Bates, *Markets and States in Tropical Africa: The Political Basis of Agricultural Policies* (Berkeley and Los Angeles: University of California Press, 1981); Bates, *Beyond the Miracle of the Market: The Political Economy of Agrarian Development in Kenya* (Cambridge: Cambridge University Press, 1989); John Zysman, *Governments, Markets and Growth* (Ithaca: Cornell University Press, 1983); Gary Hamilton and Nicole Biggart, "Market, culture and authority: a comparative analysis of management and organization in the far east," *American Journal of Sociology* 94/Supplement (1988): S52–S94; Dietrich Rueschemeyer, Evelyn Stephens, and John Stephens, *Capitalist Development and Democracy* (Cambridge: Polity Press, 1992), Guillermo O'Donnell, "On the state, democratization and some conceptual problems: a Latin American view with glances at some postcommunist countries" *World Development* 21/8 (1993): 1355–1369; Merile Grindle, *Challenging the State: Crisis and Innovation in Latin America and Africa* (New York: Cambridge University Press, 1996); Grindle, "Divergent cultures? When public organizations perform well in developing countries," *World Development* 25/4 (1997): 481–495, Patrick Heller, "Social capital as a product of class mobilization and state intervention: industrial workers in Kerala, India," *World Development* 24/6 (1996): 1055–1071; Jonathan Fox, "How does civil society thicken? The political construction of social capital in rural Mexico," *World Development* 24/6 (1996): 1089–1103; and Judith Tendler, *Good Government in the Tropics* (Baltimore: Johns Hopkins University Press, 1997). For a critique of this school, centered on Evans's *Embedded Autonomy*, see the review symposium in *Political Power and Social Theory* 10 (1996). The comparative institutionalist approach is also known as historical institutionalism – see, for example, Sven Steinmo, Kathleen Thelen, and Frank Longstreth, editors, *Structuring Politics: Historical Institutionalism in Comparative Analysis* (New York: Cambridge University Press, 1992) – though the latter holds more stringently to rational-choice assumptions. While still regarded with great skepticism in some quarters, the insights of the comparative institutionalists have slowly begun to make their presence felt in "official" interpretations of seminal events such as the so-called East Asian miracle; see, for example, World Bank, *The East Asian Miracle: Economic Growth and Public Policy* (New York: Oxford University Press, 1993), and Joseph Stiglitz, "Some lessons from the East Asia miracle," *World Bank Research Observer* 11/2 (1996): 151–177.

77. My distinction between "static" dilemmas of collective action and "dynamic" organizational dilemmas of development is thus a qualitative one, and should not be confused with equivalent terms used by game theorists in which the latter are simply repeated (or "iterated") instances of the former.

78. Linkage incorporates, but is not limited to, the widely-used socio-political concept of civic engagement.

79. Emile Durkheim, *The Division of Labor in Society* (New York: The Free Press, 1984 [1893]). Durkheim, of course, drew on and extended Tönnies' similar distinc-

tion between the familial and traditional social relations characterizing *gemeinschaft* (community) and weaker ties associated with an expanding division of labor and the transition to *gesellschaft* (society or association). Ferdinand Tönnies, *Community and Society (Gemeinschaft und Gesellschaft)* (New York: Harper and Row, 1963 [1887]).

80. William Julius Wilson, *The Truly Disadvantaged* (Chicago: University of Chicago Press, 1987); Wilson, *When Work Disappears.*
81. Robert Klitgaard and Johannes Fedderke, "Social integration and disintegration: an exploratory analysis of the data," *World Development* 23/3 (1995): 357–369.
82. Wilson argues compellingly for the importance of both integration and linkage in understanding the plight of residents of contemporary inner-city ghettos: "On the basis of research conducted by the University of Chicago's Center for the Study of Urban Inequality … it appears that what many impoverished and dangerous neighborhoods have in common is a relatively high degree of social integration (*high levels of local neighboring while being relatively isolated from contacts in the broader mainstream society*) and low levels of informal social control (feelings that they have little control over their immediate environment, including the environment's negative influences on their children). In such areas, not only are children at risk because of the lack of informal social controls, they are also disadvantaged because the social interaction among neighbors tends to be confined to those whose skills, styles, orientations, and habits are not as conducive to promoting positive social outcomes (academic success, pro-social behavior, etc.) as are those in more stable neighborhoods. Although the close interaction among neighbors in such areas may be useful in devising strategies, disseminating information, and developing styles of behavior that are helpful in a ghetto (teaching children to avoid eye contact with strangers and to develop a tough demeanor in the public sphere for protection), they may be less effective in promoting the welfare of children in the society at large." Wilson, *When Work Disappears*, 63–64 (emphasis added). Ulf Hannerz, *Soulside: Inquiries into Ghetto Culture and Community* (New York: Columbia University Press, 969) and J. MacLeod, *Ain't No Making It: Aspirations and Attainment in a Low-Income Neighborhood* (Boulder: Westview Press, 1995) tell similar stories to explain the divergent fortunes of black and white youths from poor communities in the United States. For a recent complementary argument on urban poverty in developing countries, see Caroline Moser, *Confronting Crisis: A Comparative Study of Household Responses to Poverty and Vulnerability in Four Poor Urban Communities* (Washington, D.C.: The World Bank, 1996). See also David M. Cutter and Edward L. Glaeser, "Are ghettos good or bad?" *Quarterly Journal of Economics* 62/3 (1997): 827–872.
83. Georg Simmel, "Group expansion and the development of individuality," in Donald Levine, editor, *Georg Simmel: On Individuality and Social Forms* (Chicago: University of Chicago Press, 1971 [1908]), 253, 255.
84. See Max Weber, *Economy and Society*, ed. Guenther Ross and Claus Wittich, (Berkeley: University of California Press, 1968 [1922]), and Weber, *General Economic History*, translated by Frank Knight (New Brunswick, N.J.: Transaction Books, 1923 [1981]).
85. Weber, *Economy and Society*, 1394–1395.
86. Weber, ibid., 1393.
87. For a comprehensive overview of the development of Weber's theory of capitalism, see Randall Collins, "Weber's last theory of capitalism: a systemization" *American Sociological Review* 45/December (1980): 925–942 (1980).

88. Evans, *Embedded Autonomy*, 39.
89. Evans, "Government action, social capital and development," 1120.
90. Evans distinguishes between two types of synergy. The first is what he calls complementarity, i.e., "the conventional way of conceptualizing mutually supportive relations between public and private actors. It suggests a clear division of labor, based on the contrasting properties of public and private institutions … [and] fits nicely with existing paradigms in institutional economics and public administration … [forcing] no rethinking of the public-private divide." Evans, "Government action, social capital and development," 1120. The second type of synergy is embeddedness, in the sense in which this term it has been discussed above at the macro level. It is the synergy-as-embeddedness aspect that I adopt in this article.
91. Randall Collins, commenting on Weber's understanding of the role of institutions in shaping the emergence of capitalism. Collins, "Weber's last theory of capitalism," 935.
92. Norman Uphoff, "Grassroots organizations and NGOs in rural development: opportunities with diminishing states and expanding markets," *World Development* 21/4 (1993): 607–622.
93. Albert Einstein, *Ideas and Opinions* (New York: Bonanza, 1954), 54.
94. Edward Banfield, *The Moral Basis of a Backward Society* (New York: Free Press, 1958). Amoral familism corresponds to Hirschman's notion of "group-focused" development. See Hirschman, *The Strategy of Economic Development* (chapter 1).
95. Platteau, "Behind the market stage where real societies exist," 799.
96. The historical transition, from a general ethos of favors to insiders and hostility to outsiders to a more universal and shared sense of fairness to all, is the central thesis of Nelson's account of the emergence of the modern financial system. See Benjamin Nelson, *The Idea of Usury* (Princeton: Princeton University Press, 1949).
97. John Toye, *Dilemmas of Development* (Oxford: Basil Blackwell, 1987).
98. Christopher Colclough, "Structuralism versus neo-liberalism: an introduction," in Christopher Colclough and James Manor, editors, *States or Markets? Neo-Liberalism and the Development Policy Debate* (Oxford: Clarendon Press, 1991).
99. Holmes, "What Russia teaches us now," 37.
100. Sudhir Kakar, *The Inner World* (Delhi: Oxford University Press, 1978).
101. Putnam, *Making Democracy Work*; Diego Gambetta, *The Sicilian Mafia: The Business of Private Protection* (Cambridge: Harvard University Press, 1993).
102. Paul Kennedy, *African Capitalism: The Struggle for Ascendancy* (New York: Cambridge University Press, 1988).
103. See Colin Turnbull, *The Mountain People* (New York: Simon and Schuster, 1972).
104. For a more recent but equally telling example, consider the following passage from Klitgaard's (1990: 169) tale of the vicissitudes of economic development in Equatorial Guinea: "The women spend hours every day tending [malangas] and other food…. When the malangas are harvested after eleven months, they are placed in one hundred eighty-seven pound bags and taken to market. Each women feels compelled to take her own bag or bags to market. 'I don't trust my neighbor to sell the malanga for me,' one woman explained after several of my questions, apparently surprised that I was surprised. 'Why? I just do not. She would not give me the correct price or would take the money.' Even a woman in your village, your neighbor? 'Yes, I do not trust them.' Consequently each woman for each bag pays not only the bag's transportation but her own, and has to defray the cost of living for six days in the market – the time it takes to sell the one hundred eighty-seven

pounds in small retail batches.... The marketing costs paid by the women come to about two-thirds of the sale price of twenty-five to thirty dollars a bag – or more than twice the cost of production."

105. Mother Teresa's work in the slums of Calcutta, especially at Kalighat, the Home for the Dying, takes on a special significance in this context. Kalighat is for those with terminal illnesses living in adject poverty, who have no family or community to look after them. Already without physical, financial, and human capital, it can be argued that these individuals are truly the "poorest of the poor" precisely because they also lack social capital. Consider the following passage from Navin Chawla, in which a Sister is discussing aspects of the admissions procedure to Kalighat: "One of the small problems we face," said a Sister, "is to distinguish between 'street cases' and 'family cases'. 'Street cases' are the destitutes, the abandoned. They have no-one to look after them. No family, no relatives, no-one who loves them enough to wish to keep them. 'Family cases' are those where families are unable or unwilling to take care of their members ... They often come here and say 'I have fallen ill. I have nowhere to lie down. The market is so crowded. It is only at night that I get a little corner to sleep in. I have nowhere to go.'" Navin Chawla, *Mother Teresa: The Authorized Biography* (New Delhi: Penguin Books, 1992), 164.
106. Anomie in this instance corresponds to Hirschman's notion of "ego-focused" development. See Hirschman, *The Strategy of Economic* (chapter 1).
107. Hagan, Merkins, and Boehnke, "Delinquency and disdain."
108. Mishler and Rose, "Trajectories of fear and hope"; Mishler and Rose, "Trust, distrust, and skepticism"; Richard Rose, "Russia as a hour-glass society: a constitution without citizens," *East European Constitutional Review* 4/3 (1995): 34–42; Ronald Inglehart, "The impact of culture on economic development: theory, hypotheses and some empirical tests," mimeo. (Ann Arbor: University of Michigan, 1994); Inglehart, *Modernization and Postmodernization: Cultural, Economic, and Political Change in 43 Societies* (Princeton: Princeton University Press, 1997); Woller, "Social capital and citizen support."
109. J. Galtung, "On the social cost of modernization. Social disintegration, atomie/anomie and social development," *Development and Change* 27/2 (1996): 379–413.
110. Alejandro Portes, "Children of immigrants: segmented assimilation and its determinants," in Portes, editor, *The Economic Sociology of Immigration*, 264 (emphasis added).
111. See Brian Roberts, "Socially expected durations and the economic adjustment of immigrants," in Portes, editor, *The Economic Sociology of Immigration*.
112. Ivan Light and Edna Bonacich, *Immigrant Entrepreneurs: Koreans in Los Angeles, 1965–1982* (Berkeley: University of California Press); I. Light, I. Kwoun, and D. Zhong, "Korean rotating credit associations in Los Angeles" *Amerasia* 16/1 (1990): 35–54.
113. Light and Karageorgis, "The ethnic economy."
114. Portes and Sensenbrenner, "Embeddedness and immigration."
115. Cited in Portes and Landolt, "The downside of social capital," 20. For related argument by students of ethnic entrepreneurship, see, among other citations, Roger Waldinger, "Immigrant enterprise," *Theory and Society* 15 (1986): 249–285; Waldinger, *Still the Promised City? African-Americans and New Immigrants in Postindustrial New York* (Cambridge: Harvard University Press, 1996); Roger Waldinger, Howard Aldrich, and R. Ward, *Ethnic Entrepreneurs: Immigrant and Ethnic Business in Western Industrial Societies* (Beverly Hills: Sage, 1990); Alejan-

dro Portes and M. Zhou, "Gaining the upper hand: economic mobility among immigrant and domestic minorities" *Ethnic and Racial Studies* 15/October (1992): 491–522; Ivan Light and Parminder Bachu, *Immigration and Entrepreneurship: Culture, Capital, and Ethnic Networks* (New Brunswick, N.J.: Transaction Publishers, 1993); Ivan Light and Carol Rosenstein, *Race, Ethnicity, and Entrepreneurship in Urban America* (Hawthorn, N.Y.: Aldine de Gruyter, 1995). For a compelling empirical analysis of the role of social capital in shaping immigration flows, see Douglas Massey and K. Espinosa, "What's driving Mexico-U.S. migration? A theoretical, empirical, and policy analysis," *American Journal of Sociology* 102/4 (1997): 939–999.

116. Note that this applies to small business in poor communities; ethnic enterprises already well-established in the commercial sector (e.g., Jewish diamond merchants in New York) may benefit considerably, as may consumers, by being able to control entry and exit into their industry through informal social mechanisms.
117. Granovetter, "The economic sociology of firms and entrepreneurs," 137.
118. RoSCAs (and similar entities such as tontines) are small indigenous savings and credit groups found all over the world in which members linked by kinship or ethnic ties pledge a monthly sum to a common pot that is allocated in turn to each contributor. They came to prominence in the academic literature with the pioneering work of Clifford Geertz, "The rotating credit association: a middle rung in development," *Economic Development and Cultural Change* 10/3 (1962): 241–263, and Sally Ardner, "The comparative study of rotating credit associations" *Journal of the Royal Anthropological Institute of Great Britain and Ireland* 94/2 (1964): 202–229, and have since been widely discussed by anthropologists, e.g., Francis Bouman, "Indigenous savings and credit societies in the third world: a message," *Savings and Development* 1 (1977): 181–220, economists, e.g., Tim Besley, Steven Coate, and Glenn Loury, "The economics of rotating savings and credit associations," *American Economic Review* 83/4 (1993): 792–810, and economic sociologists, e.g., Granovetter, "The economic sociology of firms and entrepreneurs."
119. Social mechanisms refer to an intermediary level of analysis and explanation located between laws and description. Social mechanisms, as distinct from economic mechanisms such as "the market," thus seek to "explain a delimited number of phenomena … [; they are the] elementary building blocks of middle-range theories." Peter Hedström and Richard Swedberg, "Social mechanisms," *Acta Sociologica* 39/3 (1996): 283. The idea of mechanisms also helps establish a theoretical linkage between accounts of human action informed either by assumptions of self-interested instrumental rationality or ubiquitous social norms. Seeking such a link is important for all students of norms, Elster argues, since "[i]n the absence of a mechanism linking the benefits to the emergence or perpetuation of the norm we cannot know if they obtain by accident…. Moreover, … the beneficial or optimal nature of the norm is often controversial. It is only a slight exaggeration to say that any economist worth his salt could tell a story – produce a model, that is, resting on various simplifying assumptions – which proves the individual or collective benefits derived from the norm. The very ease with which such 'just-so stories' can be told suggests that we should be skeptical about them. We would be much more confident about the benefits if a mechanism could be demonstrated." Jon Elster, "Social norms and economic theory," *Journal of Economic Perspectives* 3/4 (1989): 113; see also Elster, *Nuts and Bolts for the Social Sciences* (New York: Cambridge University Press, 1989), and Elster, *The Cement of Society* (New York: Cambridge University Press, 1989).

120. For a recent review of the empirical evidence supporting the thesis that participation enhances the performance of development projects among the poor, see Jonathan Isham, Deepa Narayan, and Lant Pritchett, "Does participation improve performance? Establishing causality with subjective data," *World Bank Economic Review* 11/2 (1995): 175–200, which builds on the pioneering work of Milton Esman and Norman Uphoff, *Local Organizations: Intermediaries in Rural Development* (Ithaca, N.Y.: Cornell University Press, 1984).
121. Cf. Michael Cernea, "Modernization and development potential of traditional grass-roots peasant organizations," in M. Attir, B. Holzner, and Z. Suda, editors, *Directions of Change: Modernization Theory, Research and Realities* (Boulder: Westview Press, 1981), and Albert Hirschman, *Getting Ahead Collectively: Grass-roots Organizations in Latin America* (New York: Pergamon Press, 1984).
122. Ian Zartman, editor, *Collapsed States: The Disintegration and Restoration of Legitimate Authority* (Boulder: Lynne Rienner Publishers, 1995).
123. This position is summed up in a telling comment from a distraught aid worker fleeing Liberia during its collapse in April 1996. "It's administrationless," she declared. Quoted in *USAToday*, April 12, 1996: A8.
124. Evans, "Predatory, developmental and other apparatuses"; Evans, "The state as problem and solution."
125. See, among others, Tina Rosenberg, *Children of Cain: Violence and the Violent in Latin America* (New York: W. Morrow, 1991), and W. Soyinka, *The Open Sore of a Continent: A Personal Narrative of the Nigerian Crisis* (New York: Oxford University Press, 1997).
126. See Ian MacDonald, *The New Shostakovich* (New York: Oxford University Press, 1991), Tina Rosenberg, *Haunted Land* (New York: Random House, 1995), Holmes, "What Russia teaches us now."
127. See, for example, Robert Wade, "The market for public office: why the Indian state is not better at development," *World Development* 13/4 (1985): 467–497, and Pranab Bardhan, "The state and dynamic comparative advantage," in K. Banerji and T. Vakil, editors, *India: Joining the World Economy* (New Delhi: Tata McGraw Hill, 1995). Cf. Ayesha Jalal, *Democracy and Authoritarianism in South Asia* (New York: Cambridge University Press, 1995).
128. Recent work by Pingle, drawing on the embedded autonomy framework, seeks to identify why certain industries *within* India have been more developmental than others. See Vibha Pingle, "State-Society Relations and Industrial Policy: A Comparative Historical Analysis of the Steel, Automobile and Computer Sectors in India," Ph.D. dissertation (Providence: Department of Sociology, Brown University, 1996).
129. Joel Migdal, *Strong Societies and Weak States: State-Society Relations and State Capabilities in the Third World* (Princeton: Princeton University Press, 1988).
130. Chalmers Johnson, "Introduction – the Taiwan model," in J. Hsuing et al., editors, *Contemporary Republic of China: The Taiwan Experience* (New York: Praeger, 1981); Johnson, *MITI and the Japanese Miracle*; Johnson, *Japan, Who Governs? The Rise of the Developmental State* (New York: Norton, 1995).
131. Evans, "The state as problem and solution," 164. See also Evans, *Embedded Autonomy.*
132. Corruption still occurs, of course, but it is less frequent than elsewhere and does not undermine the overall attainment of societal goals.
133. To be sure, the state does have unique powers and responsibilities – among them being the final arbiter and enforcer of laws – but for developmental purposes

the importance of embeddedness and autonomy holds for all "top-down" institutions.

134. Norman Uphoff, *Learning from Gal Oya*, 273.
135. Charles Ragin, *The Comparative Method: Moving Beyond Qualitative and Quantitative Strategies* (Berkeley: University of California Press, 1987).
136. Evans, *Embedded Autonomy*, 229.
137. Cf. Bates, *Beyond the Miracle of the Market*.
138. Robert Klitgaard, *Tropical Gangsters* (New York: Basic Book), 12.
139. Extreme poverty, when experienced as a routine feature of everyday life, is likely to undermine collective action by shortening time horizons, restricting social interaction, intensifying self-interest, and heightening distrust toward strangers. Perpetual uncertainty, stress, and risk thereby combine to establish and then perpetuate a vicious circle. For a related argument, see George Foster, "Peasant society and the image of the limited good," *American Anthropologist* 67 (1965): 293–315, and Amartya Sen, *Poverty and Famines: An Essay on Entitlement and Deprivation* (New York: Oxford University Press, 1981).
140. For an overview of the Grameen Bank and its replication, see Alex Counts, *Give Us Credit: How Muhammad Yunus's Micro-Lending Revolution is Empowering Women From Bangladesh to Chicago* (New York: Times Books, 1996).
141. See endnote 118. The economists Tim Besley and Steven Coate, "Group lending, repayment incentives and social collateral," *Journal of Development Economics* 46 (1995): 1–18, refer to relationships used in this manner as "social collateral."
142. One of the least studied but most important features of Grameen Bank's success is the means by which it has created and sustained its status as a corruption-free organization. Coordinating the diligent performance of twelve-thousand modestly-paid employees dispersed across the whole nation of Bangladesh is an extraordinary institutional achievement in a nation where one witnesses corruption even before passing through customs. For a preliminary discussion of this issue, see Partha Jain, "Managing credit for the rural poor: lessons from the Crameen Bank," *World Development* 24/1 (1996): 79–89.
143. Robert Merton, "Three fragments from a sociologist's notebook: establishing the phenomena, specified ignorance, and strategic research materials," *Annual Review of Sociology* 13 (1987): 1–28.
144. None of the authors cited in each case is necessarily the first or only person to recognize these dilemmas, but rather they are the ones who have articulated both a succinct statement of the problem and have made extensive theoretical and empirical attempts to try and resolve them, albeit only at one level.
145. Portes and Landolt, "The downside of social capital," 19.
146. The World Bank provides a list of various empirical indicators of social capital under four different headings – horizontal associations, civil/political society, social integration, legal/governance aspects. As it turns out, these categories correspond closely to the four dimensions of social capital outlined in this article. See World Bank, "Social capital: the missing link?" in *Expanding the Measure of Wealth: Indicators of Environmentally Sustainable Development* (Washington, D.C.: The World Bank, 1997), 85.
147. Cf. Granovetter, who argues that questions such as "Why do firms exist?" are "syntactically disposed to teleological or functional answers – that firms exist in order to reduce transaction costs, for example. In the case of firms, it is urgent to add the 'how' question: How is it in circumstances where profits could be made from the formation of a firm, actors are in fact able to construct one?" Mark

Granovetter, "Business groups," in Smelser and Swedberg, editors, *The Handbook of Economic Sociology*, 453.

148. For a firm indication that the World Bank is beginning to construe development in these terms, see Ismail Serageldin, "Sustainability as opportunity and the problem of social capital," *Brown Journal of World Affairs* III/2 (1996): 187–203.
149. Greif, "Cultural beliefs and the organization of society," 944.
150. Peter Evans, "Introduction: development strategies across the public-private divide," *World Development* 24/6 (1996): 1033.
151. Scholars working within the modernization and world-systems perspectives continue to produce interesting work, but they no longer enjoy the political and academic influence they once did. For an overview of recent work from both camps, see Alvin Y. So, *Social Change and Development* (Newbury Park: Sage Publications, 1990) and John Martinussen, *Society, State and Market* (London and New Jersey: Zed Books, 1997).