

## Social Capital: Promise and Pitfalls of its Role in Development

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The purpose of this commentary is threefold. First, to review the origins and definitions of the concept of social capital as it has developed in the recent literature. Second, to examine the limitations of this concept when interpreted as a causal force able to transform communities and nations. Third, to present several relevant examples from the recent empirical literature on Latin American urbanisation and migration. These examples point to the significance of social networks and community monitoring in the viability of grass-roots economic initiatives and the simultaneous difficulty of institutionalising such forces.

Current interest in the concept of social capital in the field of national development stems from the limitations of an exclusively economic approach toward the achievement of the basic developmental goals: sustained growth, equity, and democracy. The record of application of neoliberal adjustment policies in less developed nations is decidedly mixed, even when evaluated by strict economic criteria. Orthodox adjustment policies have led to low inflation and sustained growth in some countries, while in others they have failed spectacularly, leading to currency crises, devaluations, and political instability.<sup>1</sup> The ‘one-size-fits-all’ package of economic policies foisted by the International Monetary Fund and the US Treasury on countries at very different levels of development have led to a series of contradictory outcomes that orthodox economic theory itself is incapable of explaining.<sup>2</sup>

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<sup>1</sup> See Alejandro Portes, Carlos Dore-Cabral and Patricia Landolt, *The Urban Caribbean: Transition to the New Global Economy* (Baltimore, 1997) and Miguel Angel Centeno, *Democracy within Reason: Technocratic Revolution in Mexico* (Pennsylvania, 1994)

<sup>2</sup> Carlos Filgueira, ‘Estado y sociedad civil: Políticas de ajuste estructural y estabilización en América Latina’, paper presented at the Conference on Responses of Civil Society to Neo-Liberal Adjustment, University of Texas at Austin, April 1996. See also Alvaro

In the social terrain the record is even more problematic, as the removal of state protections giving way to unrestrained market forces has produced growing income disparities and an atomised social fabric marked by the erosion of normative controls. Rising crime and widespread corruption of public institutions, including those charged with maintaining public order, have been associated with this normative decline. In the new ‘everyone for himself’ environment promoted by the free reign of the market, there is little incentive for public officials to adhere to standards of probity, or for the poor to respect the social order that has abandoned them. Instead of promoting growth with justice, current market liberalisation policies may be leading to a Hobbesian problem of public order, as individuals fight for survival under the harsh conditions in which they find themselves.<sup>3</sup>

Although the situation in most Third World and, in particular, Latin American countries has not yet reached this crisis level, the trend is visible enough for policy-makers to seek ways to reinstitute or create anew community bonds and social institutions. It is in this context that the notion of social capital has made its appearance, holding the promise of a ground-up alternative to the top-down policies promoted by international financial organisations in the recent past. In the more optimistic versions, the rise of social capital would perform double duty as a counterweight to the unfettered individualism of the market and, simultaneously, as a means to gain advantages in it.<sup>4</sup> Such rosy views have not gone unchallenged and have been subjected, in fact, to extensive criticism. In the next sections, we review the origins of the concept of social capital, its evolution from an individual trait to a feature of communities, and its limitations as a potential new model of development.

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Diaz, ‘Chile: ¿Hacia el pos-neoliberalismo?’ Paper presented at the Conference on Responses of Civil Society to Neo-Liberal Adjustment, University of Texas at Austin, April 1996; Manuel Castells and Roberto Laserna. ‘The New Dependency: Technological Change and Socio-economic Restructuring in Latin America’, *Sociological Forum*, vol. 4 (1989), pp. 535–60.

<sup>3</sup> Alvaro Diaz, ‘Chile: ¿Hacia el pos-neoliberalismo?’; Manuel Castells and Alejandro Portes, ‘World Underneath: The Origins, Dynamics, and Effects of the Informal Economy’, in A. Portes, M. Castells and L. A. Benton (eds.), *The Informal Economy: Studies in Advanced and Less Developed Countries*, (Baltimore, 1989) pp. 11–37.

<sup>4</sup> Robert D. Putnam, ‘The Prosperous Community: Social Capital and Public Life’, *The American Prospect*, vol. 13 (1993), pp. 35–42; also, by the same author, ‘Bowling Alone: America’s Declining Social Capital’, *Journal of Democracy*, vol. 6 (1995), pp. 65–78.

*Social capital: origins and definitions*<sup>5</sup>

Much of the controversy surrounding the concept of social capital has to do with its application to problems at different levels of abstraction and its use in theories involving different units of analysis. Its original systematic development by the French sociologist Bourdieu<sup>6</sup> and the American sociologist Coleman<sup>7</sup> centred on *individuals or small groups* as the units of analysis. With some significant variations, both scholars focused on the benefits accruing to individuals or families by virtue of their ties with others. Bourdieu's treatment of the concept, in particular, was instrumental, to the extent of asserting that people intentionally built their relations for the benefits that they would bring later on. In a few brilliant pages, the French sociologist dealt with the interaction between money capital, social capital and cultural capital, the latter being defined as the formal educational credentials that an individual possesses together with the more intangible complex of values and style in demeanour. Bourdieu's key insight was that these three forms of capital are fungible, that is they can be traded for each other and actually require such trades for their development.<sup>8</sup> Thus, social capital of any significance can seldom be acquired without the investment of some material resources and the possession of some cultural knowledge, enabling the individual to establish relations with valued others.

For the most part the subsequent literature followed these guidelines, focusing on the types of resources that persons receive through their social ties. In sociology, in particular, a tripartite family of effects developed as researchers explored the implications of the concept. Social capital became defined as: (1) a source of social control; (2) a source of family-mediated benefits; and (3) a source of resources mediated by non-family networks. The latter usage, exemplified by personal connections that facilitate access to jobs, market tips, or loans comes closest to Bourdieu's original definition of the concept.

On his part, Coleman paid particular attention to the first usage of social capital, that is as a source of control. In the waning years of his life, he became preoccupied by the disintegration of what he called

<sup>5</sup> This section is based on Alejandro Portes, 'The Two Meanings of Social Capital', *Sociological Forum* (Forthcoming).

<sup>6</sup> Pierre Bourdieu, 'Les Trois États du Capital Culturel', *Actes de la Recherche en Sciences Sociales*, vol. 31 (1979), pp. 3–6 and Pierre Bourdieu, 'Le Capital Social: Notes Provisoires', *Actes de la Recherche en Sciences Sociales*, vol. 31 (1980), pp. 2–3.

<sup>7</sup> James S. Coleman, 'Social Capital in the Creation of Human Capital', *American Journal of Sociology*, vol. 94, (1988), pp. 95–121; also James S. Coleman, *Foundations of Social Theory* (Cambridge, 1990)

<sup>8</sup> Pierre Bourdieu, 'Le Capital Social: Notes Provisoires', pp. 2–3.

‘primordial’ social ties guaranteeing the observance of norms. A whole gamut of pathologies followed from this state of affairs, from crime and insecurity in the streets to freeloading by teachers and students in American public schools. In seeking remedies to these social ills, Coleman pursued a double path. First, he wrote in defence and celebration of the community ties that remained in place. Second, he advocated the replacement of the primordial social structures that had disappeared with ‘purposively constructed’ organisations where schedules of incentives took the place of vanishing social capital.<sup>9</sup>

#### *Sources of social capital*<sup>10</sup>

The definition of social capital as the ability to secure resources by virtue of membership in social networks or larger social structures represents the most widely accepted definition of the term today. This definition is not without problems. First, there is a common tendency to confuse the *ability* to secure resources through networks with the resources themselves. This can easily lead to tautological statements, where a positive outcome necessarily indicates the presence of social capital, and a negative one its absence. In fact, an actor’s capacity to obtain resources through connections does not guarantee a positive outcome. Given the unequal distribution of wealth and resources in society, actors may have trustworthy and solidary social ties and still have access to limited or poor quality resources. Saying that only those who secure desirable goods from their associates have social capital is tantamount to saying that only the successful succeed.

Second, the literature on this topic tends to emphasise the positive consequences of social ties, to the exclusion of their less desirable consequences. Yet the same mechanisms appropriable by individuals as social capital can lead to a set of negative outcomes for others. Recent studies have identified at least four such negative consequences of social capital: exclusion of outsiders, excess claims on group members, restrictions on individual freedoms, and downward levelling norms.<sup>11</sup> For instance, the same strong ties that enable group members to obtain

<sup>9</sup> James S. Coleman, ‘The Rational Reconstruction of Society (1992 Presidential Address)’, *American Sociological Review*, vol. 58 (1993), pp. 1–15.

<sup>10</sup> This section is partially based on Alejandro Portes, ‘Social Capital: Its Origins and Applications in Modern Sociology’, *Annual Review of Sociology*, vol. 24 (1998), pp. 1–24, and Alejandro Portes and Patricia Landolt, ‘The Downside of Social Capital’, *The American Prospect*, vol. 26 (1996), pp. 18–22.

<sup>11</sup> Alejandro Portes and Julia Sensenbrenner, ‘Embeddedness and Immigration: Notes on the Social Determinants of Economic Action’, *American Journal of Sociology*, vol. 98 (1993), pp. 1320–50.

privileged access to resources, bar others from securing the same assets. The particularistic preferences granted to members of a clan or circle of friends is commonly done at the expense of the universalistic rights of others. For the latter, the situation is tantamount to *negative* social capital and they often resort to legal means to break down the barriers created by cosy social ties.<sup>12</sup>

Similarly, under certain conditions, community closure may prevent the success of business initiatives by enforcing excessive claims on entrepreneurs. Geertz, for example, observed how successful businessmen in Bali were constantly assaulted by job and loan-seeking kinsmen on the strength of community norms enjoining mutual assistance.<sup>13</sup> The result was to stunt the growth of business initiatives and eventually bankrupt them. In the Ecuadorean highlands, many successful cloth and leather artisans have converted to Protestantism. The reason has little to do with their religious convictions or affinity to the Protestant 'ethic', but with the need to escape the host of obligations enforced by the Catholic *cofradías*. For these hard-working artisans, negative social capital comes in the form of repeated requests to finance religious festivities and bear the cost of food and drink for the rest of the community.<sup>14</sup>

Third, the definition of social capital given above leaves untheorised the motivations of donors in these transactions. From the point of view of recipients, resources made available through social ties have the character of a 'gift'. More problematic, however, are the motivations of donors. Drawing from Durkheim, Marx, Weber and Simmel's observations on the dynamics of groups, we have identified four sources of social capital distinguished by the presence/absence of overarching structures defining the character of the transaction.<sup>15</sup> Altruistic sources of social capital include: (1) granting resources to others out of moral obligation (i.e. parents' gifts to children; alms to the poor.) These gestures are undergirded by values introjected by individuals during the process of socialisation; (2) granting resources to others out of solidarity with members of the same territorial, ethnic or religious community (*bounded solidarity*). This source is not based on general values, but on the particularistic loyalties to a relevant in-group (i.e., endowing a scholarship for young co-ethnics; donating time to a union of fellow workers).

Instrumental sources of social capital are also two-fold: (1) face-to-face

<sup>12</sup> Roger Waldinger, 'The "Other Side" of Embeddedness: A Case Study of the Interplay between Economy and Ethnicity', *Ethnic and Racial Studies*, vol. 18 (1995), pp. 555–80.

<sup>13</sup> H. Geertz, "Indonesian Cultures and Communities", in R. McVey (ed.), *Indonesia*, (New Haven, 1963), pp. 24–96

<sup>14</sup> Alejandro Portes and Patricia Landolt, 'The Downside of Social Capital'.

<sup>15</sup> Alejandro Portes and Julia Sensenbrenner, 'Embeddedness and Immigration'.

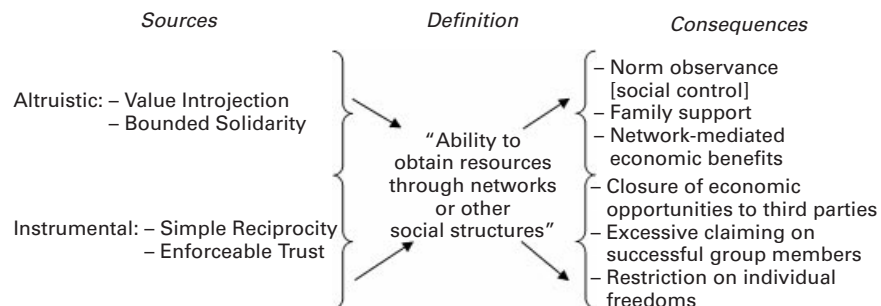


Fig. 1. *Individual Social Capital: Sources and Effects*. Adapted from Alejandro Portes, ‘*Social Capital: Its Origins and Applications in Modern Sociology*’, *Annual Review of Sociology*, vol. 24, 1998, pp. 1–24.

reciprocal transactions that carry the full expectation of commensurate return by the benefited party (*simple reciprocity*); (2) resource transactions embedded in larger social structures that act as guarantors of full returns to donors either from the benefited party or the from community at large (*enforceable trust*). This last source is exemplified by the granting of loans without collateral to members of the same community on the expectation that community controls would guarantee repayment and, in addition, generate status and approval for the donor.<sup>16</sup>

*Trust* exists in these situations precisely because it is *enforceable* through the power of the community. This source of social capital is closely associated with the emphasis placed by Coleman on community structures as a mechanism of social control. This was actually the theme that caught the eye of scholars in other disciplines as they proceeded to transform social capital into a remedy for social ills, oblivious to its negative effects and the distinction between its causes and effects. This distinction and the preceding discussion are summarised in Figure 1.

#### *Social capital as a feature of communities and nations*<sup>17</sup>

For Bourdieu, Coleman and other sociologists, community ties were important for the benefits that they yielded to *individuals* in the form of reliable expectations. A subtle transition took place as the concept was

<sup>16</sup> This is also the mechanism undergirding rotating credit association where members get together periodically to contribute money to a common pool that is given to each in turn. In the absence of written contractual obligations, the only reason to expect additional contributions from those who have already received their pool is the threat of ostracism and status loss for shirkers. See Ivan Light, ‘Immigrant and Ethnic Enterprise in North America’, *Ethnic and Racial Studies*, vol. 7 (1984), pp. 195–216.

<sup>17</sup> This section is partially based on Alejandro Portes, ‘The Two Meanings of Social Capital’.

exported to other disciplines where social capital became an attribute of *the community itself*. In this new garb, its benefits accrued not so much to individuals as to the collectivity in the form of reduced crime rates, lower official corruption, and better governance.

This conceptual stretch, led by political scientist Robert Putnam, made it possible to speak of the ‘stock’ of social capital possessed by communities, and even nations, and the consequent structural effects on their development. Social capital as a property of cities or nations is qualitatively distinct from its individual version, a fact that explains why the respective literatures have become divergent. There are several differences between the two that deserve careful attention. First, the transition of the concept from an individual asset to a community or national characteristic was never explicitly theorised, giving rise to the present state of confusion about the meaning of the term. In one sentence, social capital is an asset of intact families; in the next, it is an attribute of networks of traders; and in the following, it becomes the explanation of why entire cities are well governed and economically flourishing. The heuristic value of the concept suffers accordingly, as it risks becoming synonymous with each and all things that are positive or desirable in social life.

This confusion becomes evident when we realise that the individual and collective definitions of the concept, though compatible in some instances, are at odds in others. For instance, the right ‘connections’ allow certain persons to gain access to profitable public contracts and to bypass regulations binding on others. Individual social capital in such instances consists precisely in the ability to undermine collective social capital, defined as ‘civic spirit’ and grounded on impartial application of the laws. To cite another instance, the strong solidary bonds in Mafia families and inner city gangs confer benefits on their individual members at the expense of public order and peace.<sup>18</sup>

Second, causes and effects of social capital as a feature of communities were not disentangled, giving rise to much circular reasoning. The theoretical spadework done by Bourdieu and his successors prevented this from happening to social capital as an individual trait. At this level, the sources of social capital were clearly associated with a person’s networks, including those that he or she explicitly constructed for that purpose, while effects were linked to an array of material and informational benefits.

Collective social capital or ‘civicness’ lacks this distinct separation. As a property of cities and nations, measurable in ‘stocks’, social capital is said to lead to better governance and its existence is simultaneously

<sup>18</sup> See Diego Gambetta, *The Sicilian Mafia, the Business of Private Protection* (Cambridge, MA, 1993)

inferred from the same outcomes. When not entirely circular, the argument takes the form of a truism:

*For every political system (city, nation, etc....)*

*If authorities and the population are imbued with a sense of collective responsibility and altruism;*

*Then, the system will be better governed and its policies will be more effective.*

It is difficult to see how it could be otherwise. Yet, paradoxically, this self-evident character of the argument has made it popular in policy circles: The 'truth' that such a statement conveys is immediately graspable without need for complex explanation. Thus, if some cities are better governed and richer than others, it is because they are 'blessed' with substantial stocks of social capital. This intuitive appeal of the argument conceals but does not remove its basic logical flaw.

A third consequence of the shift in the definitions of social capital is that it left little space for the consideration of other possible causes. In particular, the assertion that generalised 'civicness' leads to better political results obscures the possibility that extraneous causes account for *both* the altruistic behaviour of the population and the effective character of its government. The level of education of the population, its geographical concentration, and the history of past popular mobilisations are likely candidates to simultaneously affect civic behaviour, on the one hand, and governmental responsiveness on the other. Figure 2 illustrates graphically the argument for the potential spuriousness of social capital effects as an outcome of basic historical factors.

These limitations must be kept in mind when attempting to apply the concept of social capital to problems of development. The basic distinction to consider in this case is between correlation and causation. It is possible to find many instances where high levels of community solidarity go along with sustained economic growth or other positive developmental outcomes. The all-too-common logical fallacy is to conclude that one causes the other without consideration of the possibility that both are determined by common external causes. It can be those external factors, not social capital, that may play the key role in the process. Nor is it the case that successful instances negate the likelihood that strong community bonds can be associated, in other cases, with negative outcomes. Searching for positive developmental results to which a social capital story can be attached is a particularly pernicious form of sampling on the dependent variable.

The key point is that one must be cautious in assessing the role of social capital as an independent causal factor in development or in generalising from successful examples. Instances where strong bonds of solidarity among members of a community have produced significant positive



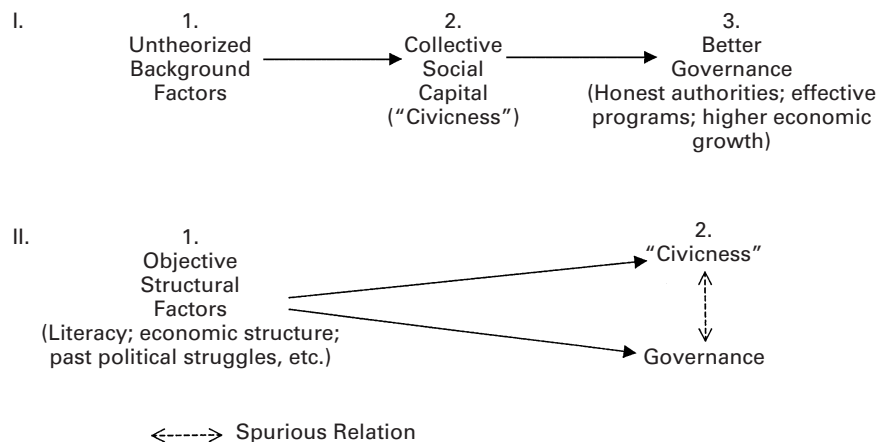


Fig. 2. *Alternative Causal Patterns of Social Capital as a Feature of Collectivities.*

effects exist, and have been documented in the literature. Yet the question remains about the generalisability of these cases, or the possibility of creating similar bonds in places where they do not exist. By and large, instances of successful developmental outcomes driven by social capital have been preceded by protracted and unique historical processes requiring an evolution of years or decades.<sup>19</sup> No formula has been devised to transport these results instantly into other settings. With these considerations in mind, we move to review several specific instances drawn from the recent Latin American urban literature.

*Latin American experiences with social capital*

The 1980s was Latin America's lost decade. Beginning with the region-wide economic downturn prompted by the increase in oil prices in 1973, Latin American countries abandoned import-substitution industrialisation (ISI) strategies, and turned to export promotion as a means to alleviate balance-of-payments deficits and to service the growing foreign debt. Structural adjustment policies and the subsequent transformation of Latin America's relationship to the global economy had multiple, and often unintended consequences for social, economic and political life. In

<sup>19</sup> Vittorio Capecchi, 'The Informal Economy and the Development of Flexible Specialization', in A. Portes et al. (eds.), *The Informal Economy*, pp. 189-215. See also David Kyle, 'The Transnational Peasant: The Social Structures of Economic Migration from the Ecuadorian Andes', unpubl. PhD. Diss., Johns Hopkins University, 1995.

the Caribbean Basin, the 1980s ushered increased income disparities, open unemployment, the erosion of the middle class, and massive international migration to the United States. Civil society crumbled under the weight of rampant delinquency, political violence, and despair.<sup>20</sup> There have been multiple grass-roots economic and political responses to the crisis and subsequent restructuring of Latin American society which attest to the historical protagonism of subordinate groups. As the research evidence suggests, the micro-enterprises that emerged during this period highlight the importance of community monitoring in local economic prosperity. Likewise, evidence from research on transnational migrant civic associations illustrates the historical obstacles to building trust.

The shift from the import-substitution (ISI) model of development to export-oriented industrialisation (EOI) prompted a significant transformation both in the character and functions of the informal economy.<sup>21</sup> Most noteworthy, informal enterprises, traditionally linked in a subordinate relationship to national firms that manufactured goods for the domestic market, began to establish subcontracting arrangements with transnational manufacturers that produced for the global export market. The result was the emergence of new, albeit limited, possibilities for informal activities linked to the global economy. The garment workshops of San Pedro Sacatepequez, Guatemala and the informal tropical fruit packing firms of Jamaica represent instances of new types of micro enterprises that function as contractors to international firms. In light of past European experiences of successful informal development, the focus of this discussion is the extent to which these micro enterprises possess sufficient skills, capital, and integration into strong cooperative networks indicative of a potential for growth.<sup>22</sup> The preceding two cases, drawn from a larger comparative study of the informal economy in the Caribbean Basin, illustrate both the importance and structural limitations of community monitoring in local entrepreneurship.

San Pedro Sacatepequez is a small urban centre located near Guatemala City with a predominantly Cakchiquel speaking Maya population.<sup>23</sup> San Pedro is also a traditional site of artisanal clothing manufacturing. In the 1980s, tradition was transformed as workshops reorganised production to subcontract for national and international firms located in Guatemala

<sup>20</sup> Alejandro Portes et al., *The Urban Caribbean*.

<sup>21</sup> José Itzigsohn, 'The State, the Informal Economy, and the Reproduction of the Labor Force', unpubl. PhD. Diss., Johns Hopkins University, 1994.

<sup>22</sup> Vittorio Capecchi, 'The Informal Economy and the Development of Flexible Specialization'.

<sup>23</sup> Juan Pablo Pérez-Sáinz, 'Guatemala: Two Faces of the Metropolitan Area', in Alejandro Portes et al. (eds.), *The Urban Caribbean*.

City. There are three types of garment establishments in San Pedro: medium and small size firms that subcontract for foreign companies, semi-entrepreneurial establishments that subcontract for national manufacturers, and informal establishments that subcontract for national merchants. San Pedro's link to production for export was established in 1987 when a Guatemala City entrepreneur approached local producers. Subsequent arrangements have snowballed out of this original contact and have extended throughout the community, based on referrals made among friends and family. Subcontracting links are the key to success since international firms encourage workshops to upgrade their technology and provide them with the loans to do so.

San Pedro's microentrepreneurs benefit from a broad network that extends beyond kin group to encompass the entire community in which Mayan identity, rather than familial ties, is the binding element. The expansive social networks that links San Pedro's microentrepreneurs facilitates the flow of a variety of resources. Apprenticeship in the workshops of family, friends, and acquaintances represents the first step in establishing an independent outfit. Financial assistance for starting a workshop is typically given by kin, and once a workshop is established, friends and family in San Pedro refer the new entrepreneur to the international firms with which they have been working.

In San Pedro Sacatepequez both altruistic and instrumental sources of social capital facilitate the sharing of knowledge, capital loans, and business contacts with manufacturing firms. *Bounded solidarity* expressed as 'Mayanness' has become the starting point for a cycle of accumulation in which the economic success of any Sacatepecans is a reaffirmation of the group's identity. *Enforceable trust* is generated and sustained by the structure of the social network in which unregulated market transactions take place. The community confers status on successful entrepreneurs who share their resources and contacts, and exerts both normative and economic pressure to assure beneficiaries' repayment and reciprocity. Those who shirk the system risk both their standing in the community and the possibility of being cut off from future subcontracting opportunities. The community as a whole is thus the guarantor of observance of normative obligations.

In spite of their relative prosperity, San Pedro's microentrepreneurs face marketing constraints that cannot be overcome simply on the basis of cooperative economic relations. San Pedro's workshops are locked in as the final link of a transnational production chain. Since they do not have any independent access to consumer markets, their economic dynamism is contingent on the will of the middleman. In theory, the situation of San Pedro's producers might be improved through the diversification of their

international markets. But the structural problems faced by San Pedro's producers clearly extends beyond the town limits, and is symptomatic of the economic development project imposed externally on Guatemala. While the social structure of relations may guarantee the success of non-contractual transactions among Sacatepecans (e.g. loans, apprenticeships, business contacts) it cannot break the structural barriers that hinder the autonomous growth and accumulation of their microenterprises.

The tropical fruit packing industry of Jamaica presents a second case of informal producers linked to formal firms in a chain of casual subcontracting.<sup>24</sup> Jamaica's food processing industry is quite complex. There are four levels in the production chain beginning with (1) large national food distribution companies which are supplied by (2) small firms that process and pack fruits. One of the products processed and packed by small firms is ackee, one of Jamaica's national dishes. Ackee is purchased by the small firms from (3) truckers and traders who hire (4) pickers on a seasonal basis to gather the ackee fruit. Two additional complications are present in this production chain: first, the ackee fruit grows wild and is not cultivated in orchards, hence its supply is irregular, and second, the ackee fruit contains hypoglycin and, since 1972, has been forbidden entry into the United States, where the bulk of the export market is situated. Typically, both small firms and traders have more than one contact for purchase and sale of their respective product. While there are no contractual relationships in this four-tiered chain of production, there are informal agreements between actors that guarantee a modicum of stability.

Among the small informal producers there are multiple sources of distrust. Cutthroat pricing in the competition for a limited ackee supply leads to tension and disputes. Drug smuggling is also a major source of distrust. It is well known that drug smugglers offer substantial bribes to entrepreneurs and their foremen in return for making their packing plant available for smuggling operations. Entrepreneurs have also had bad experiences when dealing independently with large exporters overseas. Exporters have been known to place orders directly with small firms and, upon receipt of the product, failed to make payment in full. They have even cut-off all contact with the supplier, who has then been forced to simply absorb the loss. The unregulated nature of ackee supplies and its international distribution systems prompt unwavering competition, suspicion, and social atomisation.

<sup>24</sup> Derek Gordon, Patricia Anderson and Don Robotham, 'Jamaica: Urbanization during the Years of the Crisis', in Alejandro Portes et al. (eds.), *The Urban Caribbean*.

Although entrepreneurs are quick to point to situations that have led them to distrust other producers and distributors, these small firms do share certain services. Instances of trustworthy behaviour include: firms borrowing cans from each other when shortages occur, sending their produce to be canned by another firm when their machinery breaks down, sharing maintenance services, assisting in the training of new employees, and sharing large orders when these exceed the processing capacity of a single firm. In essence, within the industry the only source of social capital that facilitates resource transactions is simple dyadic acts of *reciprocity*, with the full expectation of a commensurate return. Individual entrepreneurs do, nonetheless, benefit from personal networks of friends and family who have been instrumental to the formation and continued success of their enterprise. In every case, friends, family, and fellow parishioners have been moved by *bounded solidarity* to provide the initial capital to launch the micro-entrepreneur's business venture.

The economic prosperity of Jamaica's fruit export industry is linked to its capacity to corner a specialised international consumer market niche (namely Jamaican immigrant communities in Canada, the United Kingdom and the United States) that generate a demand for products from their homeland. Yet, a major obstacle to transforming Jamaica's export food industry into a focal point of autonomous growth and accumulation is the absence of *enforceable trust* that could sustain collaborative relations among producers across the links in the production chain. Entrepreneurs in Jamaica's food industry do not have a history of collective action, or any form of group identity that might serve as the foundation for the construction of trustworthy business networks. Moreover, the characteristics of the industry, many aspects of which operate in a twilight zone of regulative order, conspires against the establishment of trust. Reciprocity exists, but is limited. Indeed, in such an irregular production chain, it takes only a few documented cases of corruption for all producers to proceed with increasing suspicion.

Holding out the hope of entrepreneurial dynamism and capacity as a potential pillar of future development strategies, microenterprises have become the poster child of an economic policy that celebrates informality as the 'irruption of the market' in otherwise overly regulated Latin American economies.<sup>25</sup> Most existing programmes of micro-enterprise promotion take the individual entrepreneur or firm as the target of action. Our discussion of entrepreneurs' personal and business networks, and the multiple rights and obligations to which they are bound, suggests the need for an alternative tack. Policy must build on whatever basis for community cooperation and solidarity already exists. The promotion by

<sup>25</sup> Hernando De Soto, *The Other Path*, trans. June Abbot (New York, 1989).

an external agent of collaborative relations among micro-entrepreneurs is quite problematic. External agents must take into account how a historical social context and the structure of a particular industry facilitates or conspires against the emergence of trust and cooperation. It must also be recognised that local-level cooperation alone cannot overcome macro-structural obstacles to economic stability, autonomous growth, and accumulation.

A second outcome of the economic displacement caused by the economic crisis of the 1980s and the subsequent shift from import substitution to export-oriented development has been massive international migration, mainly to urban centres. In turn, contemporary international migration has exhibited new tendencies which are themselves a product of the global reorganisation of production. In particular, more affordable travel and the diffusion of communications technology, first developed in response to the exigencies of international capital, has enabled immigrants to sustain intense and regular ties across national borders.<sup>26</sup> The result is the emergence of transnationalism, defined as occupations and activities that require regular and sustained social contacts over time across national borders for their implementation.<sup>27</sup>

Contemporary Salvadoran migration is illustrative of the transnationalisation of the immigrant experience. In the case of El Salvador, migration has been a defining element of the social order since the turn of the century. In the 1980s, civil strife and its associated economic dislocations disrupted established migration patterns, and forced more than a million Salvadorans to seek safe haven in Canada and the United States.<sup>28</sup> During this period, a confluence of local and global factors led Salvadorans' to prefer transnational over local strategies of economic and social incorporation. Salvadoran migrants overcame distance, as well as legal and economic adversity, to forge a variety of relationships and commitments with their places of origin.<sup>29</sup>

One of the most distinctive and ubiquitous Salvadoran transnational formations is the home town association or *comité de pueblo* which consists

<sup>26</sup> Linda Basch et al., *Nations Unbound: Transnational Projects, Postcolonial Predicaments and Deterritorialized Nation-States* (Langhorne, PA, 1994). See also Michael P. Smith and Luis E. Guarnizo, *Transnationalism from Below* (New Brunswick, NJ, 1998).

<sup>27</sup> Alejandro Portes, Luis E. Guarnizo and Patricia Landolt, 'The Study of Transnationalism: Pitfalls and Promise of an Emergent Research Field', *Ethnic and Racial Studies*, vol. 22 (1999), pp. 217–37.

<sup>28</sup> Aristide Zolberg, Astri Suhrke and Sergio Aguayo, *Escape From Violence: Conflict and the Refugee Crisis in the Developing World* (New York, 1989).

<sup>29</sup> Patricia Landolt, Lilian Autler and Sonia Baires, 'From Hermano Lejano to Hermano Mayor: The Dialectics of Salvadoran Transnationalism,' *Ethnic and Racial Studies*, vol. 22, no. 2 (1999).

of a core membership of between five and twenty persons, and a broad base of contributors. *Comités* are typically formed by migrants from the same place of origin who organise social and cultural events in the Salvadoran immigrant community in order to raise funds for improvement projects in their hometowns. In the process of undertaking such projects, association members create opportunities to reach out not only to their home town, but also to their compatriots elsewhere in the United States. In this way, *comités* build broad social networks among migrants and also reinforce and institutionalise cultural, economic, and political ties with their places of origin.

The attention of government officials and scholars has been drawn to home town associations for two reasons. First, these associations embody a hopeful project for El Salvador's post-war reconstruction process. Reacting against the politically charged situation in El Salvador, *comités* typically promote cooperation and tolerance within their own organisation, and emphasise the importance of building institutions that are flexible enough to sustain a politically diverse membership. The economic potential of *comités* is also not inconsequential. Associations have been known to raise up to US \$50,000 in cash and kind for their development projects. Life conditions in municipalities that receive 'grassroots transnational aid' confirm the economic relevance of this collective remittance strategy. Towns with a home town association have paved roads, electricity, and freshly painted public buildings. While one may question the *comités*' development priorities, the quality of life in transnational towns is quite simply better.<sup>30</sup>

Second, Salvadoran *comités* are exceptional because they demonstrate the capacity of individuals to overcome fear and suspicion, to promote social relations of trust and solidarity, and to forge cooperative social networks. There are many contemporary and historical sources of distrust that conspire against the formation of the trustworthy relations required for the construction of transnational home town associations. In El Salvador, a history of elite-sponsored political violence stifled civil society, and bred cynicism and misgiving into all social relations.<sup>31</sup> During the civil war, systematic terrorism and the militarisation of society led Salvadorans to perceive the environment and each other as potentially hostile and dangerous.<sup>32</sup> In the United States, the structure of

<sup>30</sup> Patricia Landolt, 'Transnational Communities: An Overview of Recent Evidence from Colombia, Dominican Republic, and El Salvador'. Report to the Programme in Comparative and International Development, Department of Sociology, Johns Hopkins University (Manuscript, 1997).

<sup>31</sup> David Browning, *Conflicts in El Salvador*, Conflict Studies, no. 168, 1984.

<sup>32</sup> Ignacio Martín-Baró, 'Political Violence and War as Causes of Psychosocial Trauma in El Salvador', *International Journal of Mental Health*, vol. 18 (1990), pp. 3–20.

opportunities for Salvadoran immigrants has been characterised by legal and economic instability.<sup>33</sup> A general poverty of resources has taken its toll on immigrant households and their social networks of mutual support. It has led to the commodification of social ties and to a breakdown in reciprocal exchanges.<sup>34</sup>

Several factors explain how Salvadorans have overcome these adverse conditions to form the social networks required to sustain home town associations. First, migration is a network-creating process that prompts individuals to construct new social roles and relationships that can ease travel, and adaptation in the host society.<sup>35</sup> One dimension of group identity that is accentuated by migration is *paisanaje* or the feeling of belonging to a common community of origin. In effect, the migration experience serves as a partial antidote to a history of fear and distrust in the country of origin. Building on this fragile and rather conjunctural foundation, it is a sense of obligation to family and friends still living in the place of origin that finally results in the construction of Salvadoran *comités*.

As association members explain, after an extended absence from their places of origin, the signing of the 1992 Peace Accords and a more stable legal situation in the United States enabled them to return home. Overwhelmed by the poverty and destruction the war had caused, they decided to assist in the reparations by either forming or contributing to their town's *comité*. In the case of the core membership of a *comité*, moral obligation is buttressed by a sense of *bounded solidarity* that has typically been forged during the years abroad. The founding members of the associations often have a prior history of collective mobilisation in the United States on issues such as immigrant rights, housing equity, or cooperation in entrepreneurial ventures. Furthermore, many individuals who participate actively in *comités* have a personal history of activism in El Salvador.

Although they exhibit great potential as instruments of reconstruction and reconciliation, two fundamental weaknesses threaten the long-term dynamism of Salvadoran home town associations. In theory, the bounded solidarity that prompts the formation of these associations resonates with

<sup>33</sup> Terry Repak, *Waiting on Washington: Central American Workers in the Nation's Capital* (Philadelphia, 1995); see also Cecilia Menjivar, 'Immigrant Kinship Networks and the Impact of the Receiving Context: Salvadorans in San Francisco in the Early 1990s', *Social Problems*, vol. 44 (1997), pp. 104-23.

<sup>34</sup> Sarah Mahler, *American Dreaming: Immigrant Life on the Margins* (Princeton, NJ, 1995); also Cecilia Menjivar, 'The Ties that (Un)Bind: Salvadoran Immigrants and the Transformation of Social Networks' (Forthcoming).

<sup>35</sup> Douglas Massey et al., *Return to Aztlán: The Social Process of International Migration from Western Mexico* (Berkeley, 1987)



the majority of *paisanos* at home and abroad. In reality, the loyalties to an in-group are too particularistic and quite unstable. In immigrant communities, there is a constant erosion of membership. Impoverished transnational *paisanos*, burdened with competing sets of relations and obligations and experiencing the shifting loyalties that are typical of the immigrant experience, drift away from the association. In El Salvador, due to the internal population displacement caused by the war, post-war 'home town' residents are often recent arrivals who are not familiar with the migrant population that coordinates the activities of the *comité*. Home town residents are often reluctant to get involved in *comité* projects and feel that they do not share the *comité*'s vision of what constitute community development projects.

The second and related challenge faced by home town associations is the construction of a stable and broad-based social network that might enable the transnational circulation of resources. Currently, the network that sustains the activities of the typical home town associations is simply a conjunctural fusion of the personal social ties of the executive membership. Consequently, it is easy for *comités* to appear to be or to actually become vehicles for the personal advancement of their executive group. The transnational nature of association activities also tends to encourage suspicions and accusations of corruption and abuse of office. Home town associations try to assuage these concerns by housing their activities within organisations, such as the church or community centre, that have greater legitimacy and the resources to sustain a transnational monitoring system.

In reality, the problem underlying fears of association corruption is the inability of the executive officers to offer themselves as genuine representatives of the 'community'. *Comités* often work on projects that do not resonate with the complex set of economic, political, and social interests in places of origin as well as of distinction. As a result, no matter what a *comité* executive does to assuage fears, it always appears as if it is simply advancing the economic and political interests of a few. Although they have struggled to establish a democratic structure of decision-making and to create mechanisms for monitoring their activities, the Salvadoran transnational associations have been unable to constitute themselves as a representative voice abroad of their home towns.

In effect, a history of distrust and social fragmentation, and the fragmented context in which transnational associations operate, conspire against the emergence of a more singular vision of community development that might resonate with a broader base. While home town associations have the potential to become a vehicle for local development, at this juncture their long term dynamism is in question. This experience

highlights the difficulties of building trust in areas with a recent past of armed conflict. It also cautions external agents about the existence of self-seeking local leaders that claim to represent ‘the community’ and its agenda of development priorities, while pursuing concealed personal agendas.

### *Conclusion*

The preceding examples illustrate simultaneously three aspects of social capital in its second definition as bonds of solidarity within a given community. First, that this can be an important factor in the success of popular economic and political initiatives; second, that it is quite difficult to establish; and third, that unexpected consequences often emerge in the process of building the required preconditions. For the most part, the research literature has not been supportive of attempts at ‘social engineering’ that seek to build solidary networks when few or none exist. More often than not, such attempts end in failure, either because of free riding by some participants or because the communitarian structures weaken readily after outside supports are removed.<sup>36</sup> Instead, it is advisable to build on whatever exists, that is to reinforce existing social ties and work alongside the definitions of the situation of community members rather than seeking to impose them from the outside.<sup>37</sup>

It is equally important to pay attention to the time factor on two counts. First, situations change and the very success of collective efforts to attain certain goals today may change or diminish the future motivation of participants.<sup>38</sup> Second, with time, leadership structures can become entrenched transforming the original lofty goals into justifications for self-serving petty bosses. Michels’ ‘iron law of oligarchy’ operates as effectively at the grassroots level as at the height of political structures.<sup>39</sup>

Third, one must not be over-optimistic about what enforceable trust and bounded solidarity can accomplish at the collective level, especially in the absence of material resources. Social capital can be a powerful force promoting group projects but, as noted previously, it consists of the ability to marshal resources through social networks, not the resources themselves. When the latter are poor and scarce, the goal achievement capacity of a collectivity is restricted, no matter how strong its internal bonds. This is another way of saying that, contrary to the expectations of

<sup>36</sup> Alejandro Portes and José Itzigsohn, ‘The Party or the Grassroots: A Comparative Analysis of Urban Political Participation in the Caribbean Basin’, *International Journal of Urban and Regional Research*, vol. 18 (1994), pp. 491–508. See also chapter 12 of James S. Coleman, *Foundations of Social Theory*.

<sup>37</sup> See chapter seven in Bryan R. Roberts, *The Making of Citizens* (London, 1995)

<sup>38</sup> William Mangin, *Peasants in Cities* (Boston, 1970)

<sup>39</sup> Roberto Michels, *First Lectures in Political Sociology* (Minneapolis, 1949).

some policy-makers, social capital is not a substitute for the provision of credit, material infrastructure, and education. What social capital can do is to increase the 'yield' of such resources by reinforcing them with the voluntary efforts of participants and their monitoring capacity to prevent malfeasance.

There is no generalised formula to put social ties to use in development. Instead, successful projects must be achieved one at a time by combining existing grassroots networks with careful provision of resources and external guidance. The latter cannot simply come down from the top in the form of developmental formulas, but must be embedded in the local environment, incorporating its definitions of the situation and its priorities. Thus limited, social capital may have a significant role in development and may help multiply the collective return on resources invested for this purpose.