

## **Can 'social capital' improve the community?**

**EDWARD LOTTERMAN**

Does "social capital" mean anything, and why do economists shun the idea?

The degree to which citizens are engaged in their communities affects social indicators such as crime rates and student performance. It also is important in determining a society's economic performance.

To some, that is simply stating the obvious, but Harvard Professor Robert Putnam has gained considerable fame with these assertions. For more than a decade, he has tried to measure such "social capital" and determine the degree to which it influences various social and economic outcomes. A talk he gave Wednesday in Minneapolis prompts insights on the limitations of current economic research.

It also raises questions about what, if anything, a community or nation can do to raise the level of civic engagement if such engagement in fact makes society better off.

Putnam spoke to a meeting of the Great North Alliance, an organization of leaders from business, labor, government and academia dedicated to improving the competitiveness and quality of life in the Twin Cities.

A distinguished political scientist, Putnam gained considerable national attention in the 1990s for his book "Bowling Alone: the Collapse and Revival of American Community." He argued that declines in such indicators as church attendance, interactions between neighbors and participation in community organizations boded ill for U.S. society. Last year, he collaborated on a follow-up volume, "Better Together: Restoring the American Community."

To many, Putnam makes a convincing argument. The Netherlands is much wealthier than Greece. Cultural and institutional factors, including Putnam's "social capital," obviously play a role in this disparity just as they do in the even larger differences between Taiwan and the Philippines.

In a military analogy, cultural and institutional differences obviously played a role in making the German officer corps superior to all opponents for 75 years and in the Israeli Defense Force's overwhelming victories against an array of Arab armies.

Many economists are not convinced, largely because their discipline long has scorned consideration of such subjective factors as "social capital" or "civic engagement" in their theorizing. Their tepid response to scholars such as Putnam says more about the limitations of contemporary economic theorizing than about the validity of his ideas.

From the discipline's inception two centuries ago, economists have assumed that economic resources are divisible into land, labor and capital, and that humans are rational beings who make conscious choices so as to maximize the satisfaction they get out of life. Implicitly, most agree with former British Prime Minister Margaret Thatcher

who said, "There is no such thing as society; there are individual men and women and there are families."

A bit more than a century ago, three British economists — F.Y. Edgeworth, William Jevons and Alfred Marshall — transformed economics by introducing mathematics as the language of economic reasoning and discourse. After World War II, U.S. economists such as Paul Samuelson boosted use of mathematics to a still-higher level.

Adopting mathematics as the language of economic discourse brought greater logical rigor and intellectual clarity. But it also warped the focus of economic inquiry. Economists increasingly avoided topics that defied quantification or were otherwise not amenable to expression via mathematical formulae.

Mathematics has proved a Faustian bargain for the discipline. Economics has more formal theoretical structure and intellectual rigor than sociology, political science or anthropology. But the work done is highly stylized and limited by the unrealistic assumptions necessary to make the math work.

In the past decade, many of the discipline's best and brightest have returned to Adam Smith's fundamental questions about why some economies perform much better than others. Unfortunately, issues of culture, of institutions and of Putnam's "social capital" are not very amenable to the mathematical tools economists love.

As a result, theorizing about economic growth by even the most famous Nobel-laureate stars of the profession is embarrassingly naive and limited in what it can say.

Many of us who have lived in more than one country find convincing the arguments German sociologist Max Weber made a century ago about the links between culture and economics. Weber's arguments essentially stated in a different way what scholars such as Putnam and Francis Fukuyama of "The End of History and the Last Man" fame argue now.

Young economists are rebuilding economics from its roots, discarding increasingly indefensible assumptions of rationality and of perfect information. Building on their work, future generations of scholars may well succeed in incorporating culture, institutions and social capital into rigorous mathematical theories. But that lies in the distant future.

In the meantime, those of us who are convinced Putnam and others are on the right explanatory track still face a hard question.

If social capital, culture and institutions are important, can a society do anything to consciously transform itself? Can failing Bolivia transform itself in the image of successful Chile? Could corrupt and ineffective Romania become a bustling Switzerland on the Danube?

Many Great North Alliance members obviously hope this is true. History will let us know if they are right.

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