Linking Indigenous Bonding and Bridging Social Capital

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O’BRIEN D. J., PHILLIPS J. L. and PATSIOIKOVSKY V. V. (2005) Linking indigenous bonding and bridging social capital, Regional Studies 39, 1041–1051. Reconciling indigenous bonding and bridging social capital remains a difficult issue in economic development and global issues of inequality. A failure to address this problem weakens the legitimacy of liberal democratic political institutions. Mancur Olson’s Logic of Collective Action (1971) is used as the starting point to identify the structural properties of bridging social capital, and the broad parameters within which strategies for using indigenous social capital to create these properties may be found. Empirical examples from the authors’ research are used to illustrate alternative ways and the costs and benefits of different strategies for linking indigenous bonding and bridging social capital.

Social capital Economic development Collective action Russia Native American


Valeur de l’interaction sociale Développement économique Action collective Russie Amérindien


Sozialkapital Wirtschaftliche Entwicklung Kollektives Handeln Rußland Amerikanische Eingeborene

O’BRIEN D. J., PHILLIPS J. L. y PATSIORKOVSKY V. V. (2005) Vinculando el capital social de unión y el capital social puente, Regional Studies 39, 1041–1051. Reconciliar el capital social de unión y el capital social puente continúa siendo una cuestión difícil en el ámbito del desarrollo económico y de asuntos globales de desigualdad. El fracaso a la hora de solucionar este problema debilita la legitimidad de las instituciones políticas democráticas liberales. Se utiliza el trabajo de Mancur Olson Logic of Collective Action como punto de partida para identificar las propiedades estructurales del capital social puente y los parámetros amplios dentro de los cuales se pueden hallar estrategias para utilizar el capital social de unión con el fin de crear dichas propiedades. Se utilizan ejemplos obtenidos a raíz de las investigaciones llevadas a cabo por los autores para demostrar formas
alternativas así como los costes y beneficios de poner en práctica las diferentes estrategias para establecer una relación entre el capital social de unión y el capital social puente.

**JEL classifications:** O15, O17, O18, O57

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**INTRODUCTION**

Identifying ways to link exclusive forms of indigenous social capital to more inclusive forms of social capital that integrate families, communities and nations into a global economy is a core problem of our age. At one level, this can be seen as a need to find ways to connect traditional forms of bonding social capital to new forms of bridging social capital (Woolcock, 1998). At a deeper level, this problem is a major challenge to the viability of liberal democratic political institutions and market mechanisms.

The resolution of the problem just described calls for an adjustment in both our analytical thinking and empirical research strategies. On the analytical level, this means the development of a truly interdisciplinary (rather than multidisciplinary) approach to social capital that incorporates the somewhat different, but complementary, foci of sociology (the viability of communities), political science (the development and maintenance of liberal democratic institutions) and economics (the establishment of markets in transitional economies). On the empirical level, this calls for survey research designs that can identify within the same social group what accounts for more and less successful efforts to link bonding and bridging social capital. The empirical referents for the latter issue will be our survey research studies that have examined bonding and bridging social capital linkages in (1) rural US Midwestern communities; (2) post-Soviet rural Russian communities and (3) Tribal Colleges and Native American reservation communities.

This paper proposes a general strategy for finding ways to link bonding and bridging social capital. After a discussion of the significance of these social capital development problems for the future of communities, liberal democratic institutions and markets, it will outline a strategy that draws upon three basic elements. The first is the economist’s simplifying notion that the inquiry begins with the rational person who must receive individual incentives in order to contribute to collective action of any type, including the social networks that maintain bonding and bridging social capital. This starting point, it will be argued, enables one to use Olson’s (1971) conceptualization of the ‘public goods problem’, to identify limits within which the structural properties of bridging networks must conform. In turn, the identification of these universal constraints will provide guidance in the search for new forms of bridging social capital.

The second assumption is that although bridging social capital must be expansive, it can take a variety of qualitatively different forms with respect to ‘weakness’ or ‘strength’ of ties. This removes the limitations generated by assertions about path dependency, and instead opens opportunities to identify path alternatives. This view, which has been empirically identified by sociologists (e.g. Coleman, 1988) for some time, has become increasingly important in the writings of institutional economists in recent years (e.g. Grootaert, 1998; Dasgupta, 2000). This paper will cite a specific example from the authors’ own research on alternative paths to the effective community leaders’ social networks in rural US Midwestern towns.

The third element in the present approach emphasizes the importance of public policy decision-making in influencing the advantages or disadvantages of indigenous social capital. Public policy decision-making with respect to social capital formation may be viewed as analogous to public policy decision-making with respect to the market. That is, participants in both the marketplace and social capital formation have primary responsibilities for their level of activity (or inactivity), but governments do have an important role in both instances in dealing with unfair competitive situations. This emphasizes the importance of viewing political struggles as conflicts over competing institutional and organizational arrangements that favour one type of indigenous social capital over another.

Our research on the comparative economic and social adaptation of households and villages in rural Russia in the post-Soviet period in the 1990s and in the early years of the 21st century will be used to illustrate the complexities of measuring positive and negative externalities with respect to establishing markets, maintaining bonding ties and building new bridging ties. These findings bear directly on both the problems and the opportunities associated with building communitarian institutions that can promote rather than retard the development of markets (Dasgupta, 2000; Putnam, 2000, pp. 367–414).

Finally, the last section will use the authors’ study of social network linkages between Tribal Colleges and Native American reservation communities to illustrate the potential for identifying those variables that account for greater or lesser success in linking bonding and bridging social capital.
INDIGENOUS SOCIAL CAPITAL AND THREATS TO LIBERAL DEMOCRATIC INSTITUTIONS

A pervasive theme in challenges to the legitimacy of liberal democratic institutions is the notion that the system that is supposed to ensure equality of opportunity is somehow ‘rigged’, in that some group or groups have an unfair competitive advantage over other groups. The Great Depression in the USA in the 1930s helped to facilitate such a crisis of legitimacy as soaring rates of poverty and unemployment highlighted the flaws in existing institutional arrangements in the marketplace. The Supreme Court’s earlier rejection of ‘closed shop’ collective bargaining, for example, had reinforced a competitive disadvantage of unorganized labour vis-à-vis organized giant corporations. The resolution to this crisis of legitimacy in the New Deal was the development of new institutional arrangements, especially the National Labor Relations Board that guaranteed workers the right to vote to unionize and, in turn, for the first time created effective countervailing power for them in collective bargaining (Galbraith, 1956; Olson, 1971, pp. 76–91). In the early 20th century, a variety of major institutional adjustments through government intervention in the marketplace also occurred in Western European nations, most of them involving greater structural changes than what had occurred in the USA (Schumpeter, 1950; Lipset, 1960, pp. 230–300).

The relationship between social capital and the legitimacy of liberal democratic institutions is not as clearly understood as the marketplace issues just described. There is a growing literature showing a positive correlation between the presence of more extensive bridging social capital, trust, civil society and economic development (Fukuyama, 1992; Coleman, 1998; Putnam, 2000). Less attention, however, has been given to the much more difficult question of how can bridging social capital be created or strengthened where it either does not exist or is not very effective? The lack of attention to this issue leads either to a disdain for indigenous social capital that is not associated with bridging social capital and/or to a ‘one-size-fits-all’ view of the world.

The view that some types of indigenous social capital simply are incompatible with the development of an advanced economy is articulated in Banfield’s classic text The Moral Basis of a Backward Society (1958). Banfield argues that the ‘amoral familism’ of the Southern Italian peasant reinforces a strong distrust of strangers, thus hindering economic development by blocking the establishment of bridging ties that would reduce transaction costs in business and reduce corruption. The ‘one-size-fits-all’ view that there is essentially only one path to the development of bridging ties is best articulated in Friedman’s popular text The Lexus and the Olive Tree (2000). The ‘golden straightjacket’ and the ‘electronic herd’, he argues, are forcing nations to choose between adopting relatively open and bridging forms of social organization that link them to the global economy or retaining more exclusive forms of social organization that will ensure they remain economically less developed.

The above writers have identified some basic truths about the negative consequences of not possessing effective bridging ties. At the same time, however, their analyses fail to delineate adequately the full negative consequences of the ‘one-size-fits-all’ approach to bridging social capital. One consequence is that pressure to adopt a particular form of bridging social capital may generate what appears to be simply a backlash against globalization. These responses, however, may be, at least in part, a rational response to a perceived threat to group and personal identity (i.e. bonding social capital) rather than a quixotic reaction to globalization per se. This appears to be an important element in the growth of fundamentalist movements in various parts of the world (Barber, 1995).

Another, less obvious, negative consequence of the ‘one-size-fits-all’ approach can be serious long-term social and personal disorganization in a group where members are forced to choose between their bonding social capital and adopting a new form of bridging social capital that they view as alien. A tragic illustration of this is found in the attempt to assimilate Native American children into mainstream European–American culture and social organization by placing them in boarding schools where they were forced to abandon all use of their traditional language, religion and dress. The result was an extraordinary upsurge in child suicides, break-down of family authority, and, in the long-run, the costs of welfare dependency, alcoholism and child neglect that have been borne by US taxpayers as well as, of course, Native Americans themselves. Native Americans describe this experience not only as psychologically devastating, but also as spiritually catastrophic in that it severely weakened the social and cultural ties that gave persons their sense of identity and relatedness to the universe as a whole (Adams, 1995). In short, this experience highlights the long-term personal and social disorganization that can result from not recognizing how the societal benefits of indigenous bonding social capital may be lost through clumsy efforts to create bridging social capital quickly.

Moreover, the ‘one-size-fits-all’ approach can easily misdiagnose bonding social capital as the source of resistance to bridging social capital. Varsheny’s (2002) exhaustive empirical study of Hindu–Moslem violence in India, for example, shows there is nothing inherent in the religious bonding of Hindus or Moslems to their respective religious communities that explains why in the face of the same precipitating events, some localities remain peaceful while others erupt into violence. He found that the key explanatory variable was whether Hindus and Moslems participated in the same formal
and informal social networks in the local community or if they were socially isolated from one another. In the former situation, extant social network mechanisms for communication served as a barrier to local thugs and politicians who might otherwise be successful in spreading rumours that exacerbated intergroup conflict. In the latter situation, no such barriers existed and thus those persons who had a stake in promoting violence were more successful in their efforts.

**INCENTIVES AND THE STRUCTURAL PROPERTIES OF BRIDGING SOCIAL CAPITAL**

One of the most serious obstacles to understanding the intricacies of social capital formation is the inclination to treat something that is social as inherently juxtaposed to that which is individualistic or utilitarian. This view can lead to the assumption that developing bridging ties involves di\textregistered \textsuperscript{erent} them national organizations that spring from those institutions (N\textsuperscript{orth}, 1967). D\textsuperscript{o} S\textsuperscript{oto}’s (2000) empirical research shows that the low-risk behaviour of the poor is often the result of institutional constraints, especially the lack of secure property rights that forces them to invest all their energy on trusted highly dense social networks. Alternatively, informal social networks can be used to compensate for inadequacies in formal institutions, including problems with asymmetric information, as well insecure property rights, as in the successful micro-finance cooperatives built on a foundation of informal social capital (D\textsuperscript{asgupta}, 2000, p. 366).

The challenge in the development of markets in transitional economies is to find ways to preserve the positive externalities that are generated by informal social networks, without these networks becoming a source of resistance (i.e. generating negative externalities) to the development of more expansive networks. Thus, for example, strong kin-based social network ties (i.e. strong bonding social capital) may be especially useful in marshalling resources to deal with the serious market failures that occur during a transition from a command to a market economy, but these networks may also be very resistant to bringing in new members, or aligning with other networks (D\textsuperscript{asgupta}, 2000, p. 367).

The key point here is that in interpreting the decisions of individuals to resist going outside of their strong bonding ties to incorporate new members and/or become members of other social networks (i.e. build bridging ties), the most useful assumption is that they are acting rationally. The Russian peasant household’s rejection of post-Soviet reformers’ (most of whom never ventured into the countryside) proposals to expand their agricultural production enterprises (i.e. build bridging ties to government and foundation organizations offering to make them ‘real’ farmers) was not due to any inherent rural conservatism. Rather, villagers perceived, as did Western investors, that the lack of trusted third-party enforcement of property rights and credit obligations made involvement with persons outside of one’s immediate highly dense and trusted network very risky (O’\textsuperscript{b}rien and \textsuperscript{W}eg\textsuperscript{ren}, 2002).

One of the most important contributions of the New Institutionalism in Economics and Sociology is that it retains the assumption of an individual’s rationality but views the rational economic person as operating within institutional constraints that limit his/her choices. Thus, individuals may make perfectly rational choices to survive within a given institutional arrangement, even though in the aggregate these choices may be quite harmful and limit community or national economic development. Scholars in this tradition recognize the reinforcing relationship between institutions and the reward structure of social organizations (from family to national organizations) that spring from those institutions (N\textsuperscript{orth}, 1991; B\textsuperscript{r}inton and N\textsuperscript{ee}, 1998). This in turn creates a certain type of inertia that may result in a ‘path dependency’ (N\textsuperscript{orth}, 1991, pp. 93–98) in which unintended downstream consequences may emerge from institutional and social organizational developments made at an earlier period.

In addition to the restraining effects of institutional and social organizational elements that fall under the rubric of path dependency, an inherent obstacle to developing bridging ties is that by definition such ties are more expansive and therefore typically involve more individuals than bonding ties. Thus, the problem of building bridging ties involves difficulties inherent in collective action in any large group situation. These difficulties, as well as their solution, are defined in \textsuperscript{O}l\textsuperscript{s}\textsuperscript{on}’s (1971) description of the public goods problem.

\textsuperscript{O}l\textsuperscript{s}\textsuperscript{on} points out that there is a fundamental difference in the way in which collective action is obtained in large versus small groups. In a small group, collective action is achieved either by some of the members having enough personal interest in achieving a group goal that they are willing to provide the costs of that goal themselves, or the contributions of all or most members is achieved through interpersonal rewards and punishments (\textsuperscript{O}l\textsuperscript{s}\textsuperscript{on}, 1971, pp. 49–50, 53–65). Collective action in large groups, however, faces a ‘free-rider problem’, where everyone will benefit by
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collective action, but interpersonal sanctions are ineffective and the total cost of the collective good is too great for a small number of individuals to pay for it (pp. 9–16).

Bonding social capital typically is formed in small groups. The support of large organizations, such as unions, may be important, but in most communities and nations bonding social capital is developed within indigenous small groups, especially families, where some combination of the 'privileged group' (e.g. parents contribute more than children) and small group social pressure produces the collective good, i.e. bonding social capital.

Some types of bridging social capital also are created in small group situations, especially where a group has a unique access to a very valuable resource and desires to exclude others from that resource. This is seen, for example, in the case of a small economic cartel or conspiratorial political elite (e.g. the Bolsheviks) where a small number of individuals are strategically placed in different locations where they can link valuable resources and information to one another (Olson, 1971, pp. 36–38, 106).

The more typical bridging social capital problem, however, is either a large group of unrelated individuals or a large number of small groups that are each well organized but do not have the ability to work together. In the latter situation, bonding social capital maintains individual contributions to a small group effort but does not, in itself, provide a sufficient basis for linking the small groups together for a larger collective effort. The extreme example here would be the 'amoral familism' in the Southern Italian milieu described by Banfield (1958).

Olson's solution to the public goods problem in large groups helps identify the limiting parameters that groups face when they attempt to find ways to develop bonding social capital. He points out that there are three basic solutions to the public goods problem in large group situations: (1) a coercive mechanism, (2) selective incentives, and (3) a federal group strategy. Each solution offers different paths with which to develop bridging social capital ties.

An illustration of the successful use of a coercive strategy for solving a public goods problem in the USA is the organization of workers in the mass production industries in the 1930s. Before the passage of the Wagner Act in 1935 and the Supreme Court's ruling affirming its constitutionality, attempts to organize mass production workers largely had failed. Union organizers constantly were thwarted, on the one hand, by the free-rider problem (i.e. workers could benefit from collective organization whether or not they contributed to the union) and, on the other hand, from tightly organized employer groups. The Wagner Act permitted workers to coerce themselves into paying dues to a union if the majority of members in a shop voted for union recognition. This 'closed shop' provision eliminated the free-rider problem. In addition, the Act further strengthened the countervailing power of the unions vis-à-vis management by creating a new institutional mechanism, the National Labor Relations Board, which ensured that voting would operate without management's interference (Olson, 1971, pp. 66–97).

In terms of bridging social capital, it would appear that coercive strategies are most likely to be successful when the 'latent group' to be organized consists of an aggregate of individuals whose main connection to one another is their economic interest. In this situation, individuals are unlikely to build bridges to one another and the outside world unless there is some type of formal institutional enforcement mechanism in place. This is the case, for example, with residents of poor neighbourhoods in US cities (O'Brien, 1975).

The second strategy for solving the public goods problem is to create individual selective incentives that will induce individuals to contribute to a collective good as a by-product of their contributions. Although the collective good is a non-divisible public good that will benefit everyone, its costs are borne by individual contributors because they receive some individual benefit. The only way they can receive this selective benefit, however, is if they pay dues or in some other way contribute to the costs of collective action. An example of this type of strategy is the professional association that creates selective incentives for individuals to pay dues to become members, but as a by-product their dues pay for the costs of non-divisible collective goods, such as lobbying on behalf of the profession (Olson, 1971, pp. 132–167).

The value of selective incentives and thus the likelihood of the success of the by-product strategy for solving the public goods problem and building bridging ties in a group is dependent, however, on the extent to which competitors can offer the material or non-material goods upon which they are built. Thus, for example, immigrant ethnic groups in the USA had solutions to the public goods problem in large group settings because they have virtually no competition from government and other service providers than did their counterparts in the earlier period (O'Brien, 1975, pp. 35–42). Alternatively, Islamic fundamentalist organizations in the Middle East and elsewhere have been most successful in attracting new members by offering them meagre medical and social services as selective benefits because they have virtually no competition from other sources (Barber, 1995).

The final strategy for solving the public goods problem is to create a 'federal group' (Olson, 1971, pp. 62–63, 165–166). While large groups cannot induce individuals to make contributions to non-divisible collective goods, a large group that is a federation of small groups can use the rewards and punishments operative in the latter to maintain individual contributions to the larger group effort.

The federal group strategy is especially relevant to
our concern with identifying ways of building bridging social capital when a group’s dominant social capital is a highly exclusive bonding type. Examples of its successful development can be found in the development of highly successful ethnic enterprises in which the basic moral economy of the household (Sanders and Nee, 1998) a type of bonding social capital, is linked to other households through quasi-kin connections that create bridging bonds of trust. This is seen, for example, in the rotating credit associations that provided the capital for small business enterprises in a variety of ethnic communities (Light, 1972). Japanese immigrants in the Central Valley of California used a federal strategy, based on quasi-kin relations, to develop an integrated system of production, storage and marketing (Fugita and O’Brien, 1991).

Ethnic groups that have the advantages described above, however, are the exception rather than the rule. These groups are distinguished by the fact that ‘information sharing’, which generates bridging social capital, historically has been an essential part of group identity (i.e. bonding social capital), which, in turn, gives members of such groups a tremendous advantage in the marketplace (Grief, 1998). In these cases, a positive externality of ethnic identification, i.e. bonding social capital, is access to bridging social capital. In other, perhaps in the majority, of ethnic groups, however, sharing of information is restricted to highly dense family and kin networks, thus hampering access to alternative sources of information, and in these cases ethnic bonding appears to have some serious negative externalities with respect to competition in the marketplace. It is the latter groups that present the most serious challenge to finding ways to link bonding and bridging social capital.

**PATH ALTERNATIVES TO BUILDING BRIDGING SOCIAL TIES**

Granovetter’s (1973) often cited paper, ‘The strength of weak ties’, argues that less intense (i.e. ‘weak’) relationships with others are a source of strength because they provide access to new information or other kinds of resources that are unavailable to those who are locked into highly dense, self-contained networks. One of the central findings of the research reported in the paper was that highly familial, strong bonding tie groups, such as the Italian Villagers in the North End of Boston, MA, were politically ineffective because they lacked weak bridging ties with which to form coalitions among themselves.

Granovetter’s research provides some powerful insights into the limitations of isolated, highly dense networks. Nonetheless, it would be misleading to assume that the solution to all bridging problems is to create weak ties. Coleman (1988) notes that the diamond trade was monopolized for many years by a Jewish sect that used its strong tie linkages, based on kinship, ethnicity and religion, to build bridges between merchants on several continents. This example illustrates that the essential characteristic of bridging social capital is not its weakness or strength but rather its extensiveness and inclusiveness. Similarly, Dore (1986) shows how the Japanese gained control of the textile market through strong quasi-kin ties, based on a Japanese interpretation of Confucian social relationships (the iremoto). These relationships created long-term stable relationships between suppliers, producers and sellers that provided a competitive advantage vis-à-vis firms in other countries. Both examples just cited are illustrations of the federal group solution noted above (Olson, 1971, pp. 62–63, 165–166).

Knowing that both weak and strong ties may build bridging social capital allows a greater number of choices on ways to link the unique properties of a group’s bonding social capital with bridging social capital. An illustration of this is found in the present study of rural Midwestern US communities that faced serious economic challenges during the farm crisis of the mid-1980s (O’Brien et al., 1991, 1998).1

The most important indicator distinguishing between communities that were more or less successful in dealing with these crises was the structural properties of their leaders’ social networks. In places that had managed to maintain a healthy downtown business environment, leaders were much more likely to work together and incorporate women into the leadership networks than was the case in the less successful communities. Yet, the paths through which the leaders in the more successful places developed the structural properties of their networks differed markedly from one community to another. In one German Catholic community, for example, the mechanism for building social network ties was informal relationships, such as socializing in one another’s homes or eating breakfast at the local café. But, in another highly effective community with a strong Anglo-Protestant heritage, social networks were built upon participation in formal voluntary associations, including community development organizations.

**POWER, PUBLIC POLICY AND INSTITUTIONAL ARRANGEMENTS TO BUILD BRIDGING SOCIAL CAPITAL**

It has been argued that the difficulties a group faces in developing bridging social capital is analogous to the problem of competition in the marketplace. These problems, of course, are oftentimes due, to a greater or lesser extent, to difficulties inherent in a group’s cultural traditions that have created an institutional environment that creates a barrier to the development of bridging ties. At the same time, however, the failure of a group to compete in the social capital marketplace may be due, in part at least, to institutional arrangements that substantially weaken what otherwise could be a
competitive advantage of that group's indigenous social capital. A classic example of this is the impact of the municipal reform movement on the value of indigenous ethnic immigrant social capital.

In the early part of the 20th century, the reform movement in US municipal government (Horstader, 1955) ostensibly offered a series of 'reforms' that were supposed to reduce corruption in government, replacing 'political machines' and patronage appointments with civil service exams and a more efficient form of government. Instead of directly elected mayors, the reformers promoted the notion of a non-elected 'city manager' who was supposed to be above politics and run the city's services like a business. The main thrust of the reform movement was to eliminate ward-based elections of city council representatives, replacing them with at-large elections. At-large elections were supposed to eliminate the incentive for council members to appeal to narrow neighbourhood or ward interests of a particular ethnic group and instead to represent the city as a whole.

The ideology of reform was framed in terms such as public interest and reducing corruption and waste in government. Yet, it is clear that its main impact was to weaken the social capital of immigrant ethnic groups, especially those from Ireland and Eastern and Southern Europe, by eliminating the selective incentives offered by ethnic ward politicians. One of the main motivators for the reform movement was to counter the success of immigrant ethnic political entrepreneurs who had used the social incentives of friendship, inclusion and social support, along with modest material incentives associated with patronage, to induce the participation of the immigrants in the political machine.

The machine politicians had built federated groups that drew upon the bonding social capital of ethnic family, kin and friendship networks. These bridging ties, created by the ward-based municipal political system, permitted ethnic immigrants to achieve a significant influence in US urban and national life, the latter occurring through the federated relationship between big city political machines and the national Democratic Party. Where the reform movement was successful, its elimination of patronage and ward-based politics also eliminated the source of selective incentives that the immigrant political entrepreneurs had used to create bridging ties (Banfield and Wilson, 1963, pp. 116–127).

On a broader level, the political struggle over institutional arrangements that will favour the social capital of one group vis-à-vis another is very much connected to what appears to be purely marketplace institutional issues. Oftentimes, one of the impacts of new institutional arrangements that favour a global rather than a national economy, for example, has been to place indigenous producers at a competitive disadvantage vis-à-vis multinational producers who can offer the same products or services at a lower price and/or at higher quality. This does not mean that indigenous producers are necessarily in a zero-sum conflict with institutional reforms favouring globalization. However, if institutional reforms neglect to consider the impact of removing trade barriers on indigenous producers, then the consequences are likely to be quite serious.

This is the essence of Stiglitz's (2002) critique of the International Monetary Fund (IMF) and World Bank policies (especially the former) toward emerging economies. He is not criticizing globalization as such, but rather the insensitivity of the Western-trained economists about ways that their policy recommendations would impact on the social fabric of the countries they were supposedly trying to help. 'Shock therapy' policies that were supposed to generate open markets often weakened the foundation of an indigenous social capital relationship, which was typically grounded in kinship and village social ties.

Thus, although opening of markets through elimination of trade barriers and/or government subsidies for local producers may increase the efficiency of the market, it also creates serious negative externalities by weakening the traditional economic supports for family, kin and village. Rapid opening of markets in formerly controlled economies frequently has resulted in greatly exacerbating inequalities and thus creates challenges to the legitimacy of market reforms and democracy as well as providing a competitive advantage to Mafia-type criminal gangs, who because of their small group size have considerable social capital advantages over ordinary citizens (Stiglitz, 2002, pp. 133–165; Vreeland, 2003, p. 150). Moreover, past IMF policies at times have avoided giving serious consideration to indigenous small-scale producers, even if they would have been more efficient than large-scale government-sponsored programmes (e.g. Badow and Vasquez, 1994, pp. 224–225).

**FORMAL INSTITUTIONAL CHANGE AND SOCIAL CAPITAL DEVELOPMENT IN RURAL RUSSIA**

The immediate effect of Russian central government reforms in agriculture in the early 1990s was to reduce greatly the traditional Soviet-era subsidies that had supported the large collective enterprises (the kolkhozy and sovkhozy). As a result, what had been the primary source of income for rural households, employment in the large enterprises, was gradually reduced so that according to our survey data, the percentage of households working for the large enterprises declined from 86% in 1991 to 34% in 2003. In turn, households became more dependent upon their human (mainly hand labour) and social (helping networks and village community support) capital.

Although the dislocations caused by these reforms resulted in a decline in agricultural output in Russia during a large part of the 1990s, it also stimulated
the growth of household enterprises. In 1992, large enterprises accounted for 67% of Russian agricultural output, with households accounting for 32%, but in 2003, large enterprises accounted for 38% and households accounted for 58% (Goskomstat, 2004).

Although a considerable portion of the variance in agricultural output between households can be explained by the amount of labour each possesses, our surveys also show the growing importance of social helping networks as families have learned to adapt to the new market economy. The average number of persons in a household’s helping network has not increased, but the relationship between network size and agricultural productivity has become stronger. Fig. 1 shows that in 1995, the economic advantages of increasing the size of a household’s helping network stopped after three persons, but in 2003, the advantages of additional members increased up to eight persons. These relationships are consistent with our ethnographic observations that some households have become much more knowledgeable about ways to use social capital.

Another consequence of the increased dependence on household human and social capital, however, has been to increase inequalities in income between households, commensurate with differences in their human and social capital assets. In addition, the survey data show that although almost two-thirds of rural residents have seen a substantial improvement in retail trade services, but a majority of them report a sharp decline in the quality of medical care, transportation and education.

In turn, these perceptions of service decline as a result of formal institutional reforms from the central government have seriously eroded trust, a basic element of social capital, in the local institutional environment outside of family and social helping networks. Thus, when asked in 2003 to evaluate different sources of support at the local level, only 3% of village respondents named local government and only 9% named the large enterprises (the reorganized collective farms). Fifty-four per cent depended primarily on family and 24% depended on neighbours and friends. As a result, there has been a progressive decline in satisfaction with village life (Fig. 2).

The decline in satisfaction with village life is fairly consistent from 1995 to 2003, but the increase in satisfaction with the country does not begin until after 2000. The decline in satisfaction with village life is associated with weakened government support for local services. The increase in satisfaction with the country is associated with the beginning of the Presidency of Vladimir Putin, which has been marked by a relatively high level of economic growth and stability.

These findings reaffirm our earlier concerns about the effects of national or international policies that produce large changes in economic relationships without giving proper attention to the costs of these changes on extant social capital arrangements. In the case just cited, reform policies encouraged the strengthening of some types of indigenous social capital, especially personal helping networks, but actually weakened local social capital outside of these highly personalized networks. Persons who have become more successful entrepreneurs have increased their involvement in village affairs, as indicated by their rates of attendance at village festivals, but the rate of involvement in these activities for village residents as a whole has dropped substantially (O’Brien et al., 2005).

Moreover, as Stiglitz (2002, pp. 160–162) points out, when economic policies summarily reject existing social institutions, the net result is to increase popular resistance to broader structural changes in economic institutions. Thus, ironically, reform policies may in fact increase resistance to reform. This is precisely what happened during the early years of post-Soviet reforms in the Boris Yeltsin administration. At that time, rural areas in Southern Russia became known as the ‘Red Belt’ because of their resistance to reform and their support for the Communists or their Agrarian Party allies (Wegren and O’Brien, 2002, pp. 8–13).
IDENTIFYING MORE AND LESS EFFECTIVE WAYS TO BUILD INDIGENOUS SOCIAL CAPITAL: THE TRIBAL COLLEGE STUDY

A persistent problem facing Native Americans has been what appears to be an unfair choice between retaining traditional culture and social organization versus participation in the larger US society and the global economy. The costs of either choice are quite high. If Native Americans reject mainstream culture and social organization too much, they run the risk of remaining isolated from the material benefits of the larger society, especially education and higher skilled employment opportunities. On the other hand, too much assimilation into mainstream society may mean a loss of one’s identity. As noted above, this dilemma can have disastrous personal, communal and larger societal consequences.

The Tribal Colleges, funded in part by the tribes themselves and the federal government (they are part of the ‘land grant system’ supported by the US Department of Agriculture), were created as a unique organizational structure to attempt to bridge the institutional worlds of mainstream society and Native American nations. These organizations face a struggle of trying to retain the strong bonding social capital of the tribe while at the same time trying to help students and community members develop bridging social capital that connects them with opportunities in the larger US society and the global economy.

In order to meet the goal of strengthening bonding ties in the Native American community, the Tribal Colleges must remain accessible to community members. This means being open to requests from the community for various kinds of services associated with community social service needs and cultural retention. At the same time, however, in the process of becoming accessible to the Native American community, the Tribal Colleges need resources to fund educational programmes that will prepare Native American students for participation in the global workforce.

One of the goals of our project was to identify empirically which ‘mixes’ of resource allocation in the Tribal Colleges would produce the optimal strengthening of indigenous bonding social capital, bridging ties within the Native American community and bridging ties to the larger US society. Social network analysis was used to identify these different mixes. Four Tribal Colleges, out of 31 in the USA in 2000, were selected for study based on more and less effective bonding and bridging activity, determined by public service expenditures to the tribe (bonding) and external revenue diversity (bridging).

A social network survey asked personnel in the Tribal Colleges and persons identified as leaders in the Native American community to name individuals in the college and the community with whom they worked on influential community projects. Figs 3 and 4 show the impact of the different ways in which individual colleges attempted to deal with this resource allocation problem.

Network exclusivity was calculated by dividing the number of college actors interviewed by the total number of all actors identified in interviewees’ social networks. The fewer the actors named in the respondents’ social networks, the larger the value and the more exclusive (or less inclusive) the college’s network. Fig. 3 shows there is a strong negative linear relationship between the ‘exclusivity’ of network relationships between the Tribal College and the Native American community and the level of satisfaction of Native American respondents with their college. The more ‘exclusive’ are the network relationships, the less satisfied are persons with the college. Less exclusivity would seem, therefore, to promote bonding social capital in the Native American community.

Fig. 4, however, shows that the degree of exclusivity in network relationships has a different type of association with the other goal of the Tribal College, which is to access external resources so that students and the Native American community as a whole can connect more effectively with the larger US society. This calls for bridging ties and is indicated in Fig. 4 by the degree
to which a college’s external sources of revenue are
diverse, meaning the extent to which the college
can link with different resource bases in the larger
mainstream community. Here the relationship is curvi-
linear. The college that was least exclusive also has the
least diverse revenue base, suggesting that all of the
energy put into building bonding social capital ties in
the Native American community may limit its ability
to facilitate the development of bridging ties to the
larger mainstream community. A certain level of exclusi-
vity in network ties appears to be helpful in producing
a coordinated effort, as indicated by the more diverse
revenue sources associated with the colleges that have
a moderate amount of exclusivity in their networks.

After a certain level, however, more exclusivity begins
to have a negative impact on the ability of the college
to develop bridging ties.

CONCLUSION

Although the concept of social capital has been at the
core of social science theory and research for several
decades, our understanding of how to develop this
commodity when it is either absent or not very effective
remains quite limited. The problem of finding ways
to build bridging social capital in group situations
dominated by highly dense networks and very restrictive
bonding social capital is especially challenging because
the negative externalities resulting from those situations
threaten the very core of liberal democratic institutions.

Two main pitfalls arise when dealing with indigenous
social capital. The first is simply to dismiss indigenous
social capital as backward and non-adaptive if it is not
linked to some type of bridging social capital. This is
the ‘one-size-fits-all’ approach and, not surprisingly, it
evokes strong reactions from members of groups that
possess this type of social capital. The second pitfall,
which is as equally destructive as the first, is to proclaim
the moral superiority of a highly exclusive indigenous
social capital and to use that judgement as an excuse
for its failure to build bridging ties. This alternative
consigns individuals, communities and nations to isola-
tion and dominance by more powerful groups.

This paper has tried to offer a third alternative that
does not make any assumptions of moral superiority or
inferiority about a given type of indigenous social capital.
Nevertheless, it is assumed that whatever the
character of its indigenous social capital, a group must

still participate in a global economy, and this requires
building bridging social capital ties. The real challenge
is to identify a strategy for building bridging social
capital that is consistent with the bonding ties it already
possesses. Building bridging social capital is essentially
a type of collective action or public goods problem,
and the first step is to understand what are the universal
problems facing any aggregate of persons seeking a
common goal. It has been argued that Olson’s The Logic
of Collective Action (1971) identifies these universal
problems in small and large groups, as well as specific
solutions to these problems. The second step to finding
ways to build bridging social capital is to recognize that
there are many paths that will fit into one of the
three strategies for solving the public goods problem:
coercion, selective incentives and federated groups.

How a particular group’s culture, history and current
social organization fit into one of these solutions is, as
argued above, an empirical question that can best be
addressed by asking questions of group members with
sample surveys.

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NOTES

1. The research design ranked all of the towns in a rural
area of Missouri with populations between 1000 and
2500 people on several criteria of viability or sustain-
ability, including downtown tax receipts, the presence of
selected retail businesses and medical services in the
downtown area, as well as several demographic change
estimates. Five communities were selected for in-depth
study, two of which ranked high on the viability index
and three of which ranked low on the same index. The
research question addressed in the study was as follows.
Can high versus low viability be explained by the social
network characteristics of the community leaders? For
this purpose, a combined positional and reputational
approach was used to identify the 15 top leaders in each
community.

2. For the research design and background of the Russian
Village Surveys, which is a series of seven sample surveys
conducted from 1991 to 2003, see O’Brien et al.
(2000). The surveys were conducted between 1995 and
2003 in three villages in three different regions of Russia
(Belgorod, Rostov and Tver). They were panel surveys
from the same households.

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