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A Relational Approach to the Theory and Practices of Economic Development

Michael Woolcock

Elizabeth Radin

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Michael.Woolcock@manchester.ac.uk

**Brooks World Poverty Institute,
School of Environment and
Development,
Humanities Bridgeford Street,
University of Manchester,
Oxford Rd, Manchester, M13 9PL**

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Abstract

Arguments and evidence from the social sciences, natural sciences and development practice are used to frame a broader discussion of the role of social relations in the process of economic development. We trace the intellectual history of social relations within theories of economic development and situate the rise of 'social capital' as idea and practice in the late twentieth century. Brief surveys of empirical and applied research in development studies—as well as recent influential work on preference formation, expectations and social identity in the fields of experimental economics, psychology and biology—are used to argue that there is now a diverse storehouse of compelling theory and evidence in support of propositions and hypotheses that have long been at the heart of social capital scholarship. Much remains to be done, however, on multiple fronts. The paper concludes with practical examples of social capital ideas in action in development projects around the world, from which scholars have much to learn. More frequent dialogue across the disciplines, and between scholars and practitioners, is needed to consolidate and advance our knowledge.

Keywords: social relations, group identity, adaptive solutions, trust

Michael Woolcock is Professor of Social Science and Development Policy at the University of Manchester, and Research Director of the Brooks World Poverty Institute.

Elizabeth Radin is a Program Officer with the Clinton Foundation, based in Cameroon.

1. Introduction

The ubiquitous rise of 'social capital' as both an organising concept and a basis for practical action has reinvigorated debates around key public policy questions, yet in doing do this rise has inevitably courted overstretch, misappropriation and critical dissent. The perennial gaps – discursive, ideological and epistemological – between disciplinary partisans, and between scholars and practitioners, in their respective renderings of 'social capital' can be read as marks of an abiding sense of disconnect (and even disarray) among the various conceptualisations, measurement tools, and corresponding policy responses, even as they can also be reasonably interpreted as reflecting an encouraging sense of energy, innovation and 'relevance' in social research, something not experienced for perhaps a generation (the civil rights era) or even a century (the progressive era).

Nowhere are these twin tendencies more evident than in the field of economic development (Bebbington *et al.,* 2004), where the findings of an exponentially increasing scholarly literature on social capital (Isham, Kelly, and Ramaswamy, 2002: 5; Halpern, 2005: 9) now draws on and contributes to both a rich empirical literature on various aspects of economic development (e.g. Woolcock, 1998; Woolcock and Narayan, 2000; Fafchamps, 2006) and an extensive range of practical poverty reduction initiatives whose efficacy turns, advocates claim, on the capacity of these projects to harness and/or build a community's 'social capital' (whether as a means to achieving other objectives – such as enhancing the effectiveness of health care interventions – and/or an end in itself). These ventures, moreover, are complemented by a vast assemblage of new, high-profile experimental (and quasi-experimental) research from the natural and social sciences on the biological, psychological, and strategic underpinnings of cooperation, trust and reciprocity, much of which affirms and amplifies the core tenets of social capital theory.

It is important to make sense of this heady mix of excitement and ambivalence, to discern the 'noise' from the 'signal', and to use it to chart a path forward for scholarship in the fields of both social capital and economic development. This paper endeavours to contribute to this objective by providing a brief but integrated survey of three contributing strands of theory, research and practice – from social science, natural science and development practitioners – as they pertain to the letter and spirit of social capital scholarship, with the goal of identifying more clearly and coherently the broad complementarities, the enduring limits, and the opportunities for future exploration.

A bedrock contention of the paper is that the perennial laments surrounding the variety of definitions, measurements, theories and applications of social capital – the field is variously said to be characterised by 'confusion', 'imprecision' and 'contradictions', and in the process to 'de-politicise' policy problems[1] – are not so much wrong as largely misplaced. As with other inherently contested concepts in social science (such as power, class and culture), the utility of 'social capital' turns less on any underlying consensus regarding its conceptual coherence or the precision of its empirical referents, than its capacity to draw attention to fundamental social processes and mechanisms, the manifestations and interpretations of which are likely to be as different as the variety of contexts in which they occur (Szreter and Woolcock, 2004).[2] Put another way, it is unlikely that a neat scholarly consensus will *ever* emerge regarding the definition and measurement of social capital; and that is not a bad thing. Certainly in the realm of economic development, the idea of social capital will have served an immensely useful, important and distinctive role if it helps to open discursive and conceptual space for serious deliberation on the roles – for better or worse – of norms,

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[1] Within the field of development studies, the most high-profile critics on these matters have been Fine (2000) and Harriss (2002). See Bebbington *et al.* (2004) for a more detailed response to the specific types of concerns these authors (and others) raise.

[2] At present the definitive intellectual history of social capital is provided in Farr (2004).

networks, and social relations in shaping identities, expectations, preferences, and survival and mobility strategies, especially in poor communities. Such an emphasis, moreover, is entirely consistent with and complementary to political economy concerns. Social capital cannot (and should not be expected to) carry an intellectual or policy burden beyond its modest capacity, even as there will always be room for a general and intuitively appealing 'introductory' term to call attention to deeper and more complex underlying phenomena (Bebbington et al., 2006). As such, its comparative advantage is in seeking to identify the social mechanisms by which (say) political structures are created, consolidated and perpetuated (e.g. through elite schools and clubs)[3], rather than striving to be itself a 'political theory' of economic development (see Leftwich, 2005).

In this paper we seek to go beyond (increasingly) conventional justifications for incorporating social capital theory into economic development research and policy, which centre on determining the empirical significance of 'participation' and 'inclusion' for improving access to information and enhancing democratic governance in poor communities (e.g. Krishna, 2003). While there is surely ample scope for further research in this domain (see Mansuri and Rao, 2004), we argue – perhaps more ambitiously – that social capital theory can and should speak more directly to the very means and ends of the development process, and the various mechanisms by which it is negotiated by those engaged in it. It can do this most constructively, we contend, by focusing attention on social relations as (a) a basis for survival and mobility strategies, (b) a constituent element of 'context', and more generally (c) a fundamental determinant of human behaviour.

To this end, the paper provides a brief overview of these arguments, and the empirical evidence – from both the social (Section 2) and natural (Section 3) sciences – on which they rest. It also, importantly, introduces recent examples of programmatic attempts to put into practice, implicitly or explicitly, the broad set of ideas encapsulated by the term 'social capital' (Section 4), since much can be gained by a fruitful dialogue between scholars and practitioners. We conclude (Section 5) with an exploration of the implications for social capital theory and economic development 'policy' and practice, and suggestions for sustaining meaningful dialogue between these otherwise rather separate realms of inquiry as a basis for moving forward.

2. Social capital, economic development and social science research[4]

In order to understand where the contemporary literature on social capital and economic development 'is at' and to divine where it might (or ought to) be heading, it is important to first understand where it has come from. As such, a brief intellectual history of development theory, and the changing role of 'social' ideas within it, is in order.

In the 1950s and 60s, the language of development theory was largely one of deficits (Moore, 1997). Poor countries 'lacked' all manner of things, but chief among them were ports, communications and transport infrastructure, and sources of energy. By this logic, the best and fastest way to promote development was to invest in such things, but doing so clearly required huge sums of money, at levels poor countries (by definition) did not possess. Rich countries soon discovered that financing such efforts could be not only profitable but also, perhaps more importantly, serve key geopolitical purposes, with aid being used strategically to support friendly governments and undermine those thought to be flirting with communism. The discourse of deficits also extended to the social domain: poor countries and their citizens were deemed – continuing a long-standing colonial tradition – 'backward' and in possession of cultures, beliefs, attitudes, and behaviours (such as those pertaining to family planning, health practices, and work ethics) incommensurate with a 'modern'

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[3] This strand of work follows from the social capital theory developed by Bourdieu (1986).

[4] This section draws on and updates Woolcock (2003b).

economy. Even influential United Nations documents of the time argued that such ways would have to be purged if 'progress' was to occur (Escobar, 1995).

It soon became clear, however, that merely pumping physical and financial resources into poor countries was having, at best, a marginal positive impact. In conjunction with a series of financial crises in the early 1970s, a gradual splintering of development theory took place: One path (largely dominated by economists) began to focus on the role of public and private institutions in creating prosperity, while the other path (dominated by the other social sciences) argued instead that the core issue was power, and that rich country prosperity was obtained directly at the expense of poor country destitution. By the 1980s, these divisions were at their most stark. Neoclassical partisans around the world trumpeted the capacity of 'free markets' and entrepreneurs to usher in prosperity, while their counterparts saw only widening inequalities, environmental collapse, and cultural imperialism as powerful Western firms (often backed by their governments) secured ever more lucrative tax and labour concessions from beleaguered third world governments, themselves being urged to 'privatise' their state assets in the name of efficiency. For both paths, however, the social dimensions of development became epiphenomenal, an issue of secondary or little importance.

A sea change occurred in 1989 and the years immediately following. The collapse of communism, and the subsequent failure of most countries 'in transition' to respond favourably to the 'shock therapy' ushered upon them by Western governments and consultants left both paths at something of an intellectual dead end. This moment created both an opportunity and a need to revisit the social dimensions of development; if neither governments nor markets alone could bring prosperity, perhaps it was something about a society's social structure that made an important difference. Similarly, if market, state and coordination failures were pervasive at the country level, then it seemed logical to focus on the 'social institutions' deployed by the poor – their kinship systems, business networks and village organisations – to cope with them. A number of key works attempted to close this breach, the most important among them by Douglass North, Robert Putnam, and Amartya Sen. All in their own way argued that the social dimensions were crucial, both as the ends and means of prosperity. Putnam's (1993) work on social capital in particular gave scholars and policymakers the beginnings of a new framework – and, crucially, a *language* – for rethinking the role of social relations in poor countries and communities. From once being regarded as a dubious liability, to being dismissed as epiphenomenal or irrelevant, these relations were now seen as a potential asset. If the poor possessed nothing else, they at least had each other.

'Social capital' became the shorthand term of choice for this reframing, and in the process it was embraced (if not always enthusiastically) by both economists and sociologists as they began to encroach on each other's traditional domains. All of the strengths and weaknesses of the term in general, however, became manifest in the initial attempts to develop a serious account of social capital and economic development. What was the correct unit of analysis? Writers such as Francis Fukuyama (1995) argued that the capacity of a country's citizens to trust one another was central to building the large non-family firms needed to generate significant economies of scale,[5] Robert Putnam provided evidence suggesting that a density of civic organisations underpinned strong states and vibrant economies; and several World Bank studies (e.g. Narayan and Pritchett, 1999) argued that, at the village level, access to a rich stock of community networks was a key determinant of well-being, perhaps even more important than education.[6] These individual cases made for interesting reading, but did they

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[5] Highly influential papers by Knack and Keefer (1997) and Temple and Johnson (1998) consolidated a view that social capital ('social capability') was – or could be construed as – an aggregate ('national' level) variable.

[6] Key contributions from the World Bank's 'Social Capital Initiative', which ran from 1997-2002, are presented in Grootaert and van Bastelaer (2002*a*; 2002*b*).

really add up to a new and more coherent way of understanding the role of social relations in shaping economic development processes?

A more concerted effort was launched to identify common themes emerging from the empirical work. Research on immigrants proved especially fruitful, since a broad base of qualitative and quantitative data on them was available (e.g. Massey and Espinosa, 1997). Though not initially discussed in these precise terms, the distinction between bonding and bridging social capital (Gittell and Vidal, 1998) showed particular promise.[7] Contrary to the predictions of neoclassical theory, for example, immigrants were not heading to places where jobs paid the highest wages, but to regions where friends and relatives from their town of origin resided. Often lacking proper documentation, and unable to speak the language of their new country, immigrants called on these more established contacts to help them find housing, credit, and employment (Portes, 1995); over time, this ongoing process could create entire ethnic enclaves (Chinatowns, Little Italys, etc.). Observers were quick to point out, however, that any such benefits obtained by new immigrants were not costless; they were expected to strictly uphold the norms and expectations of the community, and, importantly, to perform a similar service when subsequent cohorts of co-ethnics arrived. Those who struggled to establish a viable livelihood might remain in need of such social and financial support, but there was evidence to suggest that economically successful immigrants who wanted to leave and become more assimilated into their host country encountered considerable resistance, to the point of having to change their names in order to divest themselves of their erstwhile communal obligations (Portes and Sensenbrenner, 1993).

Moreover, those seeking to gain access to a broader array of markets and services found that doing so typically required cultivating an entirely new set of networks, ones extending far beyond their original host community (Barr, 2000; Jha, Rao, and Woolcock, 2007). Similar stories emerged from ethnographies of the urban poor, in both rich and low-income countries. As Briggs (1998) deftly puts it, the poor called upon their bonding social capital to 'get by,' and their bridging social capital to 'get ahead', but discrimination, spatial isolation, low education and 'different' cultural capital (vocabulary, comportment, accent) often conspired to deny them access to the latter. In rural areas, too, where formal institutional mechanisms (banks, insurance) for dealing with a host of financial, employment, health, and weather-related (floods, drought) risks are typically absent, poor communities are left with only their social connections to call upon (see World Bank, 2000). As such, migration on the part of some members of a rural community to urban areas (or to wealthier countries), and the relatively huge sums of money villagers spend on festivals and weddings (Rao, 2001), can be understood as an attempt by these communities to diversify their social capital, that is, to ensure that members have access to wider array of networks for managing risk, thereby preventing localised disasters (such as crop failure) from wiping out the entire village (see Fafchamps, 2004).

Making transitions between 'bonding' and 'bridging' social capital – or, more accurately, deploying both and maintaining a balance between them – is a central social task for everyone over the life course, but is especially important to improving the economic opportunities of the poor (Woolcock and Narayan, 2000). To do so, however, is a very difficult task, not least because it entails moving between new (or assuming multiple) identities, and with it, a capacity to live with the different norms, attitudes, and expectations that each upholds, a process Granovetter (1995) aptly calls 'coupling and de-coupling'. Crucial life-course decisions such as when, whether, and to whom one gets married, when one leaves school, what occupation one pursues, what religion (if any) one upholds (and how

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[7] Bonding social capital refers to family and other relations between people with similar demographic characteristics; bridging social capital refers to relations that transcend those immediate boundaries. Szreter and Woolcock (2004), following World Bank (2000), have also argued for the notion of 'linking' social capital, a 'vertical' dimension in which social relations span power differentials (e.g. between teacher and student, doctor and patience, social worker and client, where regular face-to-face interaction is inherently required).

fervently) are all powerfully shaped by one's family and immediate community; it is often only when a member challenges them or moves away that everyone discovers just how powerful they are. At the micro level, the punctuated nature of the transitions between these different types of network affiliations and the 'social energy' necessarily accompanying them is one reason why economic development is inherently such a conflict-ridden process (Bates, 2000) – it entails fundamentally re-imagining peoples' roles, status, and identity, as well as realigning their relations with other groups, especially with those in power (Woolcock, forthcoming). Crucially, these mechanisms are driven by both development failure (e.g. forced migrations and resettlement as a result of war) and success (e.g. broad economic growth, which is otherwise desirable but currently giving rise to widespread suicides in India and local conflict in China).[8]

If the scholarly consensus in recent years has moved increasingly in the direction of understanding social capital as a 'micro' variable – that is, as being most usefully understood as the norms and networks underpinning (or constraining) collective action[9] - it has been accompanied by continued pressures (imperatives) to 'measure' it. The formal methodological challenges associated with measuring social capital from a micro-econometric perspective are usefully outlined by Fafchamps (2006); if we are to be consistent with the general approach articulated in this paper, however, then we are bound to stress that any such measure(s) must necessarily be understood within their social context, and that as such comprehensive qualitative approaches must also be incorporated.[10] Indeed, in our view, the most insightful and persuasive accounts of social capital and economic development processes (e.g. Krishna, 2003) have incorporated a 'mixed methods' approach.

3. Putting social capital theory to the test: recent scientific evidence

The broad tenets of social capital theory and their manifestation in research on economic development, as outlined above, are in many important respects part of a much broader interest across the scholarly community in 'social' issues. This new research, spanning the natural and social sciences, provides a wealth of fascinating support for the fundamentals of social capital theory, and thereby bolsters the rigour of the empirical foundations on which attempts are made to incorporate it into applied domains such as economic development. As we show below, this research confirms that trust and altruism, as well as the related behaviours of collaboration and norm reinforcement, are central (perhaps even innate) to human social interaction. Most fundamentally, this research demonstrates that people's preferences, priorities and strategies for realising them are crucially dependent on social context – e.g., norms, identity, status, reputation, the nature and permeability of social boundaries between groups – findings that now manifest themselves in evidence from neurological studies of the brain to anthropological field experiments.

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[8] On suicides in India see Deshpande (2002); on widespread conflict in China see Muldavin (2006). We stress that we are *not* saying that these desperately unhappy outcomes are the result of 'weak' or 'inadequate' social capital on the part of the rural poor in these countries *per se*; rather, a social capital lens, as we have sketched it, helps connect 'macro' processes of economic change with 'micro' processes of transformations in identities, social relations and political structures (cf. Polanyi, 1944).

[9] Even at the 'micro' level, quite serious differences of opinion endure, the most glaring being that between those (e.g. Portes, 1998) who regard social capital as the resources (e.g. information, trust) that flow through ('inhere in') one's networks, versus those (such as Putnam *et al*, 1993) who hold that the nature and extent of the networks themselves constitutes one's social capital (Woolcock, 2003*a*).

[10] To this end, the World Bank has produced both a quantitative (Grootaert *et al*., 2004) and a companion qualitative guide (Dudwick *et al*., 2006) to 'assessing social capital in context.' Building on and refining the early work on social capital measurement at the Bank (see especially Grootaert and van Bastalaer., 2002*b*), these documents should be read as the 'second word' on measurement issues, certainly not the last.

Over the past decade, for example, neurological studies have examined how elements vital to developing various aspects of 'social capital' – trust, collaboration, and altruistic punishment (a norm-establishing mechanism) – register in the brain. Indeed, the brain's recognition and processing of these social phenomena suggest that they are as fundamental human behaviours as searching for food or fleeing from danger (King-Casas *et al.*, 2005; see also Fountain, 2005). In one such experiment, students engaged in a form of the ultimatum game[11] demonstrated a correlation between activity in the caudate nucleus and the development of trust. At the outset of the game, the (increased) activity in the caudate nucleus, a brain region associated with reward, appeared in response to a partner's reciprocation. However, as iterated reciprocity bred greater trust, the activity in the caudate began to appear prior to reciprocation; that is, as the participants developed trust, they began to anticipate the reward of reciprocity. This display of reward anticipation mirrors broader reinforcement learning models.

In another experiment, researchers found a biological basis for trust involving oxytocin, a neuropeptide. This hormone, which humans produce naturally during breastfeeding and sexual activity, plays a role in the formation of strong social ties, including those between mothers and children or mating partners (Hopkin, 2005). Neurologists isolated the neurological effects of oxytocin (from the psychological or the social effects surrounding its natural production) by introducing it directly to subjects' brains in the form of a nasal spray. They found that people who had sniffed oxytocin prior to engaging in an economic exchange game allocated larger amounts of their endowment to a trustee who could choose to return or keep any portion of the investment. The researchers determined the effects of oxytocin on trust by ruling out the possibilities that it might decrease risk aversion or increase generosity. Oxytocin did not increase the size of investments when investors played the game with a randomised computer, nor did it impact the portion of the investment that trustees returned; the researchers also found that oxytocin had no effect on investor optimism. With these other explanations eliminated, the study concludes that oxytocin increases trust in humans by lowering betrayal aversion (Kosfeld *et al.*, 2005). This research thus implies that trust is a neural and physiological (as well as a psychological) response to bonding activities. Furthermore, it is fundamental in establishing strong social ties, such as those between members of the nuclear family.

Other researchers have found that social cooperation is also associated with activity in parts of the brain related to reward processing. When monitoring subjects engaged in an iterated prisoner's dilemma game, they found that instances where both partners cooperated (as opposed to one or both defecting) were associated with the greatest increase in activity in those parts of the brain associated with reward processing.[12] This pattern of brain activation was not repeated in response to non-social collaboration (when one subject cooperated with a computer) or monetary reward (when non-social cooperation yielded a payoff). Based on the results of this study, the researchers proposed that these neural patterns may reinforce reciprocal altruism 'by labelling social cooperation as rewarding, and/or by inhibiting the selfish impulse to accept but not reciprocate an act of altruism' (Rilling *et al.*, 2002). In short, the study suggests that cooperation is inherently rewarding to humans, regardless of the (actual or anticipated) financial payoffs.

Neurological research has also identified a basis for altruistic punishment, a behaviour that reinforces norms of reciprocity but violates rational economic behaviour. In altruistic punishment, one party punishes another norm-violating party, even though the act of

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[11] In the ultimatum game one partner is given a sum of money. They offer the second partner any portion of that sum. The second partner either accepts the proposed allocation or rejects it, in which case both partners get nothing.

[12] Specifically, the caudate nucleus, nucleus accumbens, ventromedial frontal/orbital cortex, and rostral anterior cingulated cortex.

punishment is costly. In a study of this phenomenon, Sanfey *et al.* (2003) found that unfair offers (i.e. norm violations) in an ultimatum game stimulated parts of the brain associated with contradictory functions; unfair offers were associated with activity in the bilateral insula, brain regions associated with anger, pain and disgust. Activation in these regions was not associated with unfair offers from computers, however, suggesting that the response is unique to social interactions. Unfair offers were also associated with activity in the dorsolateral prefrontal cortex (DLPFC) and the anterior cingulate cortex (ACC), regions associated with goal maintenance and cognitive conflict. If the activation of the bilateral insula was stronger, the subjects chose altruistic punishment, thereby depriving the offending partner of any gain at a cost to themselves; if the activation in the DLPFC was stronger, the subjects tended to accept the unfair offer, forgoing punishment of the offender in order to earn some profit for themselves.[13]

While acknowledging that humans exhibit trusting behaviour, many still question whether such behaviour arises from 'true trust' or simply a willingness to assume risk. In response, researchers from across the behavioural and social sciences have designed a range of innovative studies to test the various claims and counterclaims. Experimental economists have suggested ways of distinguishing trust from other motivations. Cox (2004) conducted a three game design for distinguishing trust, reciprocity, altruism and inequality aversion from each other, while Bonhet and Zeckhauser (2004) have differentiated trust from gambling by identifying differences in associated risk premiums. They found that social trust carries a higher risk premium than a non-social gamble, and suggest that the reason for this difference is the added risk of trust betrayal in social scenarios. Milinski, Semmann, and Krambeck (2002) examined trust and trustworthiness in terms of solving the tragedy of the commons. By running subjects through different combinations of indirect reciprocity and public goods games, they provide empirical data to support the intuition that reputation plays a role in cooperation and altruism. They find that when a good reputation promises some advantage, subjects violate the predictions of economics and game theory by forgoing individual gain to promote/support the public good.

Yet even in the absence of gains from reputation enhancement, recent economic experiments have found that most people are willing to reinforce norms through reward and punishment when it is in their long-term self-interest (see Andreoni and Miller 1993; Gachter and Falk, 2002). The literature on the topic has termed this reciprocal altruism. Some people demonstrate an even stronger form of altruism known as 'strong reciprocity' (e.g. Gintis, 2000). Strong reciprocators reward/punish norm conformists/violators, even at a cost to themselves (see Fehr, Fishbacher, and Gachter, 2002).[14]

More applied work on Peruvian microfinance cooperatives by Karlan (2005) investigates the correlation between data from economic experiments and behaviour in real life. He finds that co-op members' behaviour in a trust game reflected their trustworthiness in real life: the members who consistently returned fair sums to partners who had invested with them were also more likely to repay their loans to the cooperative. Furthermore, Karlan found that some factors, such as geographic proximity or both partners being indigenous, were associated with increased trust and trustworthiness. However, he also concluded that those exhibiting more trusting behaviour may simply be less risk averse. While he believes the data on trustworthiness is clear, he questions the extent to which experimental economics can distinguish trust from propensity to take risks.

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[13] A related study (de Quervain *et al.*, 2004) also discovered a link between altruistic punishment and activity in the parts of the brain associated with reward. Subjects who punished a norm violator, even to their own detriment, exhibited increased activity in the caudate nucleus, suggesting that they anticipated a sense of satisfaction. Thus neurological research provides a biological explanation for human behaviours that violate much of the predictions of economic and game theory: brain processes may encourage and even reward individual loss that reinforces collectively beneficial social standards.

[14] See also Fehr and Fishbacher (2003) and Fehr and Rockenbach (2004).

Experimental economics has also been used to facilitate anthropological conclusions about social capital that shed light on both its development and uses. Henrich *et al.* (2001)[15] documented sharing, cooperation and altruism across fifteen 'small scale' societies. All of the societies averaged offers of greater than zero in an ultimatum game, suggesting the existence of some combination of altruism, strong reciprocity and reputation-driven cooperation. Average contributions to a common pool in a public goods game were also consistently positive. In both games, subjects chose not to maximise individual income, as rational economics would predict, but rather to balance benefits to the self and to others. Upon closer inspection, the researchers found a high correlation between the degree to which subjects behaved altruistically/cooperatively and the 'structure of economic life' in their societies. On average, subjects from cultures in which there were high 'payoffs to cooperation' (e.g. societies that hunted collectively) and high 'market integration' made higher offers in the ultimatum game and contributed more to public goods. Conversely, individual factors such as gender, age, village size etc. were not significantly correlated with behaviours. The study reinforces the idea that trust, altruism and reciprocity are natural social adaptations to the demands and uncertainties that face any group.

Equally compelling findings come from the field of organisational psychology and Social Identity Theory (Haslam, 2004). Like the neuroscientists, biologists, and economists cited above, Haslam asks why and how a social factor, in this case identity, impacts upon human behaviour to the point of inducing economically 'irrational' decisions. The fact that group identity dynamics can obscure economic goals has long been documented in both experiments and practice. In a 1971 experiment, for example, a team of social psychologists (Tajfel *et al.*, 1971) found that children asked to pick a combination of payoffs to both an in-group and an out-group member preferred combinations of maximum difference (i.e. where that the in-group member received more than the out-group). They preferred to differentiate themselves above the out-group so strongly that they eschewed more empirically profitable combinations, including maximum joint payoff and maximum in-group payoff (i.e. where the in-group would have received more than in the maximum difference option, but the out-group would have received the most).[16]

As compelling a case as these studies make for the existence of in-group favouritism, Haslam (2004) argues that the distinction that positive differentiation makes is neither an inherent quality of group members nor an inevitable tendency of the groups they compose. Henri Tajfel and John Turner (1979) identify three characteristics of social environment likely to encourage inter-group competitiveness. They include: the salience of group identity amongst group members, the opportunity for inter-group comparison, and the relevance/contestability of the in-group's status relative to the out-group. Thus if the social context creates a strong enough need for the individual to gain self esteem, the benefit of creating positive distinctiveness can outweigh the empirical economic cost of forgoing a more equitable, profit maximising option.

The important question then becomes when and how group identity becomes so salient that an individual pegs self-esteem to group status. What leads to this extreme form of collaboration, where individuals sacrifice personal gain to improve group ranking? Haslam suggests that group identity is determined by two kinds of factors: how one constructs explanations for one's place in the world, and the degree of immutability ascribed to that construct. For example, if an individual believes that social mobility is desirable and possible – i.e. that it is possible to permeate group boundaries in order to improve individual status – he is more likely to adhere to an interpersonal social construct. If another person, however, believes that groups are impermeable, and thus changing status requires fundamental social change, she is more likely to hold an inter-group construct. Logically, social change and inter-group constructs are associated with high salience of group identity, whereas social

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[15] The full results of this major project are presented in Henrich *et al.* (2004).

[16] Cited in Haslam (2004).

mobility and interpersonal constructs are associated with low salience of group identity (Tajfel, 1975). Extreme intra-group trust and collaboration are thus the necessary extensions of a world view that sees individual fate as inextricably linked to an inescapable collective status (cf. Appadurai, 2003).

In addition to the evidence for interpersonal elements of social capital, social science research also contributes to more macro-level understandings in the form of network theory. While the 'ties that bind' any one person to another may be fostered through trust, collaboration and norms of reciprocity, the end result of all of these interactions is a networked human race. Beginning with Stanley Milgram's (1967) pioneering work, social scientists have experimentally documented and modelled the manner in which bonding and bridging ties have knit all (or at least most) of humanity into a small network. More recently, computer scientists and mathematicians have explored the network phenomenon through both formal modelling and real-world applications. Mathematical sociologist Duncan Watts (1999) describes his model of such social networks as having 'high local clustering and short global separation' while being 'neither completely ordered nor completely random'. In addition to developing technical descriptions of the network's composition, Watts has rendered social networks as manifestations of social capital. In his description, most people belong to a small and relatively homogenous clump, most of whom they know directly – a clear manifestation of bonding social capital. Yet Watts also describes 'linchpins', or people who then serve as links between clumps organised by time-periods, geography, and culture. These linchpins create bridging and linking social capital between different groups.[17]

Important as this work is, and as much as it provides formal empirical underpinnings for much of the core tenets of social capital theory, the more pragmatic world of economic development policy and practice proceeds only partially on the basis of scholarly research. Indeed, it is something of an academic conceit that 'policy change' flows logically in a direction from carefully defined concepts and coherent theories to firm evidence and application. In the field of economic development, the causal arrow can be usefully reversed, with hard-won lessons emerging from project implementation realities themselves providing a test of the fruitfulness of social capital theory (see Bebbington *et al.*, 2006). The following section provides three simple illustrations of this.

4. Lesson from practitioners

As we have seen, recent evidence from across the biological, behavioural and social sciences increasingly suggests that human behaviour can be most fruitfully understood as relational, i.e. that preferences and strategies are crucially determined by primary reference groups and social context. Another entry point into this argument and its implications for economic development, however, is to identify where and how a 'relational' approach to understanding the development process – and related considerations of how to 'influence it' through prevailing policies and programmes – might fit.

One key lesson that emerges from close engagement with development projects is just how important face-to-face relations are for implementing many of the most basic social services needed in poor communities (such as education and health care). In this section, we create an analytical space for what we shall call 'practices', which are quite distinct from orthodox considerations of 'policies' and 'programmes' (see Pritchett and Woolcock 2004). For our purposes, 'practices' refer to face-to-face relations between people that are central for certain services – such as long-term health care (between nurse and patient) and education (between teacher and student) to be delivered and/or for certain problems to be solved –

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[17] As related work on networks has demonstrated (see Johnson 2001), order can emerge from networks of interaction governed by simple rules rather than social norms (quintessentially, ant colonies and beehives). See also the important book by Seabright (2004).

such as those that inherently require negotiated ('adaptive') resolutions,[18] like race relations. Where 'policies' are *technocratic* and 'programmes' are *bureaucratic*, 'practices' focus on the *idiosyncratic* relational aspects of development interactions, and thus should be, we contend, at the heart of social capital theory's contribution to understanding the development process.

Effective policies and programmes, as defined above, are clearly important. Programmes work well where an extensive but straightforward, coordinated but not relationally intensive, set of actions will achieve the goal. The eradication of the disease Riverblindness, for example, exemplifies programmatic success. In the 1970s, the World Bank identified Riverblindness as a serious threat to the standard of living and economic development in West Africa. It subsequently created a series of partnerships across the public, private and NGO sectors to eliminate the disease through a two-part programme that placed larvicides in the water where it grew and distributed Ivermectin pills to people in affected areas. The programme had to be carried out on a large (11 country) scale composed predominantly of remote rural regions. However, the actions required were straightforward, uniform and reliably effective. International organisations sprayed rivers, distributed pills, and, ultimately, eliminated the disease in target countries, in the process saving the lives of roughly 40 million people. Riverblindness was a perfect problem for a 'programmatic' solution.

Unfortunately, not all public health crises that threaten individual lives and collective prosperity are so ripe for programme treatments. As the development profession and the international community have come to learn, the HIV/AIDS epidemic does not lend itself to finite, standardised solutions. While it may be a medical problem for which there are medical treatments, there are no simple steps to cure or eradicate it. Furthermore, AIDS spreads primarily through sexual contact, giving it all the complexities of a social issue. The prevention or proliferation of AIDS depends on millions of social interactions informed by a complex web of sexual mores, gender politics, health knowledge, tradition, taboo, and even economic considerations. In addition, addressing the AIDS crisis also means addressing the social chaos – including deterioration of the family unit, exploitation of vulnerable populations, loss of income stability, and cultures of death – that it has wrought. While making treatments affordable and available around the world is nothing short of a moral imperative, it will not eradicate the disease or neutralise its effects. No programme can administer *the* solution to AIDS; there isn't *one*.

Like many inherently social development challenges, HIV/AIDS requires an adaptive solution. Neither a technical policy nor a standardised programme will address the innumerable manifestations of what are actually thousands of inter-related epidemics.[19] Crises refracted through the prism of social relations (from HIV/AIDS to ethnic conflict) demand development solutions that undergo the same refraction. They demand idiosyncratic, highly discretionary *practices* that employ social relations as both means and ends. In yielding a suitably diverse and context-specific set of responses, the 'practices' approach also begins to reconcile a central issue in the field of development: the tension between the consensus that 'one size does not fit all' and the imperative to avoid nihilism and total disarray. Ideally, practices create many sizes to fit many. The following are examples of organisations that use practices as adaptive solution(s) to social challenges.

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[18] Indeed, some (e.g. Roe, 1991; Scott, 1998; Pritchett and Woolcock, 2004) have argued that the failure to incorporate the unique local knowledge residing in these relational dimensions has itself been a major source of failure in the development enterprise. More generally, management experts Heifetz and Linsky (2002) have gone so far as to claim that 'the single most common source of leadership failure . . . in politics, community life, business or the nonprofit sector . . . is that people, especially those in positions of authority, treat adaptive challenges like technical problems.'

[19] 'The epidemics in Africa are diverse, both in terms of their scale and the pace at which they are evolving. There is no single "African" epidemic.' UNAIDS/WHO 2004 World AIDS Report.

Ubuntu Education Fund (South Africa)

The Ubuntu Education Fund works with the people of the Eastern Cape Province (in South Africa) to help provide quality education and health programmes.[20] While rarely acknowledged explicitly, bridge building and social capital define Ubuntu's work. From the organisation's theoretical underpinnings to its daily operations, social relations serve as both the means and ends of development. The name 'ubuntu' refers to a traditional philosophy that both demands humanity and defines the human race as a network. It embodies the sentiment expressed in the (locally) well-known maxim 'Umntu Ngumuntu Ngabantu' – a person is a person through other people. Viewed through a lens of western sociology, *ubuntu* deftly embodies the essence of social capital theory. It yields bonding social capital – norms of reciprocity and generosity amongst families, communities and ethnic groups – as well as bridging social capital – the conviction that out-group members can, and must, be treated as part of the network of extended family. Applying Briggs' (1998) practical parsing of social capital, the philosophy of *ubuntu* generates the social ties that help people 'get by' as well as the social linkages that help people 'get ahead'. As a development organisation, Ubuntu operates on the premise that addressing extreme poverty in a middle income context requires the security of the former and the leverage of the latter.

Ubuntu takes its namesake philosophy seriously, building bridges as a means of meeting the adaptive challenge of development. Each project begins with Ubuntu soliciting local input and decision making, introducing accountability measures and establishing *quid pro quo* style partnerships with the communities. This approach's success in establishing trust and a sense of partnership between the organisation and the community is evidenced by the security that Ubuntu projects enjoy. In neighbourhoods where schools are commonly robbed of their pipes, doorknobs and any piece of metal that can be sold as scrap, Ubuntu computer centres, libraries and offices have almost never been harmed.

Ubuntu's mission is to realise a 'New South Africa', to shake Apartheid's injustices and restrictions and create a society where race does not determine life chances. To that end, Ubuntu develops community operated health and education projects. The rationale behind this approach is that improving the resources available to children who are socially, economically and geographically marginalised will increase their access to the opportunities enjoyed by their peers in South Africa's first world circles. Through literacy and technology programmes, Ubuntu provides physical resources (books and computers) as well as curricula and teacher training. Ideally, these programmes provide children from even the poorest township schools with the skills required to pursue higher education and professional careers.

The career guidance component of Ubuntu's literacy programme does some of the organisation's most explicit bridging work. This initiative creates career centres that provide children with information and assistance in pursuing higher education and/or career paths. An annual career fair also brings professionals and representatives of prospective employers and educational institutions to the townships. Like the inner city youth who participated in Briggs' (1998) Yonkers study, most township children lack family, neighbours or other natural links to adults who have earned a college degree or practiced a profession. With unemployment in the townships as high as 80 percent, many may not even know an adult who is gainfully employed. Thus, Ubuntu's career fair represents an essential and unique opportunity for building bridges between South Africa's first and third worlds.

Yet, perhaps even more so than education, addressing township communities' health crises is at the core of Ubuntu's strategy for bridging disadvantage to opportunity. In the communities where Ubuntu works, the AIDS epidemic has led to a social breakdown entailing a significant orphan population, child heads of household, loss of income and labour force participation, as well as the abuse and exploitation of vulnerable populations. Ubuntu's

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[20] www.ubuntufund.org

health initiative trains local youth to act as health educators and counsellors. These youth leaders serve as ambassadors in a sense, bringing information and positive health practices to communities with no access to formal medical care. In their role as counsellors they also link individual children and families to social services that few in the townships know are available. While Ubuntu uses regularised models for gathering feedback and a common curriculum for health education, both of these frameworks seek, incorporate and respond to feedback. Ubuntu works through 'practices' by shaping each development interaction – from building a library, to conducting a health class, to providing counselling – to suit the community, school, class and even the individual child it seeks to reach.

Seeds of Peace (United States)

Seeds of Peace is dedicated to empowering young leaders from regions of conflict with the leadership skills required to advance reconciliation and coexistence. Seeds of Peace takes a relational approach to building peace in some of the world's most conflict-ridden areas. Their driving philosophy – that 'treaties are negotiated by governments but peace is made by people' – lends itself to a socially oriented strategy of 'working to forge the personal relations critical to peacemaking and reconciliation.'[21] They believe that political peace is nurtured and sustained only by strong social ties.

Seeds of Peace develops bridging social capital between children on the opposite sides of conflict by bringing youth with outstanding leadership potential to a summer camp located in the United States. In this (theoretically) neutral context, Arab and Israeli, Serb and Bosnian, Indian and Pakistani, Greek Cypriot and Turkish Cypriot children meet, play, talk, share, collaborate, and learn with their traditional enemies. The camp's staff structure activities and create venues for both trust-building and honest dialogue. They offer opportunities for students to share, and thus demystify, their different cultures and religions. The intended result is that the children, having grown to understand and value each other, will be more willing to work towards peace when they return home and especially when they grow up.

While Seeds of Peace believes the removed setting of the camp (in the state of Maine) is essential to bridging the differences between their participants, the organisation also runs modified versions of their activities at sites located in the Middle East, South Asia, North Africa and Europe. These local 'Centers for Coexistence' serve the purpose of reinforcing the lessons taught at the camp and sustaining relationships and trust in the more challenging real-life context where children must face conflict on a daily basis.

The Kecamatan Development Program (Indonesia)

Perhaps the greatest challenge in bringing practices back in to development debates lies in the apparent difficulty of implementing them on a large scale. The idea of widely operationalising, let alone monitoring and evaluating, an array of ever-changing, relationally-intensive, context-specific responses to development challenges is daunting, if not completely counterintuitive (Guggenheim, 2006). While it may be clear how social relations can work within the context of a geographically focused organisation like Ubuntu, or a controlled environment like Seeds of Peace, envisioning their replication on a countrywide scale is no small conceptual leap.

So how can policy engender practices? And what does a programme built around social capital theory and practices look like? The Kecamatan Development Programme (KDP), a joint venture between the Government of Indonesia and the World Bank, offers one answer. KDP strives to reduce poverty, while increasing local capacity and improving governance, by providing small grants directly to villages. The local communities then must use the grant for an economic development project that they also manage. KDP empowers Indonesian villagers to both strategise and prioritise in regards to development goals, a process that is inherently relationally intensive (Gibson and Woolcock, 2005). Collective knowledge and

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[21] www.seedsofpeace.org

preferences emerge, informing the development process directly. The results are infrastructure, income-generation and social service improvement projects, well-harmonised to beneficiary needs, priorities, and aspirations. While diffusion of authority and flexibility enable KDP to respond well to diverse community situations, they also open the door for traditional development pitfalls, including corruption and elite capture. To guard against these hazards, KDP gives villagers wide discretion over the use of funds, while keeping the process by which those funds are allocated, both transparent and slow-paced. In this manner, KDP allows enough people to understand and become involved in the project that corruption and other misuses of funds and benefits are dramatically limited (Olken, 2005).

KDP requires communities to collectively negotiate the development process, in turn fostering relational skills, governance capacity and even conflict resolution mechanisms (Barron, Diprose, and Woolcock, 2006). Again, social relations are both means and ends. The decision making process required to transform a grant into a community asset is inherently social. As a result, it generates the social capital needed to make the investment of financial capital sustainable. Communities emerge from the decision making process better organised, better able to communicate, and more capable of resolving internal dispute – that is, better prepared to meet the social challenges that necessarily accompany economic growth.

5. Conclusion

Conventional approaches to understanding the relationship between social capital and economic development stress the importance of 'participation', of taking a more 'community-based' approach to poverty reduction and 'good governance'. On the face of it, such arguments have much to commend them, even if the formal evidence base on which they rest remains rather thin (Mansuri and Rao, 2004). Much can, and should, be done to assess the efficacy of these relationships in a rigorous and comprehensive manner, the better to inform hard-nosed decisions about the 'best' way to allocate finite development resources and design appropriate interventions.

Such an approach, however, does not fully explore or properly exploit the emerging evidence from mainstream science and experimental social science, which argues for taking an increasingly 'relational' (cf. Emirbayer, 1997) view of human behaviour, and innovative development projects to address local governance and conflict, which argues for creating legitimate and accessible spaces wherein political differences can be (more) peacefully negotiated. Reconciling these tensions is not merely an uncomfortable (or 'soft') component of development; it *is* development. Moreover, because the development business is inherently one of encounters between people with such vastly different power, expectations, and mental models; effective strategies to reduce poverty must therefore give a much more prominent place to perspectives that can help 'manage' these encounters in the most equitable and accountable manner.

In this paper, we have provided a brief review of the diverse evidence needed to sustain arguments in favour of taking a 'relational' approach, and used it to help open an analytic space for incorporating 'practices' into development deliberations. It is, we hope, a departure point for thinking and acting more sensitively yet rigorously with respect to the inherently social dimensions of development. In the end, the key development problems of the twenty-first century will not (cannot) be solved by a lone genius, a single discipline or a Big Plan (Woolcock forthcoming); the idea of social capital will have more than justified its rapid rise in the scholarly literature and policy discourse, if it can inform and legitimise a more integrated approach to framing the questions we ask, the problems we prioritise, and the methods we invoke to address them.

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The University of Manchester
**Brooks World
Poverty Institute**

MANCHESTER
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Executive Director
Professor Tony Addison

Research Director
Professor Michael Woolcock

Associate Director
Professor David Hulme

Contact:

Brooks World Poverty Institute
The University of Manchester
Humanities Bridgeford Street
Building
Oxford Road
Manchester
M13 9PL
United Kingdom

Email: **bwpi@manchester.ac.uk**

www.manchester.ac.uk/bwpi

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