Social Capital, Economic Growth, and Nonprofit Organizations

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The study of determinants of economic growth and development is a special interest area to the economists. Theoretical investigation in this topic is characterized by a growing complexity and empirical work has not obtained satisfactory results. The incorporation of human capital and technical progress with endogenous character have not obtained the appropriate results to explain with clarity the key mechanisms of this economic phenomenon.

In the last years, the researchers have focused part of their efforts in a new factor, namely social capital. The underlying idea is that the physical factor (productive capital) and the human (human capital) are not sufficient to explain the economic growth and economic development. Recent work suggests that previous studies omit a relevant dimension: social character of the economic activity (social capital), as is emphasized in Temple and Johnson (1998) and in Knaff and Keefer (1997), among others. Nevertheless, the discussion on definition and mechanisms through social capital is created, disappears, is accumulated or influences on the economic activity is still opened. Although, many studies are discussing the social capital definition and measurement from interdisciplinary point of view (Paldman, 2000). Paldman examines different indicators of social capital, most of them related to the nonprofit organizations or associational activity of a country and expectations and trustworthiness in which economic agents operate.

Our paper contributes to this line of research in order to advance in the discussion of these aspects: social capital definition, relationship between social capital and other socio-economics factors, role of social capital in economic growth –as productivity factor or thecnology–; the consideration of convenient data base set and the use of appropriate econometric thecniques. The final objective is to provide theoretical and empirical evidence on the relationship between social capital and economic growth. As well as, between the social capital and the traditional factors considered, that is to say, human capital and physical capital. This general objective will proceed as follows.

In the first section we approach the social capital definition. Social capital can be constituted in a variety of ways. It is a particular situation that requires a meticulous revision of the literature in order to adopt a methodological position that in our case will be fundamentally functional and is focused on the importance of the nonprofit sector as component of social capital.

In second section, we analyze the relationship between social capital and physical capital and, mainly, with the human capital and the public sector. Social capital is a complex resource and we can observe that there are others factors, for example the educational level that is affected by social capital, but is itself an influence on social capital. We argue that there is a strong interaction between sanitary policy, fiscal policy, cultural context and social capital.

In third section we examine theoretically the mechanisms of relationship between social capital, as capacity of working jointly, and economic growth. In the discussion is fundamental the arguments established by Paldman and Svendsen (2000). The authors pointed out two mechanisms: (a) social capital as productive factor -that is to say, nonprofit organizations, associational activity indicates the work capacity in equipment and, consequently, it supposes an productive factor; b) social capital as technology: that is to say, indicates the capacity of a society to generate the mechanisms that reduce the transaction and control costs within productive system.

In fourth section, we observe the problems derived to use data of different countries. These studies supposed the presence of a same behavior at aggregate level for heterogeneous countries, and we consider that, the empirical results are biased because they use non appropriate econometric techniques. Thus, we propose that the analysis at regional level improves the results obtained because of allows to reduce some of these limitations, owing to exist an evident homogeneity concerning educational level, tax system, culture, etc.

Finally, we develop an empirical analysis for the Spanish case where it is considered to establish if the social capital is relevant to explain the economic growth of the Spanish regions. We use as indicator of social capital some proxies as the density of associational activity, composition of these associations, inequality index, etc. The paper concludes with the main results.

References