8

Social Capital and Well-Being

PART I
The History and Scope of the Concept of Social Capital in Development Economics

PART II
Empirical and Experimental Evidence on Social Capital and Poverty

Preface

List of Abbreviations

Notes on the Contributors

Inequality

Contents
MEASURES OF SOCIAL CAPITAL

7. Measuring social capital: adding field

Toolbox

1. The measures of social capital in this chapter are those that can be used to capture the intangible assets of social capital, including trust, norms, and networks. These measures are typically based on survey data and involve questions about social interactions, trust in institutions, and the frequency of social contacts.

References

Generally speaking, would you say that you prefer a demonstration or a discussion? Consider the following scenarios:

1. You are trying to measure social capital based on observed behavior. The assumption is that the larger the number of interactions, the higher the social capital. How would you measure social capital in this context?
2. You are trying to evaluate the impact of a new policy on reducing poverty. How would you measure the effectiveness of the policy?

Consider the definition of social capital (1992) as the ability to interact effectively with others. How would you operationalize this definition in a practical setting?
In Chapter 6 of (1969) like the last game, the Ultimatum Game is also a game theoretic exercise. It consists of two players, one who initiates the game and one who accepts or rejects the offer. The initial endowment is split between the two players, with the offeror deciding how much to give. The acceptor can either accept the offer or reject it, in which case both players receive nothing. The Ultimatum Game is often used to measure aspects of social capital.

The Ultimatum Game results

![Diagram of Ultimatum Game results]

**Figure 2.1** Student Ultimatum Game results

Amount won (10 maximum, 0 minimum)

<table>
<thead>
<tr>
<th>Amount won</th>
<th>0</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
<th>9</th>
<th>10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amount given</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Experiential Measures of Social Capital

In order to measure aspects of social capital, we introduce two experimental measures. The first is the Ultimatum Game, which provides direct evidence of the amount of trust and reciprocal exchange that occurs in a given social context. The second is the social network analysis, which measures the extent to which individuals are connected to each other and the strength of these connections.

The Ultimatum Game results suggest that there is a strong positive correlation between the amount of money given and the amount accepted. This indicates that individuals are more likely to accept larger offers if they feel that the other player is trustworthy and will reciprocate. The social network analysis further supports this finding, as it shows that individuals who are connected to others are more likely to participate in the game and accept larger offers.

The Ultimatum Game and social network analysis provide valuable insights into the nature of social capital and its role in economic exchange. By understanding the mechanisms that underlie social capital, we can develop policies that promote its development and use it to improve economic outcomes.
Table 7.1. A comparison of ultimatum game results

<table>
<thead>
<tr>
<th>Study</th>
<th>Subjects</th>
<th>Number accepted</th>
<th>Number rejected</th>
</tr>
</thead>
<tbody>
<tr>
<td>Roth</td>
<td>US students</td>
<td>14 of 27</td>
<td>3 of 27</td>
</tr>
<tr>
<td>(1982)</td>
<td></td>
<td>50%</td>
<td>50%</td>
</tr>
<tr>
<td>Roth et al.</td>
<td>US workers</td>
<td>12 of 30</td>
<td>8 of 30</td>
</tr>
<tr>
<td>(1991)</td>
<td></td>
<td>44%</td>
<td>56%</td>
</tr>
<tr>
<td>Roth</td>
<td>Slovenian students</td>
<td>10 of 29</td>
<td>9 of 29</td>
</tr>
<tr>
<td>(1991)</td>
<td></td>
<td>36%</td>
<td>64%</td>
</tr>
<tr>
<td>Roth et al.</td>
<td>Japanese</td>
<td>4 of 21</td>
<td>17 of 21</td>
</tr>
<tr>
<td>(1991)</td>
<td></td>
<td>26%</td>
<td>74%</td>
</tr>
<tr>
<td>Carpenter</td>
<td>Peruvian</td>
<td>4 of 21</td>
<td>17 of 21</td>
</tr>
<tr>
<td>(2001)</td>
<td>horticulturists</td>
<td>26%</td>
<td>74%</td>
</tr>
</tbody>
</table>

There are a number of interesting patterns across these studies. Notably, in the 1991 experiment by Roth and Carpenter, US workers were significantly less likely to accept offers than US students, with only 44% of workers accepting offers compared to 50% of students. The authors suggest that this may be due to differences in cultural attitudes towards fairness and cooperation, with students being more likely to accept offers to maintain social harmony, while workers may be more inclined to reject offers to maximize personal gain.

In the 1999 study by Headland and Carpenter, the authors found that the ultimatum game can be used to compare the relative importance of cultural factors and individual preferences in explaining the acceptance of offers. They suggest that the game can serve as a useful tool for understanding how cultural backgrounds and individual preferences influence decision-making in social contexts.

In conclusion, the ultimatum game provides a valuable tool for studying the underlying mechanisms of decision-making in social contexts. By comparing the results of different studies, we can begin to understand the complex interplay of cultural factors and individual preferences in shaping human behavior.
Table 7.2 A comparison of decision game results

<table>
<thead>
<tr>
<th></th>
<th>0%</th>
<th>5%</th>
<th>10%</th>
<th>20%</th>
<th>50%</th>
<th>100%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Effect of Treatment</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Formulation</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Single BL</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Single BL</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Double BL</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Double BL</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Because of numerous considerations or lack of accurate recollection, however, the
former group made more offers than the latter in the ultimatum game.

Decision Game

The ultimatum game was initially developed by Fossett et al. (1944) to test

...
Table 2.3: A comparison of VCM results (average contribution level)

<table>
<thead>
<tr>
<th>Study/Treatment</th>
<th>Partners</th>
<th>Out of Context</th>
<th>Communication</th>
</tr>
</thead>
<tbody>
<tr>
<td>Isaac &amp; Walker (1981)</td>
<td>No context</td>
<td>54</td>
<td>44</td>
</tr>
<tr>
<td>Carpenter (1999)*</td>
<td>No context</td>
<td>55</td>
<td>49</td>
</tr>
<tr>
<td>Strangers</td>
<td>No context</td>
<td>56</td>
<td>41</td>
</tr>
</tbody>
</table>

The data shows that participants in the context of direct interaction (Isaac & Walker) contributed more than those in the no-context condition (Carpenter). This suggests that the presence of direct interaction increases the level of cooperation, as participants are more likely to contribute when they can see the direct benefits of their actions. The table also indicates that communication between partners plays a significant role in increasing cooperation. In contrast, the no-context condition led to lower cooperation levels, highlighting the importance of direct interaction in social capital formation.
EXPERIMENTS THAT COMBINE SURVEYS AND...
CONCLUSION

Recent results from experimental economics indicate that research on social and experimental economics can be useful in understanding how and why cooperation among individuals can be induced. The experimental results show that cooperation can be induced by providing incentives that are more effective than those used in the laboratory. In particular, these results indicate that the use of social incentives, such as the possibility of cooperation, can increase the level of cooperation.

To understand the factors that influence cooperation, it is important to consider the role of social networks. Social networks can provide the motivation for cooperation by allowing individuals to communicate and coordinate their actions. This is particularly true in situations where the benefits of cooperation are not immediately visible, such as in the context of the commons problem. In these situations, the benefits of cooperation are more likely to be enjoyed by those who are willing to cooperate, leading to a free-rider problem. Social networks can help to overcome this problem by providing a mechanism for individuals to communicate and coordinate their actions.

In conclusion, the experimental results suggest that cooperation can be induced by providing incentives that are more effective than those used in the laboratory. These results also indicate that social networks can play a significant role in encouraging cooperation. Further research is needed to understand the role of social networks in encouraging cooperation and to develop effective strategies for promoting cooperation in situations where the benefits are not immediately visible.
Measuring social capital

REFERENCES


NOTES
