
The Developmental State Is Dead — Long Live Social Capital?

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ABSTRACT

At the same time that the World Bank appears to be going through a process of replacing the Washington consensus with the Post-Washington consensus, the notion of social capital is coming to the fore both in development studies and social science more generally. These developments are closely connected to one another analytically: they are liable to stake out a new development agenda based on new Keynesianism and social capital in place of state versus the market; and they reflect more generally the growing influence of mainstream economics over other social sciences.

INTRODUCTION

For those following the development literature, there surely can no longer be any doubt that some sort of intellectual and ideological upheaval is taking place within the World Bank. The signs have been there for some time, not least in the process leading from the *East Asian Miracle* (World Bank, 1993), through to the production of the World Development Report for 1997 (World Bank, 1997a) — and draft, at the time of writing, of that for 1998.¹ From anti-market, through market-conforming, to market-friendly, the state is now seen more positively if cautiously so. The analytical agenda is shifting from one based on a simple dichotomy between market and state as good and bad, respectively. Even more dramatically, the demise of the Washington consensus has been marked by the increasingly aggressive campaign of the World Bank's Senior Vice-President and Head of Economic Research, Joe Stiglitz. In early 1998, he made a speech heavily criticizing the Washington consensus and, more positively, proposing the alternative of a

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1. See special issue of the *IDS Bulletin* for April, 1998, for a critical assessment of the World Development Report for 1997.

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post-Washington consensus (Stiglitz, 1998a).² Essentially, this acknowledges the prevalence of market imperfections and provides a rationale for micro and macro interventions on this basis.

In short, even before the old consensus has been decently buried, the pretender to its throne is already grabbing at the crown in a palace revolution. However welcome the demise of the old consensus might be to those who have opposed it for almost two decades, the question of succession needs to be contested. Nor is it simply a matter of posing alternatives to the new consensus, but a question of whether it should be allowed to dominate the development agenda — as its predecessor did by posing state versus market.

The first section of this article provides an outline of the economic analysis that supports the new consensus. It leads to consideration in the subsequent section of its counterpart in non-economic analysis and the rise to prominence of the notion of social capital. This is followed by a suggestion that these new initiatives together hold out the prospect of an even stronger stranglehold over the development debate than was held by the Washington consensus. The concluding remarks call for a revival of political economy based on rigorous conceptualization of class and capital. Otherwise, both in analysis and in policy making, a pale version of Keynesianism/welfarism/modernization will prevail on the basis of correcting micro-imperfections in economic and non-economic relations.

THE MICROECONOMIC FOUNDATIONS

The intellectual origins of the new consensus are readily identified. They arise out of the microfoundations of macroeconomics or the new Keynesian economics.³ Essentially, the motivating idea is very old — that market imperfections justify state intervention to rectify them. The new twist, however, is to broaden the scope of what constitutes market imperfections. These are now organized around informational imperfections and asymmetries of various sorts, including the presence of transaction costs, so that market outcomes depend upon who has what information before, during and after the economy's passages in and out of exchange.

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2. For a more tempered statement of his position in the context of the East Asian crisis, see Stiglitz (1998b). None the less, possibly referring to the previous consensus: 'In any case, only an ideologue would claim that *but for their system of close government and business cooperation* they would have grown even faster' (ibid: 26). For evidence of the rapid spread and ambition of the Post-Washington consensus, consider the soon to be published report on Latin America entitled, *Beyond the Washington Consensus: Institutions Matter* and also the interview with Grzegorz Kolodko in the June 1998 edition of *Transition*, the World Bank's house journal on eastern Europe.
 3. For a fuller account, in the context of labour markets, see Fine (1998a: Ch 2).

Stiglitz has been extremely active for almost two decades in this line of research, especially focusing on markets for finance.⁴ Even though financial markets are an obvious area of application, however, given the respective roles and knowledge of borrowers and lenders, other markets are equally susceptible to the new microfoundations. Akerlof's pioneering contribution concerned the 'market for lemons' or second-hand cars, and the labour market is also prominent as an application — as is any market involving co-ordination failure, and monitoring of any sort including adverse selection and moral hazard.⁵ When information is imperfect, even in equilibrium, markets may not operate at efficient levels, they may not clear (by bringing supply and demand into equality), and they may even fail to exist altogether.

It is crucial, however, to set these developments at the forefront of economics within a broader setting. Three aspects are significant. First, as is apparent from use of the term the microfoundations of macroeconomics (as opposed to the alternative term, the new Keynesian macroeconomics), relatively simple ideas at the *microeconomic* level are being translated into models of how the *macroeconomy* functions. This is transparent in the use of representative individuals or agents in macroeconomics models whose aggregate behaviour is more or less successfully co-ordinated through the market. Market imperfections at the microeconomic level, whether of the old or newer sort, become extrapolated to the economy as a whole and can give rise to results with a Keynesian flavour.

Second, the new microeconomics has spawned, or at least has been associated with, a blossoming of other new endeavours. The list is impressive — the new growth theory, the new trade theory, the new institutional economics, the new household economics, the new political economy, and so on. What these all tend to have in common is the extension of microeconomic principles to areas that have previously been unexamined or taken as exogenous in the light of standard assumptions within economics. From where do productivity increase, comparative advantage, economic policy, family decision-making, and non-market institutions derive?

In the work of economists such as Gary Becker, and those that follow him, the answer is primarily provided in terms of simply universalizing the so-called 'economic approach' based on utility maximization to all areas of life, including those that are traditionally perceived as lying outside the domain of economics.⁶ This has allowed for considerable advance into some of the areas concerned, most notably in the general, and now uncritical, acceptance of the

4. His early contribution (Stiglitz and Weiss, 1981) is a classic. He has also been prominent in the new microeconomic approaches to rural institutions, as represented in Hoff et al. (1993).

5. More generally, see Akerlof (1984). On labour markets, see Fine (1998a: Chs 2 and 4).

6. See Becker (1996) and Tommasi and Iurelli (1995). A critical assessment of Becker's work in the light of some of the themes explored in this paper is provided by Fine (1995, 1997b, 1998d).

notion of human capital. It is also apparent in the new household economics and the new political economy or any analysis incorporating simplistic notions of rent-seeking.

However, the new microeconomics has given rise to a most significant result as far as shifting the analytical boundaries of the scope of economic analysis is concerned. In what appears to be a squaring of the circle, it allows for the explanation of social structures and institutions even on the basis of *individual* optimization. Faced with imperfect information, individuals can decide to create or engage in socially structured activity both within and between market and non-market forms of organization. These forms become endogenous on a microeconomic basis, where previously they were taken as exogenous. Third, then, and most novel from an intellectual point of view, mainstream neoclassical economics now has the power to offer an explanation of the social, without taking it as exogenous as previously. Ultimately, though, it always has to take something as exogenous whether it be informational or initial conditions. Otherwise, individuals would have nothing over which to optimize.

THE FORWARD MARCH OF SOCIAL CAPITAL

The significance of this last point will be taken up later. Before doing so, consider an equally rapid change that is evolving within and around World Bank thinking. It is the astonishing rise to prominence of the notion of 'social capital'. It has already made its way into the World Development Report for 1997 and, as Harriss and de Renzio (1997: 920) report: 'Since 1993 "social capital" has become one of the key terms of the development lexicon, adopted enthusiastically by international organizations, national governments and NGOs alike'. They cite uses ranging from that of the IDS at the University of Sussex as a theme for a research programme to the terms of reference of tenders for research on social policy formulated by the UK's Department for International Development, DfID. For the World Bank itself (World Bank, 1997b), even though its use only seems to date back to 1994, it is already being heralded as the 'missing link' in development. It figures prominently in the draft programme for the World Development Report for 2000 which has Poverty and Development as its theme.

It is important, then, to 'deconstruct' this conceptual wunderkind, a process that has already begun with a critical literature, including surveys such as Harriss and de Renzio (1997) and the even more comprehensive Woolcock (1998). The purpose here is to draw upon, and add to, these contributions in order to understand why the notion of 'social capital' should be so conducive to World Bank thinking even as it is itself establishing a new agenda.

Consider, first, problems surrounding the definition of 'social capital'. It is usually distinguished from physical, financial and human capital, with these generally being interpreted from within neoclassical orthodoxy. Although it

can require the use of economic resources, it has to be something over and above other types of capital but, as such, it seems to be able to be *anything* ranging over public goods, networks, culture, etc. The only proviso is that social capital should be attached to the economy in a functionally positive way for economic performance, especially growth. As Harriss and de Renzio (1997: 921) observe in quoting Narayan and Pritchett (1996: 2) in what is probably an understatement: 'Social capital, while not all things to all people, is many things to many people'. In a three page footnote of references, Woolcock (1998: 193–6) identifies seven different fields of application for social capital — (dys)functional families, schooling, community life, work and organization, democracy and governance, collective action, and intangible assets.

The ambiguity and scope attached to social capital, however, are strikingly illustrated by the attempts to trace back its intellectual origins, a task which testifies to the speed and depth with which the notion has already been established (see especially Harriss and de Renzio, 1997: 921; Woolcock, 1998). At one extreme, Hyden (1997) locates the concept within the different approaches to the relationship between the state and civil society as development proceeds, dating first explicit references to the mid-nineteenth century, albeit in Italian. In this context, social capital is concerned with grand theory and systemic analysis from whatever perspective.

At the other extreme, the more recent and more influential origins of social capital are far more mundane. They derive from the work of James Coleman (especially Coleman, 1987, 1988, 1990). He is professor of sociology at the University of Chicago and is the counterpart and practising intellectual partner to Gary Becker. He is fundamentally committed to methodological individualism, although this is tempered by reference to social networks and the like.⁷ Coleman has inspired a range of empirical studies, mainly for the United States, that seek to demonstrate how individual attainment is affected by family or other aspects of the micro-social environment, readily interpreted as (individual possession of) social capital. Whether parents are separated, mothers work or not, families belong to particular ethnic or cultural communities, are new or long-established migrants, move frequently, communicate with their children, watch tv, and so on, are the variables that make up positive or negative social capital. These factors are used to interrogate success at school or college, including drop-outs, and correlation with criminality, delinquency and political extremism.⁸

7. For a more detailed account, see Fine (1998b).

8. For a recent selection of such work, in order to give a feel for its scope, see Bianchi and Robinson (1997); Furstenberg and Hughes (1995); Hagan et al. (1995, 1996); Meyerson (1994); Parcel and Menaghan (1994); Sanders and Nee (1996); Schneider et al. (1997); Smith et al. (1995); Teachman et al. (1996); Valenzuela and Dornbusch (1994); White and Kaufman (1997); Zhou and Bankston (1994).

The crudity of such studies cannot be over-emphasized: they speculate about a few causal relations and then seek to demonstrate their validity through a statistical exercise. There is a striking parallel with mainstream econometrics but with the absence of the latter's reliance upon some underlying formal mathematical model. A further analogy applies where macro-data are substituted for micro-data as if there were representative individuals with crime rates, for example, explained by levels of unemployment, mobility and marriage as in MacMillan (1995). Such studies have the explicit aim of leaping from the individual to the social by the use of macro-structural indicators and statistics to avoid both conceptual issues and the causal mechanisms and processes by which the social is reproduced.

From a moment's reflection, it is apparent that such endeavours have nothing new to contribute through appeal to social capital which merely serves as a convenient peg on which to hang collections of dull and mechanistic empiricism. This is despite the unlimited scope of such studies in terms of variables that can be included and hypotheses putatively tested. But the notion of social capital is open to a richer qualitative interpretation which expands its compass even further, especially in the context of development. For Shetler (1995), as limited an object as a Kiroba text of popular history forms social capital in Tanzania since it depicts a constellation of networks and social relations that can inform and sustain those who draw upon it. Putterman (1995), also addressing Tanzania, seeks to generalize social capital as culture beyond a set of individual ties 'to encompass the repertoires of entire material cultures' (*ibid*: 15). Indeed, 'a society's division of labour with respect to the holding of its overall cultural capital stock can be regarded as a kind of collective memory algorithm' (*ibid*).

Such cultural interpretations of social capital have affinities with the work of Bourdieu which preceded by a decade or so the contributions of Coleman.⁹ Bourdieu is concerned to demonstrate how class distinctions are constructed, created and reproduced by the inter-connections between the different spheres of economic, political and cultural life. His approach involves deployment of various different types of social capital, such as the cultural and educational, the consideration of how these are converted into one another, and the attachment of such capitals to individuals as well as to socioeconomic groupings. In short, the language and analogy of economic capital is embraced, and Bourdieu has engaged in case studies based on surveys. Consequently, his work has been referenced in support of other social capital studies.

None the less, there is a major difference, even an analytical barrier, between Bourdieu and most of the subsequent literature.¹⁰ Whilst critical of

9. See Fine (1998b) for a fuller critical account of Bourdieu's understanding of social capital and how it has been distortedly incorporated into more recent understandings.

10. For this reason, in an otherwise highly perceptive review, it is unfortunate that Harriss and de Renzio (1997) simply perceive Bourdieu's use of social capital as similar to that of followers.

the excesses of postmodernism, and of Baudrillard in particular, Bourdieu is acutely aware that social capital has to be constructed in terms of its content as meaning. In contrast, current use of the notion of social capital relies almost entirely upon distinction by extrapolation from physical notions of capital. Whilst explicitly seeking to generalize beyond the physical, to distinguish social from economic and even human capital, the conceptual framework primarily remains tied to an understanding of the social as the informational or other cultural externalities between individuals. Accordingly, a network of whatever sort, for example, is the favoured non-individualistic example of social capital — although this begs the question within this perspective of how a network is created and how and why individuals participate within it. The result is to generate an abstract theory of social capital which focuses on the logistics of networks, at greater or lesser levels of formality, as for Burt (1992), Granovetter (1985, 1992) and Ostrom (1994).¹¹

Consequently, the next major stage in the evolution of social capital is in the passage from Coleman to Putnam (see Putnam, 1993a, 1993b, 1995). From a conceptual point of view, Putnam has added very little, and his study of differential Italian economic development according to local politics is open to question.¹² Most important, though, is the spread of the use of social capital to politics and the state. Whilst his more recent work has focused on the revitalization of US social capital, to the point of self-parody in seeking more ten-pin bowling clubs (Putnam, 1995), the implications of his work for development have proved most attractive:

Social capital is coming to be seen as a vital ingredient in economic development around the world. Scores of studies of rural development have shown that a vigorous network of indigenous grassroots associations can be as essential to growth as physical investment, appropriate technology, or (that nostrum of neoclassical economists) 'getting prices right'. (Putnam, 1993b: 38)

From one study of Italy (Putnam, 1993a), in which the concept of social capital is only first introduced in a closing chapter, the floodgates are opened for that 'vital ingredient' to explain 'economic development around the world'!

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11. Note that Burt (1997) appeals to the emerging network analysis to consider the content of flows within the network relations. But, significantly, this would imply that the substance of the network would be conflated with discursive content within the network, as if the two were interchangeable. By analogy, it would be necessary to distinguish between a grid and what flows along it. Social capital, in effect, is caught between being grid alone and both grid and flow. This reveals the ambiguity of the network notion of social capital, since identical networks can function positively or negatively for economic or other performance according to what is communicated. See also later discussion of perverse social capital.
 12. See discussion and references provided in Harriss and de Renzio (1997). Most important are questions of causation between economic development and civic society and of differential development *within* as well as between regions.

In short, the notion of social capital is all-encompassing. As Woolcock (1998: 155) observes:

It now assumes a wide variety of meanings and has been cited in a rapidly increasing number of social, political, and economic studies, but — as so often happens with promising new terms in social science — with limited critical attention being given to its intellectual history or its conceptual and ontological status. These indiscriminate applications of social and ‘other’ capitals are part of what Baron and Hannan (1994: 1122–4) despairingly refer to as the recent emergence of a ‘plethora of capitals’. Sociologists, they lament, ‘have begun referring to virtually every feature of life as a form of capital’.

A second major feature, then, of social capital is that it is a totally chaotic concept, drawing its meanings from the more or less abstract studies or tidal wave of case studies on which it depends. This, in turn, has led to a critical literature along a number of lines which essentially reflect the imprecision with which the dual notions of ‘social’ and ‘capital’ have been used and combined. The social takes as its point of departure anything that is not reducible to individualistic exchange relations and, correspondingly, social capital is anything other than tangible assets. This immediately creates problems since it can never be clear where the capital ends and the social begins, once it is recognized that the impact of social capital depends upon its social context — unless any element of social capital is redefined holistically.

The point is illustrated by evidence of ‘perverse’ social capital. The term derives from the study by Rubio (1997) of Colombia where criminal activity is associated with strong networks.¹³ The simplest economics, however, suffices to make the same point — as Adam Smith observed, producers meet and require trust to operate a cartel.¹⁴ There is not necessarily anything positive or pre-determined about the impact of social capital, until both its intrinsic and extrinsic content are examined. As Dezalay and Garth (1997) argue for the functioning of international law, large US law firms and law schools comprise legal and social capital (political connections) that lead to the Americanization of laws to the advantage of US economic power.¹⁵ The study by Beall (1997) of waste collection services draws analogous conclusions:¹⁶

Synergy across the public-private divide ... between representatives of communities and governments were seen to reinforce and cement relationships founded on patronage and

13. See also Seron and Ferris (1995) who argue that men gain in professional occupations, over and above the networks in which they engage, because they enjoy the gendered social capital that requires that private lives are secondary and taken care of by others, presumed to be their wives. For a critique of Putnam from a perspective of the ‘dark side’ of social capital, see Putzel (1997).
14. Note also that the idea that the gaps between dense networks are a source of profitability, as opposed to networks themselves, is implicit in Hilferding’s concept of finance capital.
15. On the other hand, note that Arnold and Kay (1995) suggest that large law firms embody social capital since they are more liable to be self-monitoring in establishing legal and ethical standards.
16. See also Fox (1997). Stone (1995) draws similar conclusions for social capital concerning problems of definition and causation in commenting upon the account by Hinrich (1995) of inequality and redistribution in health provision in Germany.

clientelism rather than to foster more inclusive forms of civic engagement ... As with Bangalore so in Faisalabad, power relations and existing structures of inequality have to be understood because in both cases, investment in social capital in waste proved to be a solid investment, but for some far more than others. (Beall, 1997: 960)

This example illustrates that the chaotic and incoherent content of social capital as a concept does not, however, lead it to be without systematic content and influence. A third feature of the literature is that it tends to neglect power and conflict (no doubt reflecting the putative Pareto improvements that can be made with social capital), and to proceed from the micro to the macro (in conformity with its individualistic origins). It also spawns popularization, as with Putnam but also Fukuyama (1995, 1996), for whom trust begins where history ends.¹⁷

These features of social capital — as catch-all, ambiguous if not incoherent, and yet analytically selective — have, paradoxically, been the source of a vibrant research programme around it rather than a cause of its demise. On the one hand, theory has sought to construct a range of intermediate concepts within which to accommodate the analytical and empirical anomalies that inevitably arise, from networks and trust to structural holes,¹⁸ and from notions that social capital is free to those of its being slow to create and quick to dissipate.¹⁹ By the same token, initial lines of causation posited from

17. To give him credit, Fukuyama does have the capacity to capture the intellectual mood, even if in the crudest forms:

Over the past generation, economic thought has been dominated by neoclassical or free market economists, associated with names like Milton Friedman, Gary Becker, and George Stigler. The rise of the neoclassical perspective constitutes a vast improvement from earlier decades in this century, when Marxists and Keynesians held sway. We can think of neoclassical economics as being, say, eighty percent correct: it has uncovered important truths about the nature of money and markets because its fundamental model of rational, self-interested human behavior is correct about eighty percent of the time. But there is a missing twenty percent of human behavior about which neoclassical economics can give only a poor account. As Adam Smith well understood, economic life is deeply embedded in social life, and it cannot be understood apart from the customs, morals, and habits of the society in which it occurs. In short, it cannot be divorced from culture. (Fukuyama, 1996: 13)

For a critique of Fukuyama along the lines that it is the rule of law rather than custom that is important, see Fellmeth (1996) who concludes, on the discovery that political culture matters to economic behaviour: 'Fukuyama has merely rediscovered the wheel, although he has used it as an impediment rather than a mode of transport' (ibid: 169).

18. See Fedderke et al. (1998) who also emphasize that the ambiguities attached to social capital have their counterpart in the difficulties of operationalizing the factors concerned empirically. None the less, empirical studies proceed apace as in Knack and Keefer (1997), for example.

19. See Wilson (1997) for whom social capital is free, invisible but real, involving stakeholder participation, professional protocol, social learning, collaboration, trust, solutions to tragedies of the commons, collective responsibilities, etc. For Walker et al. (1997: 111), 'social capital is a means of enforcing norms of behavior ... and thus acts as a constraint as well as a resource'.

social capital to social outcomes can be reversed and refined. On the other hand, social capital can be taken for granted conceptually and incorporated into an ever-expanding collection of case studies or statistical exercises. These two different ways of proceeding feed upon one another, creating a web of eclecticism in which the notion of social capital floats freely from one meaning to another with little attention to conceptual depth or rigour.²⁰ As Woolcock (1998: 159) proposes:

Where do these criticisms of the idea of social capital . . . leave us? Short of dismissing the term altogether, one possible resolution of these concerns may be that there are different types, levels or dimensions of social capital, different performance outcomes associated with different combinations of these dimensions, and different sets of conditions that support or weaken favorable combinations. Unraveling and resolving these issues requires a more dynamic than static understanding of social capital; it invites a more detailed examination of the intellectual history of social capital, and the search for lessons from empirical research that embrace a range of many such dimensions, levels, or conditions.

NEITHER WASHINGTON NOR POST-WASHINGTON CONSENSUS

It seems, then, that what has already happened with social capital as an organizing concept is set to gather pace and momentum especially, if not exclusively, in development studies, for it is prospectively nothing other than the rewriting of social theory with some degree of economic content. The question is why? In part, the answer is to be found in the shifting stance of the World Bank. The proposal for a post-Washington economic consensus from Stiglitz has social capital as its exact social and political counterpart. It builds up from the micro to the macro from notions of civil, as opposed to market, imperfections and with the potential for non-market improvements with impact upon the market.

It is one thing, however, to argue in principle that the economic analysis attached to the post-Washington consensus and the notions of social capital are mutually compatible. It is another to establish in practice that they are driving one another and are being integrated to form a new synthesis. At most, given early days, such a synthesis can only be suggested as a prospect. Stiglitz, for example, does not appear to use the term himself. However, this reflects the following factors that are of more general relevance.

First, he does not need to do so. The new microfoundations, on which he has built his reputation and with which he is attacking the old neo-liberal

20. Most notable is the way that combinations of Bourdieu, Coleman, Putnam, Granovetter, Burt and, increasingly, Fukuyama, are referenced for authority. See Nichols (1996), for example, for the idea that Russia lacks trust. See also Kolankiewicz (1996) for appeal to Bourdieu and Putnam to explain who will become the new capitalists in eastern Europe. Pahl (1996) prefers to emphasize access to property than to social capital. For various examples of the rounding-up of the founders of social capital, see for example, Meyerson (1994); Pieterse (1997) as well as Harriss and de Renzio (1997) and Woolcock (1998).

consensus, have been around for at least two decades. The notion of market imperfections suffices as a proxy for social capital within the economist's vocabulary. Second, as an economist, Stiglitz has preferred to recognize the importance of the non-economic in the form of institutions, customs, and so on, but without incorporating these as variables within his own analysis. Third, economists tend to rely upon extremely formal mathematical models for which the vague notion of social capital is unhelpful. Rather than use the term, economists are liable to refer to its microeconomic specifics, as in infrastructure, networks, transparency, trust, monitoring, and so forth.²¹ Whether economists use the term, and whether they are happy with it, is less relevant than the way in which their new microeconomic understanding of market imperfections is being incorporated into the economic understanding of non-economists.

None the less, Stiglitz comes as close to using the notion of social capital as his intellectual history allows. In the paper following his appointment to the World Bank, he asserts (Stiglitz, 1997: 19):

Today, we recognize that development is more than the accretion of physical capital and even more than the accretion of human capital. It includes closing the knowledge gap between rich and poor economies. And it includes other transformations, such as those that result in lower population growth rates and changes in economic organization.

Irrespective of his personal stance, taken together, the new consensus and social capital offer the World Bank the analytical opportunity to resolve what has been a glaring contradiction between its ideology and practice. Given the previous stance in favour of state minimalism, even if serving as a veil for considerable discretionary intervention in practice, there has been a problem in addressing what role the state should play given its continuing importance. One cannot argue that the state should do nothing but also debate what the state should do. The World Bank has been disarmed by its own ideology. Now, rather than becoming genuinely state-friendly, a more appropriate interpretation may be that it is seeking to be more influential than before over what the state does — both in depth and scope.²²

This new agenda explains why Putnam, for example, should prove to be so popular with the World Bank. Consider the following:

Social capital is not a substitute for effective public policy but rather a prerequisite for it and, in part, a consequence of it. Social capital . . . works through and within states and markets, not in place of them . . . The social capital approach promises to uncover new ways of combining

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21. See the treatment by Konrad (1995), for example, of infrastructure as social capital. An older generation provides it for the younger, not out of altruism, but as an intertemporal optimizing exercise in view of the later higher taxes it can take from the next generation's higher earnings for use as social security transfers to itself.
 22. For a clear and perceptive account, see Hildyard (1998).

social infrastructure with public policies that work, and, in turn, of using wise public policies to revitalize America's stock of social capital. (Putnam, 1993b: 42; emphasis in the original)

What is good enough for the United States is good enough for the rest of the world. In short, as it is being deployed, social capital allows the World Bank to broaden its agenda whilst retaining continuity with most of its practices and prejudices which include the benign neglect of macro-relations of power, preference for favoured NGOs and grassroots movements, and decentralized initiatives.²³

The rapid rise to prominence of social capital has also had, as will be seen shortly, two crucial analytical effects. First, as Wade (1996) has shown and is common knowledge, the shifting position of the World Bank has very little to do with consideration, let alone acceptance, of the overwhelming weight of scholarship that has long been turned critically upon its analytical posturing and the impact of its policies in practice. Nor is it a response to the new microfoundations orthodoxy, for Stiglitz and others have been active in this area for two decades. Rather, the increasing significance of Japan as donor, foreign investor and self-reflective case study has rendered the old consensus increasingly unacceptable.²⁴

Broadly, the criticisms that have been ignored by the old consensus have been formulated, at times explicitly, around the notion of the case and conditions conducive for a developmental state. This is hardly surprising since to counter the old consensus on its own terms is to posit the potential for a developmental state as opposed to relying as far as possible upon the supposedly free market. For the role of the state to be addressed more positively by the new consensus, the issue arises of how it is to relate to the developmental state literature.

First, then, the notion of social capital has provided the World Bank with the analytical capacity to propose its new agenda without having to come to terms in any serious or substantive way with the critical literature of the old consensus, especially that around the developmental state. One suspects that the new consensus will be mild in reassessing the past practices of the old and how they were rationalized by those who will, presumably, continue to provide the rationale for the new agenda in the future. Whatever its merits, the literature on the developmental state will be ignored, as in the past, in pushing forward an agenda based on social capital and the need to enhance the market and relieve market imperfections.

Indeed, the way in which this is being done already has remarkable parallels with the way in which the developmental state literature itself developed. As Fine and Stoneman (1996) and Fine and Rustomjee (1997)

23. See Brown and Ashman (1996) for a selection of case studies tied to the notion of social capital.

24. See also Gyohten (1997) but especially the relevant articles collected in Ohno and Ohno (1998).

suggest, there have been two broad approaches to the developmental state, denoted as the 'economic' and the 'political' schools. One identifies, for example from market imperfections, the case for state intervention without addressing why the state might have the capacity or the will to undertake the necessary policies. The other considers the (political) conditions under which the state is capable of undertaking, or induced to undertake, appropriate interventions without identifying what these are. The integration of these two schools has been quite limited but each has prospered by a widening circle of empirical case studies undermining more abstract theory and leading it to be refined by a proliferation of ideal-types — most notable in the different theories of the sources of comparative advantage for the economic school and the proliferating models of developmental or non-developmental states for the political school.

Corresponding to the economic school approach to the developmental state are the new microfoundations of market imperfections. As Stiglitz emphasizes repeatedly, such informationally-based imperfections can rationalize state intervention. Yet, this depends upon applying a dramatic reductionism to the rationale for state intervention to a micro-level, around a single informational motif in sharp contrast to the wealth of the theoretical and empirical factors that make up the economic school within the developmental state literature.

Social capital, following hard upon the new microeconomics, is the corresponding counterpart to the political school within the developmental state literature. It is about how the non-economic, or non-market, makes the economic work or work better. Again, a reductionism is involved, although it is less drastic than for the economic school, as it allows for notions such as custom, trust, culture, networks, and so on. Where it does correspond more closely with the new economic approach is in its capacity to set aside the broader methodological and theoretical agenda to be found within the critical developmental state literature emanating from the political school.

Second, then, the notion of social capital allows the new consensus to be selective in where and how it addresses the role of non-economic factors in economic performance. In this light, social capital has had the analytical effect not only of perpetuating neglect of the critical contribution of the developmental state literature, it also allows for that literature and its proponents to be incorporated on the terms set by the new consensus. As Harriss and de Renzio (1997: 921) ask: 'Does the fact that it means so many different things reflect the fact that it is an idea which serves as a convenient peg for different agendas?'. The answer is in the affirmative in that it opens up an agenda for those who opposed the old consensus; but there is an admission price in terms of accepting the social as based on microfoundations and capital as based on market or non-market imperfections. Notably absent will be a political economy based on class and power, and capital interpreted as a social relation rather than as a non-physical, atomized resource. In short, where the developmental state literature previously stood

as a critique of the old consensus, it can now either be overlooked or be repackaged as new in terms of a much less radical content attached to market imperfections and social capital.

The prospect, then, is for the developmental state literature from the political school to be re-digested within a social capital framework, just as the new microfoundations of macroeconomics have demonstrated the potential to incorporate much radical political economy based on institutions and macroeconomic structures. Consider, for example, the response to social capital of one of the leading proponents of the developmental state within political science. In a special section in *World Development* on social capital and the role of the state in the public/private sector divide, there is a remarkable and acknowledged synergy between the political and the sociological involved in networks and embeddedness: 'By labelling such norms and networks "social capital" contemporary theorists . . . project primary ties as potentially valuable economic assets . . . The language echoes Granovetter's classic work on the embeddedness of market relations' (Evans, 1996a: 1033).²⁵

In this way, the politics of bringing the state back in and the theory of the developmental state have become tied to the notion of social capital and more amenable to the tacit postulates of the mainstream economic theory associated with the post-Washington consensus. Of course, the location of such capital within the discipline of political science can lead to a more sophisticated account of, and focus upon, conflict which is perceived otherwise to be overlooked in addressing problems of collective action across the public/private divide — as Evans (1996b: 1127) unremarkably deduces in summarizing the analytical conclusions of a number of case studies: 'If a community is riven by conflicting interests, the nature and meaning of social capital becomes more complicated'. The inevitable implication from this conclusion is that if conflict undermines the notion of social capital, then why not take conflict and its theoretical underpinnings as the starting point rather than social capital which is rendered both ambiguous and redundant? To proceed otherwise is to deploy social capital as a generalized proxy for the developmental state in ways such that conflict and its analytical prerequisites can be secondary, muffled or even be brought out.

CONCLUDING REMARKS

Elsewhere, I have argued that conceptual initiatives around social capital are part and parcel of a more general, possibly revolutionary, shift taking place not so much within as around economics in its relationship with other social sciences (see Fine, 1997a, 1998b, 1998c, 1998d). Economics is

25. Granovetter is a sociologist who has inspired the notion of social capital as networks.

colonizing other disciplines through universalizing its methods, including those new microfoundations that now explain the social on the basis of the individual. The response from other social sciences has been mixed in depth and content. The promotion of social capital in the context of the post-Washington consensus is an example drawn from development studies. It promises to create economists out of social scientists who know no economics, just as it has been given life by economists as social scientists who know no social science. Even those Marxists most committed to base-superstructure models would be embarrassed by the reductionism of the economic approach to social science. By the same token, those wedded to some notion of autonomy should shrink from the absence of the economic in many of the ways in which social capital is being deployed across the social sciences. For those genuinely committed to political economy, both the opportunity and the obligation have arisen to develop alternatives to, and to oppose, social capital and the new consensus before they dominate the development agenda as did the old consensus before them.

These observations are strikingly illustrated by the opposing conclusions drawn by the two recent surveys of the social capital literature, in spite of the fact that both surveys make very similar critical comments on the ambiguity and inconsistency of the notion. For Woolcock (1998: 188):

Social capital provides sociologists in particular with a fruitful conceptual and policy device by which to get beyond exhausted modernization and world-systems theories ... In social capital, historians, political scientists, anthropologists, economists, sociologists, and policy makers ... may once again be able to find a common language ... that disciplinary provincialisms have largely suppressed over the last one-hundred-and-fifty years ... Theoretical claims and policy recommendations made on the basis of the incremental accumulation of evidence constitute the surest and most responsible agenda for future research.

Harriss and de Renzio (1997: 919) are considerably less sanguine:

Policy arguments which pose civil society against the state, or which rest on the view that rich endowment in 'social capital' is a precondition for 'good government', are almost certainly misconceived.

They seem to seek a critical rethinking of social capital in which the traditional concerns of more radical social and economic theory are incorporated — whether it be conflict, class, globalization or whatever.

In each of these surveys, despite its acknowledged conceptual weaknesses, social capital is accepted as a potential source for new research, although Woolcock is more upbeat in the case of greater refinement in concrete details and Harriss and de Renzio for the incorporation of a radical content that could easily be omitted. As already suggested, the outcome is most likely to be a reworking of the developmental state debate, only on an analytical terrain that is less conducive to opponents of the new Washington consensus, even though some advance is made, as intended, over the old. For the notion of social capital is fundamentally misconceived, especially in the context and

sources from which it has evolved. To deconstruct in the crudest way, term by term in reverse order, ‘capital’ has been defined negatively — by what it is not. It is not tangible, such as physical endowments or human capital. Rather, it is anything connecting individuals that contributes to the economy on the basis of their individual endowments of non-social capital. By the same token, the ‘social’ is the set of relations, market or non-market, that connects these individuals with a greater or lesser degree of imperfection. With these notions of social and capital, their genuine counterparts within political economy or within social theory — economic structures and tendencies, on the one hand, and power, stratification, conflict, on the other — can only be incorporated in bastardized or hopelessly eclectic forms.

It is imperative, then, that as and when the World Bank and the development agenda become potentially more progressive, ‘capital’ and the ‘social’ be appropriately constructed on the basis of systematic understandings. As Marx and Marxists, for example, have long insisted, economic ‘capital’ is not a thing in the first place but is already social, global, exploitative, and embedded, to coin a phrase, in broader relations of which the state forms a part. The social can only be added to capital if it has been illegitimately excluded in the first place. Such elementary insights need to be the starting point for developmental dissent to whatever consensus the World Bank peddles.

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