

Social Capital Formation:

A Poverty Reducing Strategy?¹

by ELSE ØYEN

The title of the symposium is "Social Capital Formation in Poverty Reduction: Which Role for Civil Society Organizations and the State?". The emphasis here is on poverty and whether poverty reduction can be obtained through a strategy of increased social capital. The emphasis is not on social development in general or the broader relationship between the state and social capital. Our goal here and now is to focus on poverty reducing strategies and to discuss whether the latest "fashion" of poverty reduction through social capital formation is likely to achieve the UN goal of massive poverty reduction worldwide.

Social capital is defined in several ways and the experts disagree on the definitions. The major problem is that this is not a precise concept and that makes it difficult to use social capital as an analytical tool. As a social scientist I would rather throw it overboard. However, lately social capital has turned into a very important political tool, in particular in relation to poverty reduction, and as such we shall need to deal with it in order to understand better its usefulness – or lack of it – in poverty reduction.

In its simplest form, an individual acquires social capital through participating in informal networks, registered organizations, associations of different kinds and social movements, and it represents the sum of these experiences. Some will argue that only participation in formal organizations can be defined as social capital. Others will argue that sporadic participation in a social movement should also be defined as social capital. We need to keep these differences in mind. It is believed that through membership in different organizations and networks individuals will develop joint interests and shared norms, which in turn will lead to trust and better understanding of differences in culture, background and life style. During this process democracy might emerge and individuals might have the opportunity to capture rights and benefits. Still others will emphasise that the social capital created within a social structure, such as reciprocity or mutual aid, increases the opportunities for collective action. If this is so, then civil society and organizational development ought to be encouraged.

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The major questions in this forum, and everywhere else where poverty issues matter, are:

- Whether social capital formation is relevant to poverty reduction;
- Whether social capital formation is likely to be more efficient than other strategies; and
- How the strategy of social capital formation teams up with other strategies for poverty reduction.

The notion of social capital is not new. It is part of human nature to interact and participate in the lives of other people. For a long time the notion of social capital and its variations in different cultures have been part of the social sciences, if not to say that the study of human interaction is the core of social sciences. The interesting questions are:

- Why has this concept now reappeared?
- Why is social capital being promoted so vigorously?
- Who are its promoters?
- Why is social capital being linked to poverty reduction?

In the *World Development Report* from the World Bank, increased social capital formation is promoted as a major strategy for poverty reduction. Political scientists in particular have constructed a new paradigm around social capital. NGOs seem to be delighted that their investment in community work and participatory approaches can now be legitimated through the strategy of social capital formation. At the same time, donors are looking at social capital formation as yet another unsuccessful attempt – of many – to reduce poverty.

Does all this enthusiasm mean that social capital formation will be an efficient poverty reducing strategy? Or is it more that the concept of social capital fits into other agendas? The discussion on the future role of the State seems to be crucial here. The World Bank, for example, has for a long time advocated a diminishing role for the State and a decrease in public expenditures. Strengthening civil society through the promotion of social capital fits into this agenda. New trends of individualism – or maybe not so new – that stress individual freedom rather than investing in society, are also setting different agendas. This kind of ideology may be part of the picture. Individuals are encouraged to place their loyalties in organizations that further their own particular interests rather than those of society. Then there is the agenda of political scientists who, for a long time, have been searching for a new paradigm: some of them have found it in social capital analysis. Economists might try to parallel their efforts of operationalising human capital to that of social capital. Also, some voluntary organizations stress the humanistic values of social capital, such as a renewal of democracy, support for grassroot power, and an escape from “ugly politics”. (Also, but that is just between us: as a poverty reducing strategy, social capital is a great money saving device!!)

Keeping all these different agendas in mind, and accepting the fact that increased social capital formation is valuable in itself, let us move on to the crucial question: is social capital formation a relevant strategy for poverty reduction?

The notion of social capital is based on the understanding that informal and formal structures form around certain human needs. Some networks are heterogeneous and open to a wide range of participants. Other networks are homogeneous and accept only people who are of the same kind. At least two questions are relevant here:

- Do poor people have the same sort of networks as the non-poor?
- Are poor people allowed to enter the networks of the non-poor?

The first question can be answered in the negative. Poor people do not form or participate in the same kind of organizations as the non-poor, as confirmed by a whole set of studies. Their non-participation in political and civic life is part of political poverty, which is so closely connected to other forms of poverty. The time constraint created by poverty reduces participation in networks organized around non-profit activities. Instead, networks of the poor are often found to be related to strategies for survival. These networks may be based on bartering and exchange of trust in the sense that borrowing and lending goods and services are integrated in a symmetrical pattern of mutual expectations. Another kind of network exists through family support which may stretch far both in kinship and geographical terms. Occasionally interest groups are formed to fight for some public good, which is usually controlled by the non-poor. While community workers and others do try to develop and strengthen networks among the local population that can reach into the broader community, the tendency is that the poorest groups do not become lasting members of these networks.

The second question is whether poor people are allowed entry into the networks of the non-poor. A qualified guess leads to another negative answer. All societies are stratified, some more, some less. Stratification and differentiation have as their foremost goal to define some people or groups as members of a state or organization, and to keep others out. Usually it is the majority that is kept out, and the minority that receives the privileges and rights which belong to the strata/organization of which they are members. The poor are by definition and tradition at the bottom of such stratified societies. Social exclusion is still another feature of poverty. Symbolic differentiation and exclusion may be just as powerful. The poor can be exposed and excluded if they fail to adjust to the dominating norms of the non-poor, understand the "real" values of society, get ahead, etc. The whole set of stereotypes can be put on the witness stand here. With all these stereotypes floating around there is little reason to believe that the poor will be welcome in most networks. In any network a member is expected to contribute something, whether it be material or non-material resources. By definition the poor may not have much to offer in the way of material resources to any non-poor network, and their non-material resources may not be much appreciated since they stem from a different background.

The rosy picture that is presented of integration through social capital formation is in fact gloomy and unrealistic. *If a majority of the poor are neither able to develop useful networks for increasing their own*

social capital on a large scale, nor given entry into those networks where social capital flourishes, how can social capital then be an efficient instrument for poverty reduction?

The conclusion must be that at present social capital formation is not a useful instrument for poverty reduction.

However, that does not mean that efforts to increase the social capital of the poor should not be intensified – even if it is for somewhat different purposes. It is necessary to mobilise the poor if any changes in their living conditions are to occur. It is necessary to make the poor part of political life for their voices to be heard and for democracy to develop. It is necessary to open up and let the poor into civil society if they are to become part of society at large. It is necessary to increase the social capital of the poor if civil conflicts are to be avoided. For all these reasons, it is vital for the poor, as well as for the non-poor, that social capital formation among the poor be increased. Over time, and in conjunction with a whole set of other strategies, such as the redistribution of major resources, social capital may lead to poverty reduction. It may take a generation or more.

The important thing here is that we do not exchange basic redistribution measures, the extension of citizen rights, investments in health and education, and the implementation of human rights, for social capital formation, however useful it may be for several other purposes.

Likewise, it is important that civil society organizations get a realistic picture of the usefulness of social capital formation in poverty reduction. Elsewhere I have argued that it is not enough to educate the poor. It is just as important to educate the non-poor to make them understand the restrictions that poverty puts on the day-to-day lives of the poor, to make them understand what it takes to open up society for better integrating the poor, and what tolerance and understanding it takes for them to open up their own personal networks for the creation of social capital among the poor.