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Social Capital Failure: Negative Externalities of Social Capital

İsmail KİTAPCI

Assist. Prof., Pamukkale University, Faculty of Economics and Administrative Sciences, Department of Public Finance,
i.kitapci@yahoo.com.tr

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ABSTRACT

Social capital can be expressed as private good in terms of micro perspective. At the same time social capital is public good and lead to free-rider problem in terms of macro perspective. On the other hand social groups can only use social capital in their own interests and they can create their own resources by excluding other groups. Therefore the lack of inclusive features of social capital lead to social capital failures. In this study, the exclusion effect of social capital and pressure-interest groups, criminal organizations, corruption and nepotism-chronyism are explained as social capital failure or negative externalities of social capital.

INTRODUCTION

Social capital can lead to negative externalities as well as positive externalities. At this point it is important that what individuals and societies understand from social capital. It is often difficult to bring together social interests with individual interests. In this case, social capital plays a balancing role between the market and society. On the other hand, when social capital is transformed into a tool used for the interests of certain groups, it can produce unfavorable results for society. Especially the forms of social capital formed by only strong ties or by only weak ties limit the possible positive effects of social capital. In this case, social capital can fail like state and market. In this study, firstly the meaning of social capital concept is explained. At the same time, the positive and negative effects on society of social capital are theoretically stated. The negative externalities of social capital are explained as social capital failure. In this context, exclusive effect of social capital and pressure and interest groups, criminal organizations, corruption and nepotism-chronyism are explained as social capital failure.

1. The Concept of Social Capital

There are many types of capital in the economic literature. Economic capital, physical capital, human capital and social capital are some of these. Social capital is separated from other types of capital due to certain characteristics. In other types of capital, people can get capital without need for other people. On the other hand, it is not possible for social capital to form by itself. At this point, the quantity and quality of people's relationships with other people is important. Especially with the 1990s, the topic of social capital has become popular again. Many researchers, such as Bourdieu, Coleman, Fukuyama and Putnam, have studied social capital.

Primarily Pierre Bourdieu (1985) who defined the concept of social capital¹ as "the aggregate of the actual or potential resources which are linked to possession of a durable network of more or less institutionalized relationships of mutual acquaintance or recognition" (Portes, 1998: 3). On the other hand Coleman (1988) broadly defined social capital as "people's ability to cooperate in common goals in groups and organizations. This ability depends on the extent of shared norms and values in different communities and whether they are able to subordinate individual interests to larger groups interests" (Graeff and Swendsen, 2012: 2830). Another definition of social capital belongs to Francis Fukuyama. According to Fukuyama social capital is as the existence of a certain set of informal values or norms shared among members of a group that permits cooperation among them (Fukuyama, 1997: 378). The definition of social capital made by Putnam is similar to that of Fukuyama. According to Putnam "social capital refers to features of social organization, such as trust, norms, and networks, that can improve the efficiency of society by facilitating coordinated actions" (Putnam, 1993: 167).

Given the definitions of social capital, social capital has many characteristics that distinguish it from other types of capital. For instance unlike other capitals, social capital emerges in the context of the relations between actors. Social capital is defined by its function. A variety of diverse entities that share two elements, not a single entity: they are all part of social structures and facilitate certain actions of actors of individuals or institutional actors within the social structure. Hence, like other forms of capital, social capital can be productive, leading to some consequences that may not be possible in its absence. Like physical capital and human capital, social capital can not be completely changed, but it can be specific to certain activities. At this point, a form of social capital that is valuable in facilitating certain actions may be useless or harmful to others (Coleman, 1988: 97, 98)

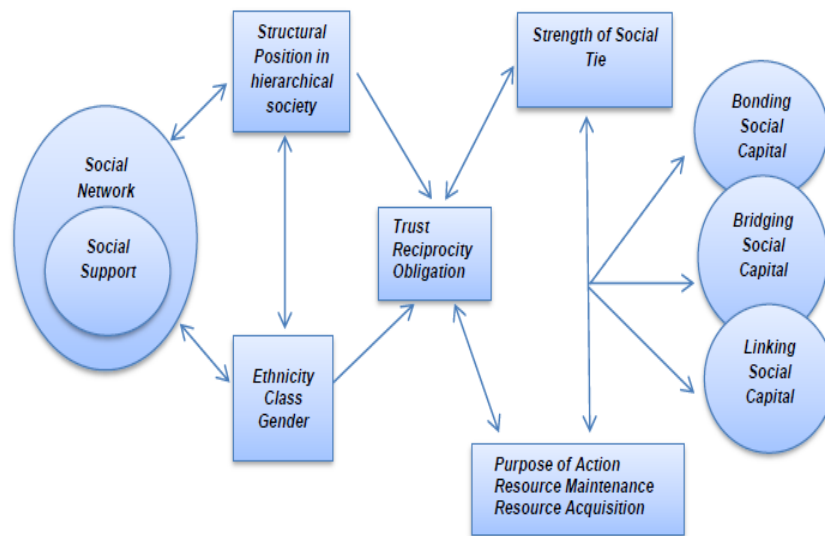
Bourdieu and Coleman also argue that social capital has a property that is not material according to other forms. As economic capital forms in bank accounts, social capital emerges as a result of human relations. In order to have social capital, one person has to associate with others (Portes, 1998: 7). At this point, social capital can be considered as a subset of human capital. Because social capital is a property of groups, not individuals. A group with social capital can be as small as two friends who share or collaborate on a common project, or at the

¹ The words social capital were firstly used by Hanifan in 1916, as the "goodwill, fellowship, mutual sympathy and social intercourse among a group of individuals and families who make up a social unit." (Stern, 2013: 823; Hanifan, 1916).

same time as a whole nation (Fukuyama, 1997: 380). Social capital can be formed around close family and relatives with strong ties, as well as from weak ties with different cultures.

The most important condition for the formation of social capital is to have social networks. Putnam states that in the places where trust and social networks develop, individuals, companies, neighborhoods, and even nations will develop that the social capital of a country will be formed in this way (Knudsen et al., 2014: 6). At this point according to Lin (2001) social capital as “resources embedded in one’s network or associations ...accessible through direct and indirect ties”. On the other hand there are some differences Szreter and Woolcock’s (2004) distinction of bonding, bridging and linking social capital. This definitions include the outcome of accessing resources as well as the process of participation and access to social resources for expected income or “purposeful action” (Hawkins and Maurer, 2012: 356, 357). In the following figure is related to the process from social networks to social capital.

Figure 1: From Social Network/Support to Social Capital



Source: Hawkins R. L. and Maurer, K. (2012) ‘Unravelling Social Capital: Disentangling a Concept for Social Work’ British Journal of Social Work 42, p. 356

As can be seen from the above, social networks create new links between people in the social structure in the direction of mutual trust and commitment. At this point, the bonds among people have been named by different researchers. For instance the bilateral distinction of weak ties and strong ties made by Granovetter in 1973 was later categorized as Putnam’s binding/bonding and bridging social capital. Bonding social capital refers to homogeneous networks among people who are similar to each other. In this type of capital, identities are emphasized as well as trust and intense reciprocity. Bridging social capital that bridges is the relationship between different people and disseminating information. To this distinction of Putnam, Woolcock has incorporated the concept of linking social capital, which expresses the relationship between people and groups at different social classes or levels of power (Ruben and Heras, 2012: 467; Woolcock and Narayan, 2010: 289).

Especially in the 1990s, social capital emerged as a simplified “treatment” of social science against structural economic, racial, ethnic, gender and geographical differences. Social capital theorists say that when social ties are established, life is good and that these connections can turn bad in time. Some studies indicate that strong ties, high levels of trust in networks and reciprocity are useful in the formation of social capital. For example, a low-income network may show a high level of trust, obligation, and reciprocity, helping them to survive. At the same time, due to reasons such as low social and economic status, the resources of this group do not improve the life chance of the group members and in some cases can decrease the quality of life. In other words, the benefits of a well-intentioned social capital can be reduced in time (Hawkins and Maurer, 2012: 356, 357). Therefore the sharing of values and norms among people may not produce social capital alone. Because values and norms may have been

erroneously constructed from the beginning. For this reason, the structure of social capital has its own positive and negative features (Fukuyama, 1997: 378)

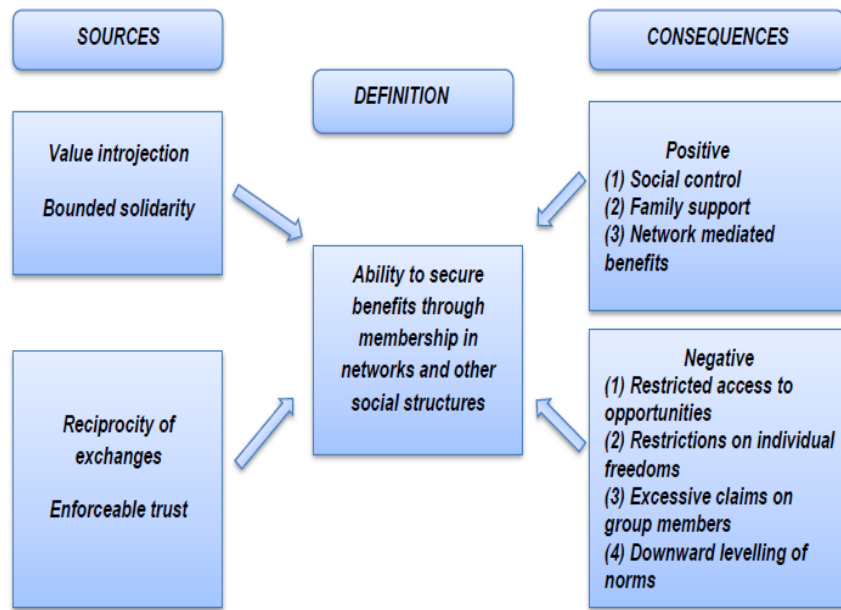
1.1. Positive or Negative Effects of Social Capital

Social capital can reveal positive or negative externalities due to its particular characteristics. Partha Dasgupta has stated that social capital is a private good that produces a wide range of positive and negative externalities. ²At this point, social capital in a particular group or network can reveal positive externalities by teaching social virtues such as honesty and credibility to people. On the other side, “intra-group” tends to show solidarity and exclude people who are out of the group. Therefore, many groups or networks are tightly connected may be fragmented and, as a whole, conflicts and hostilities may arise (Fukuyama, 2002: 30).

Theoreticians conducting research on social capital emphasize that there may be positive and negative social effects in each country that can promote social welfare or harm social order. At this point, while corruption is an example to negative social capital, the high level of general confidence in society can set an example for positive social capital. Especially when corruption is measured at the macro level, it reflects the behavior of government institutions as political and economic actors, and at the same time reflects how actors prefer certain norms and intend to spend universal ones. The negative social capital in this form can be said to be an effect of a harmful effect on the wealth of a nation (Graeff and Swendsen, 2012: 2830).

As most critics of social capital have observed, the effects may be as negative or positive. For example, the Mafia, the Ku Klux Klan, ethnicity exploitation and the exclusion of ethnic groups, etc. On the other hand, the horizons of social capital are much bigger; because nobody has claimed that the family or neighborhood is a rent seeking or corruption nest. Therefore social capital is a resource and can be used for good or bad as other sources (Fine and Lapavistas, 2004: 27). The following figure shows that actual and potential gains and losses in the transactions intermediated by social capital.

² Other types of capital, such as social capital, can also reveal negative externalities. Physical capital and human capital can also produce negative externalities. For example; physical capital, assault rifles, toxic wastes, and other social evils. It can also be used to make human capital bombs embodied in a chemical grade. However, as a whole, social capital has the capacity to produce more externality than the other capital forms. Moreover, these externalities often disrupt the social capital that makes up these (Fukuyama, 2002: 30).

Figure 2: Actual and Potential Gains and Losses in Transactions Mediated by Social Capital

Source: Portes, A. (1998) 'Social Capital: Its Origins and Applications in Modern Sociology', Annual Review of Sociology, Vol. 24, p.8

As seen above, it is possible for social networking and other social networks to have positive and negative consequences to achieve certain benefits. From a positive point of view, the formation of social capital within certain groups facilitates social control within the community, especially the formation of strong ties enhances family support and benefits from network membership. On the other hand, from a negative point of view, social capital is limited within a certain group, making it difficult to reach new opportunities and innovations and thus limiting individual freedoms. At this point, as the group belongs to the forefront, the trust among the other groups decreases and this leads to a decrease in the general confidence in the society. On the other hand, lowering the norm level causes weakening of external control, which can lead to wrong behavior.

On the other hand at the point of application of state policy, there are positive and negative roles of social capital. It is believed that social capital has a positive correlation with educational levels, the public supports open access to education and supports credit for the poor. This effect of social capital is important; because higher educational levels often lead to the formation of more dense networks of social capital. In this case, social capital is transformed into a structure that produces positive externalities as a result of social interactions. Such positive externalities increase the knowledge associated with human behavior, which weakens the potential for opportunistic behavior. However, these externalities can lead to coordination problems and free-rider problems resulting in malfunctions when information is limited (Akçomak, 2008: 86). For this reason, the characteristics of the social capital producing positive and negative externalities should be well known.

1.2. Positive Social Capital

In order to social capital to create positive externalities, there must be a balance between individual and collective goals, as well as social interaction and cognitive awareness based on knowledge as well. If these conditions do not occur, positive social capital will become a negative social capital.

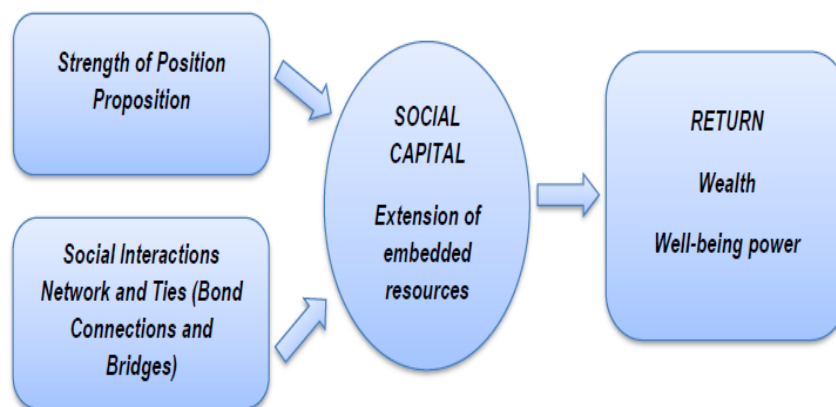
In the broadest sense, positive social capital is defined as the ability of people to cooperate. At this point, unlike the compulsory co-operation imposed by an official institution, there is a co-

operation that takes place as a result of informal norms³ (Graeff and Swendsen, 2012: 2831). On the other hand the social capital definition by Lin also emphasizes the positive characteristics of social capital. According to Lin (2001) social capital is “resources embedded in social networks and accessed and used by actors for actions”. Therefore, social capital has important components. First of all, social capital represents the resources embedded in the social relations of the individual and provides access to such resources with the actors in the social network. Such characteristics of social capital indicate that social capital produces positive externalities for a group of people. At the same time, such positive externalities are achieved through shared trust, norms and values, and consequently on expectations and behaviors. The trust, norms and values shared at this point emerge from social networks and informal forms of organizations based on associations (Durlauf and Fachamps, 2005: 1644).

The fact that social capital creates positive externalities according to the types of use of social capital. At this point, Gitell and Vidal (1998), Szreter and Woolcock (2004) point out that there are three different types of social capital: bonding/binding, bridging and linking. Bonding social capital emerges after a close family relationship. Bridging social capital emerges in relationships between people and groups that differ in terms of age, socio-economic status, race/ethnicity, etc. Linking social capital is a relatively strong force on individuals and communities themselves is a consequence of the changes that have arisen from relations with the ownership institutions and people. All of these levels can lead to different outcomes depending on the relative socio-economic condition and strength of the population. Ideally, individuals and societies must have social capital and productive outcomes in all three levels (Hawkins and Maurer, 2012: 358, 359).

Bonding social capital has two important tasks at the point of creating positive externalities. At this point, it provides emotional, cognitive and economic support to family and friends group members. This support emerges after a process of socialization in which common values are created. At the same time bonding social capital is facilitate social control. This control is achieved through informal norms, respect and moral constraints in society. On the other hand, bridging social capital facilitates access to different information and innovations, sometimes with innate abilities, and sometimes with intense cognitive interactions between people, making people connect with distant people (Menes and Donato, 2013: 3, 4). In the following figure a simplified model is shown by Lin (2001) at the point where social capital creates positive externalities.

Figure 3: A Simplified Model of Social Capital



Source: Durlauf S. N. and Fafchamps M. (2005) Social Capital, Handbook of Economic Growth, Chapter 26, Volume 1B. Edited by Philippe Aghion and Steven N. Durlauf, Elsevier B.V. DOI: 10.1016/S1574-0684(05)01026-9 p.1644.

³ The innovative and intuitive power of social capital comes from two sources. First of all, social capital draws attention to the positive results of sociability. At this point social capital is not found in bank accounts like economic capital and it is formed as a result of social relations. Therefore, the social capital’s application of uneconomic methods to solve economic problems and the adoption of a multidisciplinary approach draws attention to policy makers seeking less costly, less economical solutions to social problems (Portes, 1998: 2, 3).

As can be seen from the above, the positive power of social capital emerges after the interactions and links established within social networks. At this point, the diversity and extension of the resources are important contributors to the formation of social capital. In particular, bridging social capital can produce positive results in terms of economic prosperity. Granovetter (1985) explains this feature of bridging social capital with the power theory of weak ties.

According to the theory of weak ties theorized by Granovetter (1985), individuals combine or join networks that are somewhat dissimilar or heterogeneous in some way. Especially obligation and reciprocity among members, which increases the amount of effort are required for mutual interaction. However, the difference means more changes in the value of network resources; which may lead to the production of a higher value social capital. For example, in the United States, social work specialists play a variety of roles, including academic guidance to families at economic and social risk. At this point, social workers can help a student in a low-income community get a college scholarship from a high-income community. Through bridging social capital, students from different income groups can be connected to networks of the same kind. In general, bridging social capital can make it easier for students to reach new opportunities in terms of job opportunities through their graduate network after they graduate (Hawkins and Maurer, 2012: 360, 361).

At the same time, Putnam (1993, 2000) stated that positive social capital is created through voluntary organizations. When people voluntarily come together in groups, the “face to face” interaction creates a certain trust. Putnam (2000) concluded that in the comparison of Northern and Southern Italy, the density of voluntary organizations was higher in northern Italy than in the South. Especially in southern Italy, social capital is lower than in northern Italy, as the hierarchy of state is strong and rigid (Graeff and Swendsen, 2012: 2831).

1.3. Social Capital Failure: Negative Social Capital

Social capital is primarily a bridge and has complementary task between the state, society and the markets in the discovery of traditional values that are lost in modern society. If there is no positive interaction, it is always possible for social capital to create negative externalities. At the same time, the absence of an inclusive approach to social capital is one of the important factors that reveal the social capital failure. ⁴

Social capital failures may arise from the misuse of social capital as well as market and state failures. Especially the property of social capital as a public property reveals that individuals can misuse it and therefore the possibility of social capital failure. As Alejandro Portes says, sociality is a sharp knife on both sides (Field, 2008: 102). The nature of social capital is one of the main factors that lead to the positive or negative effects of social capital on individuals and society. Social capital, like the markets and states, can also fail (Edelman et al., 2002: 13; Bowles, 1999: 7, 8). Especially negative effects of social capital exist, for instance when social networks begin to create inertia between partners due to a locking in of past expectations and aims (Turner, 2011: 10).

Alejandro Portes (1998) insisted that the negative effects of social capital should also be taken into consideration in the literature. Portes emphasizes that links that benefit members of a group often prohibit access to others (Breuskin, 2012: 3). For example, while group members may benefit from common sources, foreign persons may be excluded and others may be excluded by creating an environment of general insecurity under certain circumstances (Andriani, 2013: 18). At this point only the people in the network are dependent on social trust; whereas there is distrust about strangers. So the question that needs to be asked here is does social capital cover most of the society? How many networks overlap so that all social divisions and communities are interrelated? (Breuskin, 2012: 3). On the other hand, the negative aspects of social capital are expressed by Portes. These can be expressed as; exclusion of individuals

⁴ Social capital failures or negative effects of social capital are expressed in some sources, negative externalities of social capital or the dark side of social capital (Source: Portes, 1998, Stern, 2013). In this study negative externalities emerging from social capital are expressed as social capital failure.

from the network, extreme demands and freedoms of network members, restrictions on individual freedoms, downward norms, claims of extreme group members (Portes, 1998: 15).

1.3.1. Types of Social Capital Failure

Social capital is a concept that can be obtained by a group of people and can be achieved as a result of cooperation between people. This inevitably shows that social capital is a public good. Therefore, social capital can be a public good, which can lead to situations such as the tragedy of common goods. For example, when social capital is used within individual's own interests and objectives can reveal some exclusionary effects. The types of social capital failure can be expressed as exclusion effect, crime organizations, pressure and interest groups, corruption, nepotism and chonyism.

1.3.1.1. Social Capital and Exclusion Effect

The exclusion effect is a social capital failure that occurs in intra-group and intergroup outcomes. At this point, many people may want to become members of a group of strong and / or weak ties. At the same time, people may want to feel privileged from other groups (Bowles, 1999: 7, 8). Alejandro Portes (1998) suggests that there are genuine links that benefit members of a group, often preventing others from accessing the group. At this point, though there is a high level of social trust among the people on the network, there will be a distrust of things outside the network. Social capital can lead to a number of problems that do not cover the vast segment of society. Therefore it also interrupts the social division that overlaps with each other and interacts with networks (Breuskin, 2012: 3).

In particular, the tendency of societies to be relatively homogeneous can reduce the benefits of economic diversity associated with different complementary abilities. At the same time, the vision of homogeneity of groups can be restricted⁵ (Bowles, 1999: 7). Hence, group solidarity is often used for enmity against non-group individuals. Fukuyama explains the negative consequences of social capital with the idea of a radius of trust. When the radius of trust goes beyond the group membership, the results are more positive and the negative results are more likely to occur in the region where the trust group is limited to members (Field, 2008: 104). At the same time, the dominance of feelings of belonging can lead to ignorance of the bad behavior of many. At this point the problem is getting worse with group homogeneity, which is caused by neighborhood relations. Intra-group and non-group distinctions can lead to moral consequences in matters such as race, religion, nationality or gender. With this narrow vision, the possibility of promoting ethnic hostility is increasing. In this case, the failure of social capital can lead to worse outcomes than market and state failures, and the wealth and power of group content can lead to the exploitation of foreigners (Bowles, 1999: 7, 8; Bowles and Gintis, 2001: 12).

In some societies in particular, the high level of bonding social capital within the group diminishes the ability of group members to cooperate with strangers and creates negative externalities on these groups (Harris, 2007: 2, 3). Portes and Landolt (1996) believe that the domination of certain industries in the United States by certain ethnic groups creates great difficulties for those who attempt to enter this industry. An example of an Italian construction company is the example of Italian, Irish or Polish immigrants having difficulties in winning contracts because their grandchildren dominate the industry and newcomers to the industry, such as African American contractors, are not part of the social network (Australian Bureau of Statistics, 2002: 8). At this point, Putnam (2000) suggests that bonding social capital can affect economic gain negatively. In particular, the pressure of solidarity in ethnic territories can lead to the capital remaining in a certain region, preventing gains from spreading to wider areas (Knudsen et al., 2013: 8).

On the other hand, social capital, which bridges with top-level governance, must be effective in order not to cause social capital to have any exclusionary effects. At the same time, the social

⁵ Strong ties in homogeneous networks cause natural exclusion of non-network members. Because the principle of responsibility and reciprocity is an indispensable element to protect and limit resources (Hawkins and Maurer, 2012: 361). At this point, Waldinger (1995) states that 'social relations among small groups have implicitly restricted outsiders, even though they increase productivity among themselves' (Portes, 1998: 15).

capital between the state and society must have a complementary role. But when society is broken among conscious social groups, stronger groups will become dominant over the state, leading to the exclusion of other groups. Latin American countries are examples of this (Woolcock and Narayan, 2000: 237). Therefore, another situation in which it may be a potentially negative effect of the operation of social capital is that it may force compliance and social division in some communities. Putnam (2000) states that in the small towns of the 1950s America has given more importance to strong ties and less tolerance towards race and social diversity. At this point, Putnam observed that from the 1960s to the end of the 1990s, America had become a very tolerant country, but social capital had declined significantly in this period. Putnam notes that even though social capital is generally depressed in the US, more tolerant states tend to have higher levels of social capital (Australian Bureau of Statistics, 2002: 8).

As a result, the benefits to be gained from social capital are limited due to the fact that social capital does not cover most of the society. At the same time, the social capital that emerges only as a result of relationships based on strong ties limits the vision of individuals and leads to discrimination and hostility among individuals. For this reason, in order to social capital to produce positive externalities, it is necessary to establish a precise balance between weak and strong ties. Therefore there is a need for inclusive politics in which the efforts of individuals are not sufficient and will be supported by the market and the state.

1.3.1.2. Social Capital and Pressure-Interest Groups

Social capital can lead to collective action failures due to the risks of unfavorable spread from social action and the in-group formation necessary to support unofficial collective action. Some activities of the oppression and pressure-interest groups that are formed in order to reach their own interests at this point it may cause social capital failure⁶ (Stern, 2013: 833, 834). The beneficiary activities of the pressure and interest groups may cause social capital failure. In particular, the implementation of social capital in the development process is not an impartial process. Better organized groups of society can run economic politics in their favor, and at the expense of other groups. At this point there is no guarantee that social capital will form a more just society (Grootaert, 1998: 9).

Pressure and interest groups are part of democracy, and at the same time they help to represent a wide range of interests. However, many small organizations may have neither money nor members to provide any input. They can not defend their interests against wider and stronger groups without co-operation (Roskin et al., 2015: 223). The effects of pressure and interest groups on social capital can also emerge through associations. There are basically two ideas about associations. Putnam emphasizes that associations will create positive externalities for society, while Olson emphasizes that there are associations with negative externalities for society. Putnam-type associations, for example; organizations such as youth associations, sports and cultural associations may not have any goals or priorities such as lobbying in the redistribution process. On the other hand, Olson-type organizations, which consist of associations that bring together producers, professionals, workers and lobbyists, have the exclusionary effects of other groups at the point of redirecting resources in their redistribution process (Butter and Mosch, 2004: 11).

In particular, network externalities may produce positive or negative effects in terms of economic growth. At this point, we should not forget the environmental impact. If we consider social capital as a public good in this sense, the problem of free-rider may arise. Better organizing pressure and interest groups can turn resources into their favor (Iyer, Kitson and Toh, 2005: 1017-1019). American economist Mancur Olson pointed out that small and well-organized groups, especially those with money, generally outstrip the broader public interest in the Logic of Collective Action (1965) (Roskin et al., 2015: 225). At this point, Olson noted that some pressure and interest groups could prevent social economic progress by disproportionately sharing national resources or by hindering participation in wider social networks by putting heavy individual obligations on members. Some ethnic groups, especially

⁶ As Putnam points out, groups are an inevitable aspect of social life. When intra-group interests are dominant, negative consequences may arise if laws or norms are not sufficient to limit the actions of these groups. Groups generally prefer the interests of their group and embrace beliefs that strengthen their position (Stern, 2013: 833, 834).

those with some professions and industries, refuse to have commercial relations with traders from different ethnic origins, and new entrants are often excluded from strongly affiliated industrial groups (Rupasingha et al., 2000: 566, 567).

On the other hand social capital acquired in a country with a centralized power can bring about negative outcomes rather than being positive in relation to economic growth. Because closed social networks represent anti-modern society, a society with organizational collapse and a deterioration of formal organizations. For example as a defense against the state, individuals can establish closed informal networks by contacting bureaucrats and breaking rules through bribery. At this point Rose (2000) argues that these networks constitute a formidable obstacle to former planned economies in Eastern Europe that want to change from anti-modern societies to well-functioning market economies. These informal pressure and interest groups seek to constitute special advantages for themselves as rent-seeking and the members trust each other specifically when they perform these unofficial and hidden activities which do not guarantee that resources are invested optimally in a society. Therefore closed networks will affect economic growth negatively in comparison with open networks (Graeff and Swendson, 2012: 2833).

As a result, when social capital can not be managed well and can not spread to the whole society, certain groups will benefit from social capital. Especially in the process of redistribution of public goods, the efforts of certain groups to return certain resources to them will lead to further deterioration of income distribution. At this point, when social capital is not well managed and is not a fair political and economic system, social capital can lead to power asymmetries, at the same time turn into the rent-seeking of the pressure and interest groups. For this reason, the social capital needs to be transformed into a structure covering the entire society.

1.3.1.3. Social Capital and Crime

In the case of negative externalities, too much social capital will be produced according to the social optimum. Uphoff describes as negative social capital. Sometimes misinformed values and social interactions can turn into a useful asset for social capital's criminal organizations (Gootaert and Bastelaer, 2001: 7). The dark side of social capital is seen as an unknown area. Robert Putnam stated that even though social capital is generally good, it cause to criminal gangs due to negative co-operation. These characteristics of social capital can be explained by Alejandro Portes sociability as a sharp knife on both side (Field, 2008: 101,102).

Especially bounded solidarity and trust may provide important resources for increasing the socio-economic structures and entrepreneurial characteristics of some groups, but may not produce positive characteristics for all (Portes, 1998: 18). In particular, the Italian Mafia can be described as a rather symbolic statement of the negative side of social capital. In an analysis of social capital and mafia, Sciarrone (2002) uses the phrase "Mafia is like a spider, making friendships, acquaintances, and networks of obligations". At this point, the networks created by the mafia benefit from the power of weak ties (Andriani, 2013: 18). Although there is a high level of intra-group confidence in mafia-type organizations, it can be said that out-group trust is very low. The high level of private trust at this point increases the intra-group collaborative tendencies. Therefore the norms of conduct created by the Mafia do not apply outside of a small circle of mafia (Fukuyama, 1997: 379).

On the other hand, Putnam notes that social capital has negative effects in some cases. Robert Putnam states that Oklahoma City bomber Timothy Mc Veigh, who is responsible for the terrorist attack on September 11, 2001, designed social tactics for bad purposes by designing tactics to be used in bombing while bowling (Field, 2008). The survey by Portes and Landolt (1996), on the other hand, states that poverty is an obstacle for social capital to create positive externalities, even though it is a significant binding social capital in the ghetto. In particular, the gangs in the ghetto create social networks that provide access and harmony to resources.⁷

⁷ A distinctive feature of America's racialized urban core today is the dearth of core organizations necessary to contribute to the community's functioning and well-being. For the ghetto has experienced an accelerating process of organizational decline and involution induced not only by economic restructuring but also by state abandonment. At this point it can be argued that public

For a teenager living in a ghetto; membership in a gang can be the only way to obtain self-esteem and material property. However, in the long run, pressures from these groups could convince young people into groups and turn them into criminal habits (Morrow, 1999: 750).

Especially since the early seventies, Chicago and other ghetto neighborhoods all over America have not only rapidly increased unemployment and poverty, but also a profound and widespread contraction of the public sector, due to the restructuring of central city economies. In particular, the lack of formal social capital in Ghetto prevents the accumulation and transfer of cultural capital to wider segments of society (Wacquant, 1998: 28-33). Another example of social capital failures is organized crime organizations in Latin America and Russia. Such criminal organizations can bring about great negative externalities in the rest of society in the form of lost lives, wasted resources and widespread uncertainty. The communitarian point of view also assumes that communities are homogeneous entities that automatically include and benefit all members. At the same time extensive literature on caste inequality, ethnic exclusion, and gender discrimination outcomes often produced and sustained by community pressures suggests otherwise (Woolcock and Narayan, 2000: 6).

Social capital is one of the factors that affect the number of crime incidents in a society. It also plays an effective role in whether or not certain individuals will be successful. This is not as simple as how the community and its members behave; social capital also affects the behavior of law enforcement bodies. The interest of social capital to law enforcement bodies is only due to the fact that networks of police and other institutions are strong and that the level of normative integration is higher and working more effectively in communities. This interest is a self-supporting process. It is much easier to establish and consolidate effective social ties in society where the crime rate is low, given the importance of the police, and where the public's presumption of the police is mutually high. On the contrary, a sudden and sharp decline in social capital has resulted in a rise in alienation and anti-social behavior, especially among young men, as many of the UK's coal mines have experienced since the 1980s national strike and the closure of the quarries (Field, 2008: 87).

Therefore crime-related behaviors are not only related to the problems that arise from the individual's own structure, but also to the behavior of peers or other people surrounding the individual. Therefore, in a society where an individual belongs, if his peers and the community to which he belongs penalize deviant behavior, the offense will tend to be less inclined to commit. In other words, informal social control increases the level of prosperity in a society. This increases the level of trust between citizens, self-sacrificing behaviors (such as charity and voluntary contributions or participation in donations), and participation in activities that serve the community at a more abstract level. At this point, unofficial social supervision will also reduce the suicidal tendency (Akçomak, 2008: 110).

As a result, social capital has positive and negative aspects. Good social capital can facilitate collective action and encourage economic development. On the other hand, bad social capital can undermine co-operation and economic development. Mafia and gangs are examples of bad social capital. At this point, Levi, in some cases, shows that individualism has a more significant influence on the reduction of crime than social capital (Rupasingha et al., 2000: 566).

1.3.1.4. Social Capital and Corruption

The relationship between social capital and corruption is not entirely clear. As the level of social capital increases, the level of corruption may decrease or increase. This is due to the social capital's own structure. Because corrupt actors creating their own social structure by specific norms and obligations facilitate the realization of their corrupt partners aims as well and they do so at the expense of people not involved in this kind of practices. Because social capital with positive outcomes for others and the ability to cooperate are difficult to measure, therefore the social capital concept is primarily conceptualized as social trust (Graeff and Swendsen, 2012: 2830).

institutions operate as social capital failure that sustain ghetto residents in a marginal and dependent position (Wacquant, 1998: 28, 29).

Trust may not always produce positive results in the name of social capital. Particularly in closed groups, individuals rely on each other. This form of trust occurs in closed networks that produce negative consequences for people outside the group. For example group members try to cover their illegal activities. At this point corruption may be labelled as bonding social capital with negative social outcomes or social capital failure. Norms of general cooperation are ruled out for corrupt actors as long as they act within their specific corrupt framework (Graeff and Swendsen, 2012: 2830, 2831).

However, as the level of social capital increases, there may be instances where corruption has increased. Binding/bonding social capital can be used to explain this contradiction. An important feature of binding social capital is the strong reciprocal relationships among group members. About this subject, Harris (2007) analyzes the relationship between binding social capital and corruption. In closed groups where certain reciprocities are high, perception of corruption is thought to be considered good reciprocity among peers. In this case, exclusionary nature of the binding social capital causes the moral cost to be low (Andriani, 2013: 9). In other words, only those who connect with close acquaintances, such as their own families and friends, are more likely to engage in corruption (Harris, 2007: 28). Collier and Garg (1999) argue that kinship groups have great advantages in creating binding social capital but they can pose a threat to the economy because they can promote corruption. After all, good for a small community may not be good for the general public (Akçomak, 2008: 30).

Especially relations of strong family, kinship and close friendship cause adverse effect on corruption in terms of social capital. For instance cultural disturbances such as insecurity about strangers, the desire to protect and care for the closest ones, allow for the creation of corruption. Under these cultural conditions, for example, a politician who is elected to the public office feels himself obliged to direct public interest for himself and his relatives. Much of the political corruption crisis of Latin American countries was based on such a two-tier moral structure and significant gains have been achieved in establishing institutions to combat corruption in recent years, but will not be effective unless individual morality improves (Fukuyama, 2002: 28).

As a result, it is not wrong to say that positive social capital is the best solution to corruption. Restructuring of social capital should be done simultaneously with institutional reforms. If institutions work efficiently, corruption becomes more difficult to come about. Institutional reforms need to be done with greater emphasis on people, not just on the structure or organization of the institutions. Therefore micro-behavioral analysis can be useful to discover other indirect mechanisms that can help prevent the malfunctioning of social capital and it is also important to establish generalized trust and reciprocity relationships among citizens, as well as to increase participation in citizen education and community work, and to encourage empathy for those who do not act well (Harris, 2007: 28, 29). At the same time, centralized power will indirectly affect the degree of social capital via the quality of the economic institutions. Centralized power will increase the possibility of corruption, which reduces the quality of the economic institutions since existing economic rules will not be enforced impartially over time. Eventually, the degree of social capital will affect the size of the transaction costs and economic growth (Graeff and Swendson, 2012: 2833).

1.3.1.5. Social Capital and Nepotism-Chronyism

There is also an important relationship between social capital and nepotism (kin favoritism) and chronyism (co-friendly favoritism). In particular, the bonding social capital causes the opening of a network of relations based on nepotism and chronyism. Because bonding social capital is a double-edged sword. As Woolcock and Narayan (2000) state that “ There are also costs in that these same ties can place considerable noneconomic claims on members” sense of obligation and commitment, with negative economic consequences. Group loyalties may be so strong that they isolate members from information about job opportunities, foster a climate of ridicule toward efforts to study and work hard (Wallis et al., 2003: 12).

On the other hand Granovetter (1995) states that it is an instance of the problem that classic economic development theory identified among traditional enterprises. At this point Weber indicated that importance of impersonal economic transactions guided by the principle of

universalism as one of the major factors for Puritan entrepreneurial success. Especially cozy intergroup relations of the kind found in highly solidary communities may cause to great free-rider problem, because less hardworking members enforce on the more successful all kinds of demands backed by a shared normative structure. For claimants, their social capital consists precisely of privileged access to the resources of fellow members. In the process, opportunities for entrepreneurial accumulation and success are dissipated. (Portes, 1998: 16). This situation demonstrates that the binding social capital has moved away from the principle of merit, because its commitment is increasing.

There is also the effect of nepotism and chonyism in relation to social capital and political corruption. Especially in recent years, some countries, such as Argentina and Peru, have taken courageous steps to blame political leaders for the issue of corruption. Much of the research on anti-corruption deals with institutional solutions and administrative reforms. However, as mentioned earlier, there is an important cultural element in the prevention of corruption. At this point, the ethical corruption in the society is transformed into political corruption, and the political space becomes a vehicle for the rents of pressure and interest groups with networks of nepotical relations. To prevent nepotism and chonyism not only education, teaching, and reinforcement of norms, but also extensive cultural change are required (Fukuyama, 2002: 35). Otherwise, social capital will cause negative externalities.

As a result bonding/binding social capital can cause nepotism and chonyism. There is an intense sense of belonging and solidarity in groups with strong ties. The individuals within the same group are acting with a strong sense of reciprocity in their social and economic relations. At the same time nepotical and chonyic relations can be seen as legitimate. Because family and close friendship relations between the individuals are dominant. Such insights are spreading throughout the society in general. At this point, it is necessary to use cognitive social capital to reduce such negative effects of social capital. Cognitive perspective of social capital will provide social awareness on these issues.

CONCLUSION

Social capital can facilitate collective action and promote economic development by raising social awareness. On the other hand, when social capital is misused it may lead to the exclusion of groups of some individuals in the society and may lead to negative results in terms of economic development and income distribution. Therefore, there is no guarantee that social capital will create a better and fairer society. Particularly strong ties can preoccupy group affiliation, imprison individuals into their own groups, and hinder access to more distant groups. The exclusion of some groups sharpens the distinctions between groups and may reveal new hostilities in society in the process of redistribution. At the same time misplaced values and social interactions can turn into useful forms for criminal organizations. A behavior that is favorable by a small segment of society may not be good for the general population. At this point, relations formed with both strong ties and weak ties are required.

Especially in countries where the state is non-accountable and non-transparent, pressure and interest groups can transfer resources to their groups in the redistribution process. For this reason, social capital needs to cover a large part of society. At this point, the quality and heterogeneity are as important as the number of groups. In particular, the overlapping and interaction of different networks with each other will also prevent social division. At the same time, it is necessary for individuals to establish a delicate balance between weak and strong ties so that social capital can create positive externalities. It will be difficult for social morality and awareness to emerge without individual morality and awareness. In countries where there is non-accountable and non-transparent state of law and where property rights can not be protected, the ineffectiveness of the state can lead to the creation of privileged classes, which can lead to the failure of social capital. It must be utilized simultaneously from both the bonding and the bridging social capital. In this way it will be limited the negative externalities of social capital.

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