SOCIAL CAPITAL AND DEVELOPMENT IN CONTEXT:
A SURVEY OF EL SALVADOR

A Thesis
submitted to the Faculty of the
Graduate School of Arts and Sciences
of Georgetown University
in partial fulfillment of the requirements for the
degree of
Master of Arts
in Development Management and Policy

By

Thomas Richard Hare, B.A.

Washington, DC
November 28, 2007
With gratitude to the many who have taught me so much:
my parents, who have guided me since day one;
Liz, whose unconditional support and love brings me constant joy;
and countless others in El Salvador and beyond who have demonstrated
that development is only as authentic as its regard for dignity.
TABLE OF CONTENTS

List of Tables and Figures ................................................................. v
Introduction ......................................................................................... 1

Chapter I – Social Capital: A Review of the Literature ......................... 4
   Origins of Social Capital ................................................................. 4
   Social Capital and Civil Society ...................................................... 6
   Refining the Notion of Social Capital .............................................. 8
   The Public Good Question ............................................................. 14
   Can Social Capital be an Adversary of the Public Good? ................. 16
   Empirical Challenges ................................................................. 19
   The Application of Social Capital to the Salvadoran Context ............ 21

Chapter II – Social Capital and Development Theory ......................... 24
   Economic Theories of Growth and Development ......................... 26
   Contributions of Social Capital to Economic Development Theory .... 29
   Non-Economic Theories of Development ...................................... 32
   Contributions of Social Capital to Non-Economic Theories of Development ...... 35
   Contemporary Development Thought ............................................ 38
   Social Capital as a Means of Development ................................... 41

Chapter III – The Salvadoran Context in Perspective ......................... 47
   Contextual Framework ............................................................... 48
   Empirical Considerations .......................................................... 50

iii
LIST OF TABLES AND FIGURES

Table 1- Development Indicators for Latin America ........................................ 52
Table 2- Social Capital Indicators for Latin America ................................. 53
Graph 1- Levels of Trust and Human Development Index Values for Latin America .. 54
Graph 2- Norms and Human Development Index Values for Latin America .......... 55
Table 3- Trust and Norms versus Standard Variables of Development ............... 57
Table 4- National Homicide Rates .......................................................... 64
The objective of the current thesis is to examine the role of social capital in the context of a developing society. Specifically, the investigation is based on the following question: What forms of social capital are significant to the development process in El Salvador? Social capital has been and continues to be a debated notion among political scientists, sociologists, economists as well as development theorists and this thesis adds to that debate by providing a contextual investigation into the role that various forms of social capital contribute to the development of El Salvador. In order to clarify the specific relationship between social capital and development, this investigation seeks to provide a nuanced and anomolie-ridden consideration of the nexus between the two in theory and in practice. What this thesis seeks to provide is an in-depth examination of some of the most significant relations between social capital and development in El Salvador.

Throughout the text, I do not assume that social capital has a sufficient, causal relationship with development, but rather theorize that the contributions of positive social capital are necessary for development in El Salvador. Specifically, I hypothesize that generalized social trust is a necessary form of positive social capital for El Salvador’s development and that social capital in the form of criminal associations and destructive norms have a negative impact on development. While it seems intuitive that positive contributions by any piece of the puzzle would aid in the development process and
conversely that negative contributions would detract from the process, there is not a zero-sum of positive and negative elements. Instead, each form of social capital creates its own particular situation and environment and thus one cannot simply add up the indicators of social capital but must check their presence against their effects, in this case their effects on development. Therefore, in this thesis I present significant indicators of the three forms of social capital (trust, associations and norms) and discuss the effect of each form on development in El Salvador.

In order to most clearly present the relationship between social capital and development and to specifically demonstrate the effect of types of social capital on development, I have arranged the work in two chapters describing the theoretical framework of the investigation and three chapters discussing the relation of social capital and development. Chapters 1 and 2 take up the literature on and define social capital and development respectively as well as provide a description of the literature on the relationship between the two. Chapter 3 introduces the context of social capital and development in El Salvador as well as examining the relevant indicators of each concept compared to the rest of Central America and the Western Hemisphere. Chapters 4 and 5 present a consideration of social capital in context with a focus on the most significant indicators of the notion in regards to development. The discussion in these latter chapters is not all-encompassing given the infinite indicators of social capital including family relations and values, professional organizations and sports teams as well as transparency and corruption, to name but a few. In order to most effectively address the question as to which forms are most significant to the development process and how specifically they
contribute or detract, I will discuss: 1) Trust given a recent history of conflict and continuing violence; 2) Associations formed by criminal gangs and migrants; and 3) Norms and their effectiveness given rates of impunity and violence. Considered together, these components of social capital and their indicators will provide a nuanced analysis of the context in which the development process attempts to advance.
Social capital may be the least tangible notion among a multitude of other ‘capitals’. For example, economic and physical capitals assume the form of exchangeable currency or goods and human capital refers to the capabilities and formative experience of a person whereas social capital is composed broadly of the relations among individuals. In order to substantiate social capital and the argument that social capital (trust in particular) are integral elements in the economic and social development of El Salvador I examine here the more narrowly defined notions of the concept and situate my research in the most relevant contextual framework.

Origins of Social Capital

Over the past century, the term ‘social capital’ has been used widely to include various phenomena: from community involvement in schools as early as 1916 by L. Judson Hanifan to ‘neighborliness’ by urbanist Jane Jacobs in the 1960s to a framework within which to analyze the legacy of slavery in the 1970s by Glenn Loury. However, modern sociologists such as Alejandro Portes maintain that the concept dates back as far as the discipline itself, citing Durkheim and his emphasis on communal life as a remedy for anomie and Marx’s perception of intra-class struggle versus unity. (1998, 2). While the contributions of each of these intellectuals has undoubtedly added to the conceptual foundation of the notion, here I will focus on the modern usage of the term especially
given recent attempts to provide an empirical base on which to consider social capital in a more tangible form.

The modern, conventional use of the term ‘social capital’ was coined by Pierre Bourdieu in his essay *The Forms of Capital* as, “the aggregate of the actual or potential resources which are linked to possession of a durable network of more or less institutionalized relationships of mutual acquaintance and recognition” (1985, 248). In this definition networks of social relationships are a fundamental element in the access to resources. This conceptualization highlights the potential benefits to be acquired via the formation of and participation in social groups. The instrumental usage of the concept as a tool to gain access to economic and human capital is vital to the discussion at hand and will be examined in detail below.

As a contemporary of Bourdieu, James Coleman added to the growing literature by outlining the forms of social capital (obligations, expectations and trustworthiness of social structures; information channels; and norms and effective sanctions). In these forms, Coleman is explicit that social capital, even in its intangibility, is not something that can be possessed, but rather exists in the relations between people (1998, 100). However, in the absence of physical presence, social capital is still an element that contributes to productivity (e.g. a group with more trust between members is likely to be more productive than a group with less trustworthiness). The forms of social capital as defined by Coleman have given the concept the empirical groundwork from which to work.
As a summary of these conceptualizations, social capital is both a public and private good whereby individuals as well as the networks to which they belong benefit from social relations. For the present argument, the most beneficial aspect of social capital given these definitions is its role as a mechanism for actors to secure benefits, a role that becomes more complex with the introduction of other forces in the context of civil society.

*Social Capital and Civil Society*

Before moving beyond these origins and into the use of social capital to secure benefits, let us first examine the concept as it relates to its most generally accepted territory, civil society. Aristotle’s original conception that “it is not only necessary, but useful [that] some should govern and others be governed” makes clear the delineation between society and state (1912, Chapter V). While civil society is also commonly known as the ‘third sector’ or the ‘nonprofit sector’, it most specifically refers to that which is does not fall under the realm of the state or market. In general, civil society serves as a boundless arena of social phenomena including public spheres, social movements and social capital (Casullo 2004, 1). Thus, as one of the paradigms for civil society, social capital forms part of the debates on the trilateral relationship between civil society, state and market. While this characterization of three ideal types can be useful in initial stages, we must use caution when creating impermeable boundaries between each sector (Edwards and Foley 1998b, 127). This can be shown anecdotally in the consideration of Latin America where civil society took on political significance against
the repressive regimes of the 1970s and 1980s given the failure of political parties in the region. Such overlapping of civil society and the state today demonstrates Aristotle’s early estimation that “the better those are who are governed the better also is the government” (1912, Chapter V).

In their estimation of the territory encompassed by social capital, Dietlind Stolle and Jane Lewis reject the outright inclusion of social capital in civil society alone. Rather, they show that social capital finds itself embedded between the state, family and civil society given the close relation between the components of social capital (namely generalized trust, social interactions and civic engagement), state institutions and family life (Stolle and Lewis 2002, 20). It is important to note that their focus lies mainly on the sources of social capital, versus the often broad applications of the notion by other authors in market transactions, political power-brokerage and social cooperation.

Perhaps one of the earliest views on the application of civil society and early ideas of social capital came from Alexis de Tocqueville's reflections on associations in mid-nineteenth century democracy in North America. As one of the three components of social capital, associations take on a significant role in the formation of civil society in democratic nations. In his account of the condition of civil society in relation to the state, Tocqueville impressed upon the important correlation between associations and the balance between state and society. Despite the tendency of members of society to join together, the increasing role of the democratic state in providing for “the commonest necessities of life” meant that individuals were required to come together less to form associations in order to secure those needs (Tocqueville 1835, 200). This organization of
civil society into groups constitutes a fundamental basis for the presence of social capital as we will see below.

Refining the Notion of Social Capital

The literature to this point in the discussion is a foundational basis on which we can establish the remainder of our attempt at a working definition of the notion of social capital. In this section, I will consider the definitions posited by Pierre Bourdieu, James Coleman and Robert Putnam in order to create some amount of conceptual clarity to guide the remainder of the present argument. In general, I find that these three scholars differ above all in their treatment and consequences of social capital, while they share much of the same underlying conceptualizations of the idea.

As noted above, Bourdieu and Coleman share many similarities in their notions of social capital. Theirs is a descriptive concept whereby the phenomena of networking and sociability work to accrue benefits for individuals. For Bourdieu, the benefits that result from networks are the keystone on which membership in a group is based. In this manner, group membership is a deliberate investment with the hopes of a return of benefits. However, the market in which these transactions take place is not congruent with economic exchanges. Bourdieu finds that transactions involving social capital “tend to be characterized by unspecified obligations, uncertain time horizons, and the possible violation of reciprocity expectations” (in Portes 1998, 4). Thus, for Bourdieu social
capital encourages and embodies a type of calculated interaction from which actors can expect economic, cultural or social benefit.¹

While sharing Bourdieu’s focus on the benefits received from social networks, Coleman extends the context in which social capital operates and, in so doing, opened the notion’s clarity to divergent interpretations. As in Bourdieu’s estimation, here again social capital is encapsulated in the relations within social structures to achieve the interests of actors. As such, social capital identifies the function or utility of social interactions as resources that one can use to achieve his or her interest (Coleman 1988, 101). Coleman makes his major addition to the equation by outlining three forms that social capital assumes in these social structures or interactions. These three forms were the first empirical and semi-quantifiable basis upon which many investigations into social capital have been founded and deserve a close examination.

Coleman’s first form is perhaps the most tangible and true notion of ‘capital’ amongst the three. Composed of obligations, expectations and trustworthiness of structures, this form of social capital represents relations of reciprocity inherent in social interaction. Refining Bourdieu’s notion of social capital, Coleman maintains that reciprocity in interactions can best be understood as “credit slips” passed within certain interactions, “If A does something for B and trusts B to reciprocate in the future, this establishes an expectation in A and an obligation on the part of B. This obligation can be conceived as a credit slip held by A for performance by B” (1998, 102). The analogy to

¹ It is important to note here that Bourdieu does not consider social capital to be the benefits that are acquired, rather the ability to obtain them (see Portes 1998, 5).
financial capital is most direct here when “A” controls a large amount of credit that can be called in when needed (assuming trust has been well placed by “A” and other actors will not default on their debt).

The trust involved in these interactions is not only inter-personal but also must be placed in social structures. Thus, one-on-one interactions will involve the exchange of favors or credit slips only as much as the social structure surrounding that relationship permits trust to be conveyed. For example, the social order of large urban areas generates a distinct social structure in which generalized social trust differs from that of small community settings or ethnic enclaves within an urban area (which often operate in isolation). For the present discussion, this is the fundamental and essential understanding of social capital that facilitates further examination of the notion.

Coleman’s second form of social capital entails the norms and effective sanctions within social structure. Taking up the example above of social structures that encourage trust, in order to understand this form of social capital we can overlay the incidence of crime in an area (urban or rural) and see if effective informal and formal norms exist that allow a person to circulate without fear for their safety. Social capital in the form of respected norms represents a good that facilitates daily interactions. These interactions could be as simple as a social gathering in a neighborhood or as involved as financial transactions that take place in the absence of formal banking mechanisms (i.e. remittances carried internationally by a neighbor or informal vendors in marketplaces). In the most extreme sense, norms are a form of action whereby “one should forgo self-interest and act in the interests of the collectivity” (Coleman 1988, 104). This public
good usage constitutes the rewarding of selfless actions and the sanctioning of selfish action in communities. While this may appear to contradict the understanding of social capital as “credit slips” it can also be understood to reinforce norms of reciprocity regardless of the intentions of the actor(s) involved. In this way, even actions seeking only to build a personal savings of “credit slips” can contribute to the public good since, externally, norms of reciprocity were upheld. Thus, Coleman speaks to an idealized situation where self interest is disregarded in favor of the interest of the collective whereas the average action, selfish or selfless, still contributes to norms of reciprocity.

The final form of social capital in Coleman’s estimation is that of information channels. The key in this form is the fact that social relations provide means by which information can be passed along with minimum expense of time or energy by the actors involved. Coleman notes that this form is important for the information which in itself can promote action, not necessarily for the trust involved in the interaction or social structure (1998, 104). While this form will not figure into my working definition of social capital, I mention it here in order to fully represent Coleman’s conceptualization of the notion of social capital.

In contrast to Bourdieu and Coleman, Putnam takes a normative approach to social capital whereby its components relate directly to democratic systems via the construction of civic virtue. In his focus on the value of social networks, Putnam describes the impact of social capital on the effectiveness of the democratic system. He did this first in his book *Making Democracy Work* which compared the civic participation of communities in the north and south of Italy where he found that there was a correlation
between civic culture and democratic structures. Later, in the book *Bowling Alone* he charts the propensity of North Americans to associate and participate in organizations over time, noting a decline in participation toward the end of the 20th century. For Putnam, social capital is closely associated with civic virtue as a necessary component of successful communities. However, he does note that social capital differs in the importance of “embedding” civic virtue in social networks (Putnam 2000, 19). As in Coleman’s estimation, embeddedness relies on the reciprocity between community members in order for social capital to be produced via mutual trust in the repayment of social debt.

In order to have a clear understanding of Putnam’s conceptualization of social capital and subsequent reactions to it, we must spend some time with his definition of the notion:

> Whereas physical capital refers to physical objects and human capital refers to properties of individuals, social capital refers to connections among individuals – social networks and the norms of reciprocity and trustworthiness that arise from them. (2000, 19)

It is clear from this definition that Putnam fundamentally agrees with the conceptualizations offered by Bourdieu and Coleman. The three major components of social capital for him are associations, norms of reciprocity and trust, delineations which are fuzzier in Bourdieu and Coleman, but are clarified by Putnam mostly for measurement purposes. We will see below where many of the criticism of Putnam’s
treatment of the notion are based on this attempt to create indicators for the measurement of social capital within societies.

Putnam bases social capital as a whole (i.e. all three components) on the existence of networks and associations whereby these networks are the source of social capital in the form of norms of reciprocity and trust. For him, formal associations among individuals (i.e. measurable membership in associations such as philanthropic clubs, professional organizations and sports leagues) are the greatest source of norms of reciprocity and trust while less emphasis is placed on informal or more traditional associations (such as communities, loose networks of contacts or Coleman’s emphasis on familial ties). This distinction takes on particular importance in the examination of societies where formal membership in organizations is less common and informal groups and social ties are the norm.

As we can see here, Putnam’s normative treatment of social capital adheres to a measurable model based on the quantity of associational membership with less emphasis on the quality of relations involved. Similarly, the consequences of such membership have a net positive effect on “civicness” given the formation of norms of reciprocity and trust. Notably less emphasis is placed on the potentially harmful effects of exclusive groups or reciprocity and trust used for negative ends (i.e. exclusive class cohesion or gang membership). Among others these have been some of the major criticism of Putnam’s notion of social capital in relation to Bourdieu and Coleman. Below I take up further points of departure and my subsequent position within these conceptualizations.
The Public Good Question

To this point we have seen the origins of the concept of social capital, its place in civil society and the modern definitions of the notion. In order to position myself within the literature, a discussion as to how each definition considers the collective good is necessary in order to predict how social capital will relate to development in Salvadoran society. First, I will examine perspectives on the individual or collective benefits and then, in the following section, I will consider the possible negative implications of social capital presented in the literature.

As we have seen previously, the benefits of social capital at the individual level are numerous: the repayment of personal favors, safety and security and shared resources amongst members of formal and informal associations. Further along, we will also see where it is argued that these benefits also contribute to the economic prosperity of individuals where social capital is strong. However, an examination of the perspectives on the public good aspect of social capital is also in order.

As the patron of the modern term, Bourdieu considers the individual benefit of social capital to be a clear effect of the notion (Edwards and Foley 1998b, 131). For him, the benefit to the individual is the “sum of the resources… that accrue to an individual or a group by virtue of possessing a durable network of more or less institutionalized relationships of mutual acquaintance and recognition” (Bourdieu and Wacquant 1992, 119). Thus, the benefits associated with social capital are mostly individual and its components are intrinsically linked to social interaction.
The centering of the benefits of social capital on the individual good by Bourdieu as well as by Loury and Coleman contrasts Putnam’s emphasis on the notion’s public good. This difference can most clearly been seen not in the conceptualization of the notion, but rather in the selection of dependent variables by each scholar (Stolle and Lewis 2002, 5). For Coleman, this is apparent in his focus on social capital in families and schools for the benefit of students (1998); for Loury in his emphasis on social capital in income and human capital inequality (1977); and for Putnam in his use of networks and associations as independent variables (1993a, 2000).

Putnam takes a narrower focus on associational membership as a source of social capital, norms of reciprocity and trust. We will see below where this narrow view creates empirical challenges given the circularity of social capital as both a source and result of associational membership. However, for the present discussion, what concerns us is that Putnam argues for both the private and public good of social capital. Given the “externalities” in the creation and maintenance of social capital by individuals, it is not only the actors involved but the wider community that assumes the costs and enjoys the benefits of the process. Thus, interactions that could be perceived solely as guided by personal interest, such as networking in the job market, have residual effects on others. Putnam argues that these contacts are the formation of “mutual obligations” and norms of reciprocity that imply the repayment of a favor not necessarily to the provider of the original favor, but to others in the community. This distinction can most clearly be seen in Putnam’s estimation of productivity given the connectedness of a given community where “a well-connected individual in a poorly connected society is not as productive as
a well-connected individual in a well-connected society. And even a poorly connected individual may derive some of the spillover benefits from living in a well-connected community” (Putnam 2000, 20). Putnam’s claim here stands apart from Bourdieu and Coleman’s general conceptualizations of the public good available via social capital. However, it does allude to Coleman’s second formulation of social capital in that respect for norms creates the breading ground for the individual connections and networks Putnam describes. Understood this way, respect for formal and informal norms creates the conditions under which an individual feels safe venturing out and making connections. For Putnam, when these networks flourish, the individual benefits from that well-connected community. As we will see below, the public good argument that Putnam makes has clear implications for developing societies where social connections provide support and safety that are often lacking from other sources.

Can Social Capital be an Adversary of the Public Good?

The possible negative implications of social capital have not received a balanced examination in the literature, especially by its major proponents such as Putnam. As we will see in Salvadoran society, these possible adverse effects need an equal treatment in contextual considerations of the notion. In Coleman’s handling of the concept, he finds that social capital can be used for both positive and negative ends and therefore it constitutes a morally and ethically neutral component of societies (Edwards and Foley 1998b, 131). Similarly, Portes summarizes four negative consequences of social capital, namely “exclusion of outsiders, excess claims on group members, restrictions on
individual freedoms and downward leveling norms” (1998, 15). Meanwhile, Putnam emphasizes the inherent good in strong associations and the reciprocal norms and trust they generate while pausing only briefly to consider the possible negative externalities of in-group reciprocity and trust in associations such as street gangs, terrorist cells and elites (Putnam 2000, 21). His continued positive-sum estimation of the effects of social capital has left him open to criticism by some (most notably by Edwards and Foley) and emulation by others seeking to investigate civic engagement (for example, in Central America by Booth and Richard 1998). In general, the criticism emphasizes the need to rethink the “more is better” paradigm assumed by Putnam (Casullo 2004, 10) and consider both the context and the distinctions between the types of social capital.

Putnam himself introduces the debate on the distinction between exclusive and inclusive types of social capital, but then generally chooses not to apply that distinction to his consideration of North American civil involvement, particularly in Bowling Alone (2000, 22). Regarding that distinction, conventional literature on the notion has identified two general types of social capital, bonding/ exclusive, which identifies strong group cohesion, and bridging/ inclusive, which refers to connections between nuclear groups. Bridging social capital is outward looking where a social unit is open to connections with external assets, for example non-profit organizations and social movements. Bonding social capital is exclusive and inward looking, such as country clubs and many faith-based groups. In his introduction to the positive contributions of each type, Putnam highlights the fact that bridging social capital serves as a social lubricant whereas bonding social capital reinforces reciprocity and solidarity (2000, 23).
Given this understanding, both types are important for civil society in their own regard in light of the fact that extra-group connections are equally or more important than closed, inner-group contacts. However, it is important to note that this typology is not mutually exclusive but can involve aspects of both bonding and bridging social capital, for example churches that bond along the lines of religion but bridge classes.

Others have added linking social capital to the list of types in order to identify connections that extend across normal social boundaries such as class, groups and politics (Davies 2004; Begum 2003). This addition has been made in order to address extreme cases of inequality or social division. Linking social capital has been acclaimed as a particularly important aspect in the stabilization of societies after crisis and unrest. In her examination of post-conflict civil society, Lynn Davies observes that “while in stable societies all three types [of social capital] may help community renewal, in conflict societies it would seem advisable to try to work towards ‘linking’ social capital rather than to support exclusionary or ‘bonding’ groups” (2004, 234). In the examination of the Salvadoran context we will see where a look at linking social capital will be especially prudent given the polarized nature of politics and economic relations prior to and after the country’s civil war.

This typology constitutes one of the most important factors in examining the positive or negative contributions of social capital to the public good. While no one type (bridging, bonding or linking) is fundamentally adverse to the public good, the context in which it transpires and the externalities of its presence can have negative implications. This can be seen most clearly in the formation of tight-knit groups with high informal
loyalty (i.e. strong bonding social capital) where there is strong opposition to outside intervention or interaction. For example, this hyper-bonding social capital can come about in the form of street gangs which, due to their out-group antagonisms, lower social capital in society as a whole by creating insecurity and thus decreasing trust. These distinctions between types of social capital will become increasingly important as we examine the nuances of the Salvadoran context in relation to its networks, norms of reciprocity and trust.

**Empirical Challenges**

One of the greatest challenges facing the notion of social capital is the empirical measurement of its existence and contribution to civil society. While many scholars have added to the debate on the construction of indicators, indices and equations,\(^2\) there is still little consensus in the literature as to how to appropriately measure social capital.

Methodological concerns aside for the moment, attempts at measurement of social capital have given way to a fundamental question of the logical circularity of the notion (Portes 1998, 19; see also Stolle 2002; Edwards and Foley 1998a). Let us first take up the concern regarding the circularity of the social capital argument and then briefly examine specific methodological questions in light of that challenge.

In his critique of Putnam’s methodology, Portes points at the tendency to use social capital as both a cause and an effect of positive civil society engagement where “it

---

leads to positive outcomes, such as economic development and less crime, and its existence is inferred from the same outcomes” (1998, 19). For example, if we find that one society has a low incidence of crime and we used crime as an indicator of social capital as some suggest (Coleman 1988, 104; Putnam 2000, 144), we would say there is high social capital. Meanwhile if there was high social capital, we would hypothesize that there is low crime. Similarly, Stolle calls into question the endogenous problem of self-selection in groups based on pre-existing tendencies of trust, thus trust exacerbates group membership which in turn creates more trust (2002, 13). For Portes, this problem arises when we start with an effect (e.g. more developed versus less developed countries) and work backward towards the cause of that difference. This method of analytic induction is valid only if we consider all possible causes and their corresponding influence on the effect (e.g. political regimes, natural resource endowment, etc. and social capital) and do not resort to “redefining the essential characteristics of the phenomenon to be explained” (Portes 1998, 20). This concern is particularly salient in the debate on social capital and its role in development where we must be careful not to turn to tautology by seeking to explain social capital as a panacea in developing societies, but rather consider a wide number of determinants in the debate. For this reason, I focus here on the contributions of social capital to development rather than attempt to reveal a causal link between the two.

It is also important to note that measuring social capital has been deemed by some critics to be nearly impossible. This arises from the fact that, in most cases, survey data has been used that serves as a substitute for precise data (Fukuyama 1999, 9). In the
United States, this survey data has come from the General Social Survey while for other countries the World Values Survey has served as the proxy. Besides the inherent challenges of survey data (including the clarity of questions and personal bias of the interviewee), in these substitutions an integral and precise measure of the radius of trust, propensity toward associational membership or adherence to societal norms cannot be easily achieved. Despite these challenges, I have used survey data (see Chapter 3) to establish a context with which to work, choosing not to rely fully on the data itself, but rather to orientate the discussion.

These concerns regarding the empirical measurement of social capital can be summarized in two questions that must be considered throughout an investigation into the notion: “Does social capital refer to the sources or the consequences of group membership?” and, “Can distinct forms of social capital be identified empirically?” (Woolcock 1998, 161). In my application of the notion to the Salvadoran context, these concerns have been minimized by my non-tautological approach to social capital as well as minimalist concern for empirical measure, turning instead to a theoretical identification of the forms and contextual consideration of their consequences after briefly considering available empirical data.

The Application of Social Capital to the Salvadoran Context

In my treatment of the notion of social capital, I will leave aside the epistemological and empirical debates and instead explore what the concept can offer in terms of the Salvadoran context of development. While drawing on the conceptual
contributions of many of the scholars examined above, I will base myself primarily in
Putnam’s definition where social capital is comprised of social networks among
individuals as well as the norms of reciprocity and trustworthiness that result from such
connections. Further, using Coleman’s approach to the concept, I will examine the
development context with the understanding that social capital also has an individual
function of securing benefits as well.

The public good argument creates a space in which I will be able to discuss both
the positive and negative contributions that social capital makes to civil society in general
and development specifically. While I will distance myself from Putnam’s thesis of
social capital as an inherently positive contributor to civil society and attempt to bring to
light certain nuances of group association and connections that negatively impact
development, I do agree with his argument that social capital is both a private and a
public good (Putnam 2000, 20). This will be especially evident in the consideration of
violence and its affect on development in El Salvador.

To summarize to this point, I will work with Putnam’s definition of social capital
and his proposition of its positive and negative contributions to civil society while
incorporating Coleman’s perspective on accruable individual gains. Moreover, special
consideration will be given to the bonding, bridging and linking typologies of social
capital in the Salvadoran context. Given levels of inequality, the persistence of gangs and
the contribution of remittances in society, social capital must be categorized as exclusive
and inclusive in order to represent the positive or negative impact it has on development.
This distinction will allow us to examine seemingly positive phenomena such as group
membership or remittances and point out their possible negative externalities such as violence and out-group antagonism.

Overall, given this framework and the circular concerns addressed above, I will not seek to prove that social capital is panacea for development in El Salvador, but rather I seek to highlight the nuances of its role in aiding and impeding development and thus determine what forms of social capital are significant to the development process in El Salvador. To reiterate my position given this theoretical framework; I hypothesize that generalized social trust is a necessary form of positive social capital for El Salvador’s development and that social capital in the form of criminal associations and destructive norms have a negative impact on development. With that argument in mind, I turn now to the discussion of development theory and existing literature on the relationship between social capital and development.
CHAPTER II
SOCIAL CAPITAL AND DEVELOPMENT THEORY

In order to demonstrate the ways in which social capital both aids and impedes development, it is imperative to first clarify what exactly is meant by ‘development’. History has given us a plethora of varying and, at times, contrasting notions of development. In gross terms, these historical notions can be divided into economic and non-economic models and theories of growth and modernization respectively. We will see where these two paradigms for development have given way to more holistic theories of development that consider indicators broader than traditional considerations of gross national product (GNP) and industrialization. Further, social capital will be tested as a potential component in the process of development in various historical and contemporary theories.

For the majority of the 19th and 20th centuries, emphasis was placed on economic models, theories and means of development. However, for many contemporary development theorists, this economic focus too narrowly defined the broad necessities of a developing region, nation or locality. Instead, an inclusive strategy of development has been proposed which includes an examination of institutional infrastructure (Stiglitz 1998), social and economic arrangements and political and civil rights (Sen 1999, 9). This approach to development grows from the contemporary criticism that previous theories had confused the ends and means of the process. Specifically, Nobel Prize winning economist Amartya Sen has posited this argument noting that the foremost end
of development is individual agency (freedom), not economic growth itself (1983, 1998, 1999). The means through which this freedom is attained, he argues, is not economic growth alone, but also include such tangible and quantifiable examples as prevalence and access to education and healthcare as well as liberty of expression (1999, 3). As will be discussed in more detail below, Sen contends that we should focus on the true end and goal of development, namely freedom, versus solely on the process with little, or often misplaced, directionality.

In the present discussion, this directional reference will serve as a guide as the various models of development and their relation to social capital are examined. Given this theoretical compass, we will see where the ends of economic, sociological and other thought all involve the notion of social capital in varying capacities. While my emphasis will be on contemporary thought, like Sen and others I will not discount the contributions of economic theories of development. Instead I will examine the shift of focus from purely economic ends to individually held rights and freedoms. This shift constitutes an understanding that economic growth alone is incapable of transforming a society and that control over one’s own destiny within society is critical. Thus, there is a need for understanding how social capital, as a part of civil society, is involved in the process of enriching lives of individuals. In order to do so, we must critically examine the historical process that brought us to where we are today and see where social capital relates to both economic and other models of development.
Economic Theories of Growth and Development

The post-World War II era saw a rise in global interdependence, globalization and the discussion of economic development. These phenomena were a product of the frailty of post-war Europe and the reconstruction efforts that were initiated in part to confront economic and political vulnerability. As a major component of the increase in interdependence, European reconstruction was facilitated through a system of mostly economic benefits granted by the United States in the European Recovery Program, most commonly known as the “Marshall Plan” (Keohane and Nye 2000, 105).

This system formed part of a broader discussion of post-war era worldwide interconnectedness that took place at the Bretton Woods Conference. The conference was symbolic of the new “thickening” (ibid.) of the existing global economic interdependence seen in the creation of the General Agreement on Tariffs and Trade (GATT, now the World Trade Organization), the International Monetary Fund and the International Bank for Reconstruction and Development (now known as the World Bank). This emphasis on economic interdependence of the post-war period established the precedent for emerging theories of development.

These economic theories of growth and development that surfaced at the end of World War II relied heavily on the work of economist John Maynard Keynes. Keynesian principles applied to industrial and developing countries alike essentially implied a top-down approach whereby full employment and investment in production and entrepreneurship would eventually reach the poorest sectors of society. Foreshadowing things to come, Keynes himself believed that free market policies alone would not be
sufficient to maximize individual well-being. These contributions to development thought formed the foundation of economic growth theory. When applied, growth theory or “global Keynesianism” sought full employment for everyone throughout the world as the remedy for developing country growth (Peet 1999, 41).

In the field of economics, a new specialization was formed in “development economics” in order to consider the growth process in market terms. Intervention of the state in the growth process became the standard recommendation with foci on trade theory and the causes of inflation. For most of Latin America, this was apparent in the formation of models of import substitution and industrialization (ISI). The structural recommendations involved in ISI made originally by Raúl Prebisch arose from his conclusion that the region’s slow development was attributable to its reliance on the export of primary goods (1972). Therefore he prescribed replacing imports with domestic production (and thereby increasing employment) and state intervention in the industrialization process. Given high-costs, low-quality output and the role of foreign capital, ISI was to achieve short-lived prosperity and developing-worldwide appeal as the process eventually turned on itself and came to be seen “as the cause of the illness” (Peet 1999, 43).

Given the apparent failures of Keynesian and structural development economics, a paradigm shift began taking shape in the field in the 1970s and took hold in the 1980s. During that time, it became obvious that internally oriented economic planning and state intervention was not enough for economic growth to take hold. Instead, it was argued that the imperfections of market mechanisms were better than those of the state planning
involved in previous economic strategies (see Lal 1980). This argument favored industry-led growth and outward, export-oriented policies instead of high tariffs and state-controlled enterprises where the forces of the market should be allowed to operate with minimal interference. Specifically, Bela Balassa evidenced the fact that “countries applying outward-oriented development strategies had a superior performance in terms of exports, economic growth, and employment whereas countries which continued inward orientation encountered increasing economic difficulties” (qtd. in Peet 1999, 16). Thus, the full employment sought by structural development economists was out-performed by policies with opposing orientations.

From these beginnings, neoliberal thought grew in specificity and was embraced by development organizations such as the IMF and the World Bank. This return to classical economics was given central priority by these institutions and a treatment of the consensus reached was provided by John Williamson in his review of the debt crisis in Latin America (1990). What became known as the “Washington Consensus” outlined the major tenets of neoliberal development economics. Among others, these included: fiscal austerity, trade liberalization, foreign direct investment, privatization and deregulation. These recommendations for developing nations were bolstered by the structural adjustment programs that accompanied subsequent World Bank and IMF loans which aimed to reduce and modify expenditures as well as liberalize and privatize markets. These strategies have lead to variable overall benefit. Cases such as that of El Salvador
have had mixed results despite embracing Washington Consensus recommendations,\(^3\) showing only some improvement in economic growth (see Table 1, Chapter 3) and a detrimental impact on human capabilities (i.e. access to potable water and healthcare – capabilities central to Sen’s concept of development as will be described in detail below). As economist Jeffery Sachs concludes, the neoliberal strategy to development was new “in the sense that suffering was accepted as an inevitable consequence of reform and efficiency” (qtd. in Peet 1999, 53).

\textit{Contributions of Social Capital to Economic Development Theory}

The importance of social relations in economic development, while of recent appeal and investigation, is not a new concept. Whereas modernization theorists emphasized the separation between the economy and social relations, Mark Granovetter contended that all economic dealings were in some way and to some degree embedded in social relations (in Woolcock 162). For Granovetter, development implied a change in the way economic interactions were embedded in social relations while maintaining the degree to which they were entrenched. In the present argument, this nuanced understanding of embeddedness is significant in the consideration of trust in economic dealings and the manner in which it is expressed (i.e. trust in specific individuals versus generalized social trust). Similarly, Coleman argued for the importance of social capital in the functioning not only a healthy society, but also a healthy economy by stressing the

\(^3\) Most notably: trade liberalization, through the signing of the Central American Free Trade Agreement with the United States, and privatization of water, electricity and the planned privatization of state healthcare.
role of norms, interpersonal trust and social networks in shaping a person’s actions (1998, 96).

In its position as a means of development in general, and a specific way to obtain economic gain, social capital contributes to the capacity of individuals and groups to secure advantages. As Portes indicated, the common component of the most accepted definitions of social capital is its role in the attainment of benefits, economic or otherwise (1998, 6). In specific contemporary context, this can be witnessed in the growth and success of community banking in the Grameen model in which community members (especially women) share the risk of a loan among themselves in order to fund small business ventures. This is done through the formation of groups of entrepreneurs that assume collective responsibility for the repayment of the loan. Repayment is encouraged through these group associations given the communal burden assumed if one member defaults. 4 Both Coleman (1998, 102) and Bernardo Kliksberg (2000, 15) point to the role of social capital’s association and trust as the foundation of group lending strategies. These strategies provide direct economic benefits in the form of loans to groups of individuals (often women who would otherwise be unable to obtain the loan) based on their shared risk of default whereby one member’s failure to repay is the responsibility of the group. While this example shows the capabilities of social capital in economic development on the micro level, its benefits can be extrapolated in the consideration of the macro level as well. Of note is the consideration of the sub-field of institutional

4 This method of providing credit has proven extremely successful, with rates of repayment reaching 99% in 2005 after suffering from boycotts and natural disasters in Bangladesh at the end of the 20th century (Grameen Bank 2005, 34).
economics which adds the transaction costs of institutions to the mix of elements involved in development. This critique of neoclassical development thought sheds light on the fact that previous development theories ignore informal rules (i.e. norms) and the fact that enforcement of rights (e.g. property rights) differ especially given the level of development in a country (Peet 1999, 60). Given the consideration of transaction costs, we can identify a principle relation between social capital and economic development on the macro level, namely the norms at work which limit the added expenditure in their absence. Francis Fukuyama, a leading scholar and proponent of neoliberal thought, identified this transaction cost in high crime societies where the economic cost of security rises as the respect for societal norms decreases (1995, 27 and 1999, 4). This economic function in development is crucial to understanding social capital’s contribution to the process, especially where norms seem to be failing.

Despite these examples and the recognition that the “freedom of economic transactions tends to be typically a great engine of economic growth has been widely acknowledged” (Sen 1999, 9) there tends to be an overall neglect of social capital in economic development theory. This is lamented by Putnam as he summarizes this deficiency by noting that “proposals for strengthening market economics and democratic institutions center almost exclusively on deficiencies in financial and human capital.” He continues in the line that the previous examples suggest, “the deficiencies in social capital in these countries are at least as alarming [and important]. Where are the efforts to encourage ‘social capital formation’?” (1993b, 38) In the present discussion, I will attempt to provide an even-handed investigation into potential economic and general
developmental benefits and detractions that result from the formation of social capital as Putnam suggests. First, I turn my attention toward the non-economic models and theories of development that will broaden the discussion of social capital’s contributions to development.

**Non-Economic Theories of Development**

In the post-war period, two major sociological theories of development prevailed, modernization theory and dependency theory. These theories and their respective branches emphasized social processes as means involved in the achievement of development. For modernization theory, this development was measured against the structure and elements of modern industrial society whereby the social structures modernized in order to take on the features of economically advanced nations. The major components of this theory were the formation of national or super-national group associations (Eisenstadt 1973, 23), specialization of roles in economic activities, urbanization and the spread of democracy (Peet 1999, 76). For modernization theorists such as W. W. Rostow, there were five stages in the process of development that stretched from the start at traditional society through to the stage of high mass consumption (1960, 6-31). Involved in this process were the modernization of systems of production, investment in industry and rising income for consumption above necessary levels. In his critique of modernization theory, Peet takes issue with the overtly exogenous developmental pressures exerted; “modernization was a cold war attempt at legitimating U.S. domination of the global system.” He links modernization with
economic theory as he continues, “neoliberalism was [modernization theory’s] continuation in an era of market triumphalism” (1999, 90). Overall, this tendency toward prescriptive development allows little room for endogenous actors and little respect for local context.

Conversely, dependency theory based its conceptualization of development from the endogenous perspective with emphasis on the uneven accumulation of capital. Based on Marx’s idea that class antagonism and control over modes of production created a contradictory process, dependency theory put forth that the bourgeois became richer and industrialized countries at the “center” benefited from this capital accumulation. According to Peet, “the basic message of the dependency school was that European development was predicated on the active underdevelopment of the non-European world” (1999, 107).

In Latin America, the argument involving the relationship between center and periphery was posited by Brazilians Fernando Cardoso, Enzo Faletto as well as Teontonio Dos Santos who postulated that developments in the peripheral (least developed) countries were not self-sustaining given their reliance on the central countries (e.g. Latin America’s dependence on Portugal and Spain during colonial administration). This reliance has continued over time via the dominance of certain nations in global trade and multinational presence (in Peet 1999, 107). Dominance can most easily be identified today in Latin America’s dependence on U.S. and other foreign technology (e.g. telecommunications, mining and computer systems) and large amount of foreign debt (whether to an individual country of the Paris Club or a lending block).
Dualism in the dependency approach was indicated by Cardoso and Faletto in their estimation that advancing sectors tied to international capitalism were emerging in developing countries while traditional sectors were maintained alongside (1969, 57). The implication of these theories of development in Latin America “entailed separation and autonomy from the global capitalist system” for some due to the destruction of social systems and their use as sources of further development (Peet 1999, 109). This separation implied a parallel sociological arm to import substitution models in economic theory which came to light in the construction of the world systems theory.

World systems theory was the true sociological branch to emerge from dependency theory which sought to explore the dominant single division of labor and multicultural systems. The sociologist Immanuel Wallerstein found that the ruling capitalist system resisted the tendencies of the past by regulating production in the market versus the use of coercion (Peet 1999, 112). This contrasted traditional societies where “minisystems” with complete division of labor and homogenous culture relied on others via the interchange of essential goods. A ruling capitalist system, however, lent itself to economic and social hegemony. This aspect of world systems theory was explored by Antonio Gramsci in the formation of regulation theory. Gramsci proposed a view that civil institutions conditioned the norms and values of a society to align with the prevailing ideology that benefited the ruling system (in Peet 1999, 115). This hegemonic formation of norms, whether intentional or not, will be informative in the following discussion on social capital and its relation to sociological theories of development.
The post-cold war period left little strong opposition, economic or otherwise, to the neoliberal theory of development. However, at the time of these theories’ postulation, and with greater potency than neoliberalism, their contribution to the development literature explained especially relevant experiences in Latin America. A notable contribution is their endogenous perspective from “periphery” countries and intellectuals that will serve to make the argument for social capital’s role in development more robust.

*Contributions of Social Capital to Non-Economic Theories of Development*

These non-economic theories highlight various associations with and disconnects from social capital in development. Most notably, I will explore the trust-building goal and the separation of development from norms in modernization theory as well as the apparent strong bonding social capital in dependency theory. While the positive ties between social capital and 20th century non-economic theory are not as explicit as those involved in economic theory, they merit an investigation and consideration.

Modernization theory and its quest for replication of “Western” ideals and practices minimize the significance and role of traditional community organization and ties. In fact, as Woolcock argues, “these approaches hold a thinly-veiled disdain for traditional societies, while holding that only the systematic adoption of the values, practices and resources of the West can overcome pervasive distrust and other ‘backward’ behaviors, and thereby establish the necessary preconditions for greater material prosperity” (1998, 153). Through modernization theorists’ suspicion in their approach to local culture and way of life, an immediate perception of distrust was born
and subsequently those cultures that did not fall in line with “modern” practices were labeled as such. In this vein, trust was a significant component to development in modernization thought where without trust in the exogenous institutions, nations or, most importantly for social capital, the people that arrived to aid in modernization practices there was little progress. Conversely, and in contrast to modernization theory’s claims, local cultures were characterized by their communal life and trustworthiness among individuals. This dichotomy of perceptions was formed along the lines of endogenous versus exogenous actors involved in the development process (i.e. trust in local actors/agents and distrust in foreign presence). Therefore, the perception of a distrustful and “backward” society by outside modernizers was ill conceived. It seems to have been, in fact, the inward trust among community members that modernization theorists failed to appreciate and capitalize on.

Similarly, modernization theorists such as Polanyi argued that development was a process in which the economy was “separated” or “differentiated” from the norms governing social relations in pre-industrial society (1957, 163). However, as cited above, regulation theory based on the ideas of Marxists such as Gramsci would argue that capitalist control lead to hegemony that molded societal norms as it expanded. This contested role of norms points to the potential contribution social capital makes to modernization theory, namely the significance of accepted rules and social order in development. In line with Gramsci, this can be witnessed in the capitalist formation of norms such as inequality that is apparent in many developing regions today (e.g. high income disparities in Latin America).
Subsequent focus in world systems theory moved decidedly beyond the local units of analysis found in modernization theory. In doing so, the role of civil society involved in the development process was minimized and even erased all together in favor of a focus on global capitalism and markets. Given the discussion above regarding the role of social capital in economic processes, it is important to re-emphasize social capital’s role in economic dealings (i.e. lowering transaction costs, providing opportunities for credit, etc.) while considering civil society’s absence in this sociological approach to development. Given this disconnect in world systems theory, the significance of social capital can be accentuated as a link between the disciplinary divide between sociology and economics (Woolcock 1998, 154).

Finally, the central role of bonding social capital in dependency theory is worthy of an examination. Given its focus on divisive differences between the “center” and the “periphery” and an “us versus them” mentality, dependency theory relies heavily on bonding social capital on the macro level where trust is not extended beyond the immediate locality, associations with outside actors are limited and imposed norms are avoided. As has been noted in strong in-group associations at the micro level (Putnam 2000, 21), this role can be damaging as it creates out-group antagonisms. These antagonisms are explicit in dependency theory where central states maintain boundaries around which periphery countries must operate. This is informative in the present argument as a case where social capital’s role must be mitigated at times given the potentially damaging consequences (e.g. low development) of out-group antagonism.
In summary, there is varying influence by social capital in non-economic and sociological theories of development. Social capital fluctuates from a non-existent and even negative influence in modernization theory to a central tendency in dependency thought. While the contribution social capital makes to these theories is not as apparent as in economic theories, its role has been substantial in informing contemporary non-economic theories of development.

Contemporary Development Thought

Contemporary analysis of the development “problem” continues to be expanded and revised with each new contribution. Here, I will focus on one attempt at theory that has come about as a critique of capitalist predominance and elitist social order and will discuss prominent contemporary paradigms of development thought from economic and social scholars such as Joseph Stiglitz, Francis Fukuyama and Amartya Sen. The thought patterns that they have contributed to the field are essential in the understanding of contemporary attempts to relate social capital and development.

Recent attempt at theory by critical modernists has built on dissent from past theory in the formation of positive potentialities of development. For instance, while critical of gross economic growth as the Achilles heel of development, critical modernists find that the sector of growth which fuels development is that which serves the poor. In other words, the “trickle down” theories of economic development are of little service to those in need and a sector specific approach must be considered. In this way, a critical modernist favors the views and input of that sector which it seeks to help, the poor and
oppressed (Peet 1999, 198). In doing so, they promote participatory practices in
development whereby individuals become agents of and contributors to the debate.
While this theory presents many obvious challenges such as the way in which diverse and
diffuse populations participate and the potentiality for “self-help” policies that leave the
oppressed out on their own recognizance, it stresses the importance of the formation of
alliances and links among and between sectors and regions in the attainment of resources.
This empowerment approach shares themes and focus with other contemporary
paradigms, especially in the discussion of the ends and means of development.

As introduced previously, Amartya Sen and others have formulated the argument
that the foremost end of development is individual agency (freedom), not economic
growth itself. The means through which this freedom is attained, they argue, is not
economic growth alone, but also include such tangible and quantifiable examples as
prevalence and access to education and healthcare as well as liberty of expression. As
previously noted, these scholars argue that we should focus on the true end and goal of
development, namely freedom, versus solely on the process with little, or often
misplaced, directionality.

This contemporary paradigm for development, in line with critical modernist
theory, focuses on the opportunities of the poor to attain rightful goods and services such
as food, water, healthcare and education (Kliksberg 2000, 3). In this way, development is
a transformation of society where change is not an end in itself, rather a means to other
objectives. These changes provide individuals and societies with more control over their
own destinies (Stiglitz 1998). Of course, economic growth cannot be disregarded, but
must be treated as one of the many means through which individual agency is attained. In his seminal contribution to this approach to development, Sen describes the most fundamental means as:

…social and economic relations (for example, facilities for education and healthcare) as well as political and civil rights (for example, the liberty to participate in public discussion and scrutiny). Similarly, industrialization or technological progress or social modernization can substantially contribute to expanding human freedom, but freedom depends on [these] other influences as well. (1999, 3)

This strategy for development concentrates on the means for the transformation of society to provide opportunities for each individual (e.g. via healthcare or education) as the primary objective or end (Stiglitz 1998). Short of that, development is merely a collection of means with no focused end beyond economic growth. For that reason, Sen notes that “development requires the removal of major sources of unfreedom: poverty as well as tyranny, poor economic opportunities as well as systematic social deprivation, neglect of public facilities as well as intolerance or overactivity of repressive states” (1999, 3). In this way, development focuses not only on each individual, but also their opportunities in relation to society and the constraints placed on that society (i.e. repression, market inequalities, etc.).

Individual agency is both a component of economic growth models of development as well as a desired end in contemporary paradigms. While the link between freedom and economic growth is significant, Sen emphasizes the role of
agency’s overall significance for human development beyond its constituent role in
growth (1999, 5). In some ways the critical modernist theorists have shared this thought
pattern. For example, in Peet’s summary of development he emphasizes that it “entails
human emancipation in two senses: liberation from the vicissitudes of nature through
advanced technology and self-emancipation, that is, control over social relations,
conscious control over the conditions under which human nature is formed” (1999, 1).
This contemporary view of development differs from previous development paradigms
by recognizing the confusion of means with ends where higher GDP is not an end in itself
but a means to improved living standards. Overall, the contemporary paradigm of
seeking individual agency as the main end of development seeks to enrich the lives of
individuals via the expansion of horizons and a reduction in the sense of isolation
(Stiglitz 1998). As we will see, these processes are integrally related to social capital and
its role in development.

Social Capital as a Means of Development

In this last section of my attempt at providing a framework within which to
examine the development-social capital nexus, I will draw on the previous discussions to
highlight the role of social capital as a means for development. In broad terms, we have
seen where social capital is integral to economic theories of development, namely as an
instrument to reduce transaction costs, in shaping of an individual’s economic behavior
and in its description of the procurement of advantages. Counter-intuitively, the role of
social capital in the economic development context (i.e. the reduction of transaction
costs) has been more apparent than in non-economic and sociological theories. In non-economic development theory, trust-building and the separation of development from norms in modernization thought as well as bonding social capital in dependency theory have proven to be the most apparent examples of social capital’s role in development. Recently however, contemporary thought has seen a restoration of social capital’s prominence in development paradigms and its rising significance in the consideration of stability and growth in the developing world.

These contemporary paradigms of development incorporate social capital via the encouragement of alliances, associations and the role of civil society in general. Specifically, critical modernist theory “favors alliances that draw together the powers of the oppressed majority to counter what is otherwise the overwhelming power of the exploiting minority” (Peet 1999, 198). These movements entail social capital given the need for strong association of diverse actors within and between communities. While these forms of association are not always the formal, measurable organizations that social capital theorists such as Putnam espouse, they are powerful means for the procurement of goods, services and give strength to policy debates. Similarly, the formation of linkages to external movements and organizations creates social capital that empowers and informs local associations in the process. However, as critical modernists point out, this associational process should emphasize the significance of the social use and good of economic growth and progress. Thus in contemporary thought this procurement is not the end of the development process but, like social capital itself, only a means through which individual agency is fostered. This leads to a novel definition of development
worth repeating here; the enrichment of lives of individuals by the widening of their horizons and the reduction in their sense of isolation (Stiglitz 1998). In this contemporary definition, the role of networks and associations is apparent as necessary means for development.

The inclusion of social capital in development discourse has not always been positive. In fact, as Fukuyama notes, traditional forms of association such as tribes, village groups and clans have a shared system of norms and cooperative ends that are often antagonistic to development thought (1999, 2). In this sense, traditional culture and association are seen as opposing forces to modernization and progress. For Fukuyama, this polar relationship is due to the narrow radius of trust involved in traditional cultures. However, contemporary development paradigms, as we have seen above, respect this traditional tendency toward in-group solidarity and encourage external linkages in order to secure benefits and advancement. Taking into account this important caveat in the promotion of associations for development, Woolcock identifies the necessary forms of social capital for development as both “linkage”, or bridging social capital, and “organizational integrity”, or bonding social capital (1998, 168). This contemporary idea of the need for ties beyond traditional groups for the achievement of developmental outcomes dates back a century to the work of Georg Simmel who emphasized the need “to reach out beyond the original spatial, economic, and mental boundaries of the group and… to supplement the original centripetal forces of the lone group with a centrifugal tendency that forms bridges with other groups…” (1971, 253). Therefore, while
contemporary paradigms are emphasizing the need for linkage in development, the concept itself as a means for progress has been evolving alongside development theory. In general, there is agreement among scholars and practitioners alike that social capital makes relevant contributions as a means for development, however there is little consensus as to the particular role that social capital plays in the development context (Kliksberg 2000, 10). This is a hole in the literature that I hope to make a contribution to via my discussion of the particular positive and negative components of social capital in a developing society. In order to examine this role and relationship, Woolcock suggests that we should understand that a comprehensive explanation of development “must incorporate an account of prevailing social relations within a society and the nature of state-society relations” and that “the two cannot be understood apart from one another” (1998, 183). Further, he contents that “culture, power and rationality can and do play an important role in shaping development outcomes, but it is in and through social relations that outcomes are actually mediated” (ibid.). For Woolcock, it is impossible to understand the prospects of development policies and projects without knowing the characteristics of social relations within the society in question.

In this vein, increased attention is being placed on the social relations involved in developing and transitional countries by development theorists and policy makers. This argument is summarized most succinctly by Peter Evans, himself a critic of social capital theory:

Contemporary development strategies focus attention on macro-economic results without contributing much to the understanding of the micro-
in institutional foundations [i.e. social relations] on which they depend … it is clearly time for a broader definition of the institutional bases of improved human welfare and enhanced productivity in poor countries.

(qtd. in Woolcock 1998, 188)

Contemporary paradigms of development provide us with the “broader definition” necessary to address the social relations involved in the development process. As noted earlier, this definition includes the role of associations, social norms and trust as means to the attainment of the contemporary end (i.e. individual agency) of development (Sen 1999, 9). Specifically, the foundation for individual agency can be laid via the provision of basic human necessities (i.e. education, healthcare, employment, etc.) along with the assurance of “instrumental freedoms” such as democratic freedoms, social opportunities, transparency and, most significant in the Salvadoran case, protective security (ibid., 127).^5

International agencies have adopted this contemporary, inclusive approach to development as demonstrated by the United Nations Development Programme (UNDP) which defines development as “the creation of an enabling environment for people to enjoy long, healthy and creative lives” (qtd. in Orozco and Rouse 2007, 5). This definition explicitly relates to the importance of trust and norms as the under-girding of an environment where their absence is a fetter to not only healthy and creative lives, but to economically productive lives as well. Throughout this thesis I will use the inclusive

---

^5 Sen notes that these represent the structural basis that can be influenced by policy and state intervention upon the provision of which the individual has the *responsibility* to act (1999, 284)
definition provided by the UNDP along with the concept of individual agency to describe
development.

As described here, social capital is a necessary but insufficient means for
development in various literatures. Social capital is necessary in that it provides the
groundwork or “social fabric” (Kliksberg 2000, 9) for development processes in each
literature (i.e. lowering of transaction costs in economic theories, procurement of
advantages in sociological theories and linkages in contemporary thought). Social capital
is insufficient for development in that it does not provide all necessary components for
development to take place such as political stability, economic opportunities and
complete social order and peace. However, an examination into the context of one
developing nation will highlight the nuances of social capital’s role as not only a
necessary means in itself, but also a means for other necessary components of
development.
CHAPTER III
THE SALVADORAN CONTEXT IN PERSPECTIVE

In order to best understand the relationship between social capital and development in El Salvador, it is necessary to take a moment to consider the context of the overall situation of the country in relation to its neighbors and the region. This idea of ‘context’ is used here not only to place a boundary on the investigation, but also to position and emphasize the impact of culture and variations in society. This geographical understanding of context aids in the understanding of societal variations (i.e. culture and prevalence of social capital) while respecting the fact that “societies and human individuals vary greatly from one time and place to another time and place, particularly in the social and economic type of their development process… and in the consequences development entails in terms of life chances and material circumstances” (Peet 1999, 3). Therefore, we must examine each context given its own specific parameters and characteristics in order to successfully identify areas of intervention. However, far from discarding external influences, literature particularly on local development adds to this discussion of territory and its idiosyncrasies by viewing society as a part of the complex global system versus as an island apart. Understood as such, a focus can then be placed on the locality in a context of proximate relations which depend on available resources and their use.
Contextual Framework

In a region historically marked by poverty, repression, inequality and outright conflict, El Salvador is no exception to the rule. Along with Guatemalans and Nicaraguans, Salvadorans endured more than a decade of civil war at the end of the 20th century. The causes of the conflict, namely repression and equal land rights, the conflict itself, which lasted from 1980 until 1992, and the legacy it has left shaped Salvadoran society until present day. While structural inequalities have persisted ever since colonialization and poverty has plagued the region for just as long, the civil war was the explicit manifestation of these social ills.\(^1\) Politically, the war left two polarized parties, the Alianza Republicana Nacionalista (ARENA) on the right and the Frente Farabundo Martí para la Liberación Nacional (FMLN) on the left, leaving little room for electoral success under any other party and equally polarized supporters of each side.\(^2\)

Civil society in El Salvador has paralleled the division seen in the political realm. Despite an upsurge in association and organization during the 1970s to confront the growing repression of the state, most associations were laid flat by policies seeking to eliminate organized groups (examined further in Chapter 5). Organizations formed toward the end and after the war have many direct and indirect linkages to one political party or another. As Michael Foley notes in his review of the struggle for civil society in the country, “who works with what NGO [non-governmental organization] or civil group

\(^1\) Apart from this social legacy, the conflict was responsible for the death of over 75,000, the disappearance of 8,000 more, as well as the displacement or exile of 2 million other Salvadorans until the signing of a Peace Agreement in Chapultepec, Mexico on January 16, 1992 (United Nations 1993, 9)

\(^2\) These parties represented the two sides of the conflict, ARENA as the ruling government party with military support (after the elections of 1982 which ended the ruling military junta) and the FMLN as the political remnants of the leftist guerillas.
in El Salvador conveys a distinct political connotation, even when the organization in
question is most successful in avoiding political entanglements” (1996, 84). In this
polarized civil society, it was the elites with their finances and international support
(mostly from the US Agency for International Development) that were in the lead and
which often resorted to paternalistic and clientelistic means toward addressing social
concerns.3 These organizations lack the democratic participation and civic virtue
espoused by Tocqueville and Putnam. For Foley, while there are organizations that
promote democratic participation, “of equal vigor are those elements that reinforce the
power, privilege, and control of the few, whether it be the economic elite of the Right or
the political elite of the Left” (1996, 90). The difficult consideration here is the role of
local, communal organizations that lack the formal status of larger, well funded
organizations. Similar to pre-war associations, these grassroots organizations often form
around religious beliefs while few are part of a formal church. While less paternalistic in
nature (and often lead or populated primarily by women) and much more participatory,
these organizations often tend toward seemingly inescapable political ends as well.

This polarization, like in many countries of Central and South America, is also
reflected economically. With a Gini coefficient of 53.2, El Salvador ranks in the lower
half of an already unequal continent. This coefficient reflects the fact that the richest
20% of the population enjoys 57.1% of the income or consumption of the country while
the poorest 20% makes due with 2.9% (UNDP 2005a, 271). Despite the continued

---

3 Currently aligned with the ARENA party, the elites are representative of the 14 landed families that
historically controlled the coffee trade in the country.
inequality, levels of poverty in El Salvador have decreased to some extent since the end of the civil war in 1992. Nationally, the rate of extreme poverty has declined from 28.2% to 12.6% and relative poverty has declined more moderately from 31.5% to 22.0%, thus total poverty declined from 59.7% to 34.6% (UNDP 2005b, 80). As we will examine in further chapters, much of these gains are attributable to remittances from migrants abroad. However, when compared to its neighbors in similar post-conflict and poverty contexts, El Salvador has shown slow gross domestic product (GDP) growth overall in the past ten years for which data is available (1995-2005); at 2.9% the GDP growth rate lags behind Nicaragua’s 4.2%, Honduras’ 3.45% and Guatemala’s 3.4% (World Bank 2005).

**Empirical Considerations**

Despite the focus of this thesis on the theoretical and specific situational relationship between social capital and development, it is necessary to take a look also at empirical considerations of the relationship between the two concepts. A look at empirical and statistical data will give a general context within which a more informed discussion of elements of Salvadoran society contribute to or detract from the development process. It is important to reiterate that this discussion recognizes the empirical challenges as established in Chapter 1 and is used here to give a contextual overview which will then be substantiated in the following chapters by discussions relating the components of social capital with phenomena occurring in El Salvador.
As discussed in the previous chapter, modern development thought suggests that we cannot measure development as economic growth alone. For that reason, the UNDP has assembled an index based on life expectancy, adult literacy, combined school enrollment and GDP per capita. While the Human Development Index (HDI) is more inclusive than economic measures, we must remember that no index can completely measure the concept of development alone. As noted by the creators of the index themselves, “it does not include important aspects of human development, notably the ability to participate in the decisions that affect one’s life and to enjoy the respect of others in the community” (UNDP 2005c). This shortcoming of the index is particularly significant and must be taken into account given Sen’s focus on individual agency as the primary means and end of development. However, given the working definition of development as the creation of an enabling environment for people to enjoy long, healthy and creative lives, the index proves to be a useful tool to measure those components. Since no all-encompassing measure or index of all variables such as individual agency has been developed, we must consider the HDI rankings in perspective.

Given these considerations, even as the percentage of the population living in poverty has decreased in El Salvador, over the past ten years the HDI value has increased only .039 points from .690 to .729 while the average value for Latin American and the Caribbean has reached .797 (UNDP 2005a, 220). Also worth noting is the disparity in HDI value within the country. Remote departments such as Morazán (.624) and Cabañas (.656) are well behind San Salvador (.788), though no department exceeds the Latin American average (UNDP 2005b, 75). Table 1 shows the position of El Salvador
compared to other Latin American countries in regards to the three components of the index, HDI value (where it ranks in the lower half of all of Latin America) and rates of growth (where it ranks at the bottom of the Central American countries).

Table 1- Development Indicators for Latin America

<table>
<thead>
<tr>
<th>Country</th>
<th>GDP Per Capita</th>
<th>Growth Rate</th>
<th>Life Expectancy</th>
<th>Gross School Enrollment</th>
<th>Adult Literacy</th>
<th>HDI Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Argentina</td>
<td>$12,704.00</td>
<td>2.09%</td>
<td>74.5</td>
<td>95%</td>
<td>97.2%</td>
<td>0.863</td>
</tr>
<tr>
<td>Brazil</td>
<td>$7,475.00</td>
<td>2.36%</td>
<td>70.5</td>
<td>91%</td>
<td>88.4%</td>
<td>0.792</td>
</tr>
<tr>
<td>Chile</td>
<td>$10,274.00</td>
<td>4.72%</td>
<td>77.9</td>
<td>81%</td>
<td>95.7%</td>
<td>0.854</td>
</tr>
<tr>
<td>Colombia</td>
<td>$6,498.00</td>
<td>2.45%</td>
<td>72.4</td>
<td>71%</td>
<td>94.2%</td>
<td>0.785</td>
</tr>
<tr>
<td>Costa Rica</td>
<td>$9,606.00</td>
<td>4.45%</td>
<td>78.2</td>
<td>68%</td>
<td>95.8%</td>
<td>0.838</td>
</tr>
<tr>
<td>Dom. Rep.</td>
<td>$7,311.00</td>
<td>4.18%</td>
<td>67.2</td>
<td>76%</td>
<td>87.7%</td>
<td>0.749</td>
</tr>
<tr>
<td>El Salvador</td>
<td>$4,675.00</td>
<td>2.9%</td>
<td>70.9</td>
<td>68%</td>
<td>79.7%</td>
<td>0.722</td>
</tr>
<tr>
<td>Guatemala</td>
<td>$4,148.00</td>
<td>3.36%</td>
<td>67.3</td>
<td>61%</td>
<td>69.1%</td>
<td>0.663</td>
</tr>
<tr>
<td>Mexico</td>
<td>$9,564.00</td>
<td>2.82%</td>
<td>75.1</td>
<td>75%</td>
<td>90.3%</td>
<td>0.814</td>
</tr>
<tr>
<td>Honduras</td>
<td>$2,665.00</td>
<td>3.45%</td>
<td>67.8</td>
<td>62%</td>
<td>80.0%</td>
<td>0.667</td>
</tr>
<tr>
<td>Nicaragua</td>
<td>$3,262.00</td>
<td>4.2%</td>
<td>69.7</td>
<td>69%</td>
<td>76.7%</td>
<td>0.690</td>
</tr>
<tr>
<td>Peru</td>
<td>$2,337.00</td>
<td>3.82%</td>
<td>70.0</td>
<td>87%</td>
<td>87.7%</td>
<td>0.762</td>
</tr>
<tr>
<td>Uruguay</td>
<td>$8,863.00</td>
<td>1.64%</td>
<td>75.4</td>
<td>88%</td>
<td>97.7%</td>
<td>0.84</td>
</tr>
<tr>
<td>Venezuela</td>
<td>$5,900.00</td>
<td>1.9%</td>
<td>72.9</td>
<td>75%</td>
<td>93%</td>
<td>0.772</td>
</tr>
<tr>
<td>LAC aggregate</td>
<td>$7,482.00</td>
<td>2.55%</td>
<td>71.9</td>
<td>81%</td>
<td>89.6%</td>
<td>0.797</td>
</tr>
</tbody>
</table>

Sources: GDP Per Capita (PPP US$) and Human Development Indicators from UNDP 2005a; GDP Growth (average 1995-2005) from The World Bank 2005.

El Salvador’s medium-low ranking in the global human development index, as with the development of any country, is the result of an innumerable quantity of factors; from employment to trade and public health expenditures to educational enrollment. As outlined in the previous chapter and as we will see in specific aspects of Salvadoran society in the coming chapters, social capital is also considered to be a player in the development of a country. Understood as generalized social trust, networks and effective norms, amounts and the influence of social capital varies from country to country as well
as within countries. Table 2 shows the variations among Latin American countries across the three components of social capital together with their respective HDI value. Most notable in the table is the low position El Salvador occupies in both trust and norms while the tendency toward organizational membership is relatively high. It will become apparent in latter chapters that both the level of trust and the effectiveness of norms are greatly affected by the high prevalence of violence in the country.

Table 2- Social Capital Indicators for Latin America

<table>
<thead>
<tr>
<th>Country</th>
<th>Social Capital Indicators</th>
<th>HDI Value</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Trust</td>
<td>Networks</td>
</tr>
<tr>
<td>Argentina</td>
<td>15.4%</td>
<td>-</td>
</tr>
<tr>
<td>Brazil</td>
<td>2.8%</td>
<td>14.7%</td>
</tr>
<tr>
<td>Chile</td>
<td>22.8%</td>
<td>7.9%</td>
</tr>
<tr>
<td>Colombia</td>
<td>11.2%</td>
<td>3.1%</td>
</tr>
<tr>
<td>Costa Rica</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Dom. Rep.</td>
<td>26.4%</td>
<td>11.5%</td>
</tr>
<tr>
<td>El Salvador</td>
<td>14.6%</td>
<td>9.8%</td>
</tr>
<tr>
<td>Guatemala</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Mexico</td>
<td>21.3%</td>
<td>9.3%</td>
</tr>
<tr>
<td>Honduras</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Nicaragua</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Peru</td>
<td>10.7%</td>
<td>-</td>
</tr>
<tr>
<td>Uruguay</td>
<td>22.1%</td>
<td>3.8%</td>
</tr>
<tr>
<td>Venezuela</td>
<td>15.9%</td>
<td>7.2%</td>
</tr>
<tr>
<td>LAC aggregate</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

Sources: Trust; percent general “trust in other people” and Networks; percent active membership in community or charitable organization (European Values Study Foundation and World Values Survey Association, 2006 for Brazil 1997; Colombia 1998; El Salvador 1999; Dominican Republic, Chile, Uruguay, Venezuela 1996). Norms; Rule of Law Index⁴ (World Bank 1996 and 2006).

In order to quantify the possible impact that social capital has on development as one of many potential variables, we can use the HDI as a proxy for ‘development’ and

---

⁴ Indicator represents civil society’s “capacities to generate the norms that underwrite the rule of law” (Warren 1999a, 13; see also Cohen 1999, 213 and Howard 2003, 34).
measure the affect that trust and norms have on it. In doing so, we find that for countries of the Western Hemisphere there is a strong, statistically significant (at the .01 level) correlation between levels of trust and norms and HDI value. Graphs 1 and 2 below show a positive correlation whereby as trust and norms increase so does HDI value.

Graph 1: Levels of Trust and Human Development Index Values for Latin America
Graph 2- Norms and Human Development Index Values for Latin America

A regression analysis of 12 Latin American countries, most at two different points in time, shows that if a country’s trust level were to reach 0%, they could expect an HDI value of .726 if all other conditions remained the same. Meanwhile, a 10% increase in level of trust results in a .039 increase in HDI value (the same as the increase in the past 10 years for El Salvador). These results show that trust accounts for a large proportion (54% from r squared) of HDI value.

Similarly, regression analysis of the same countries shows that a value of 0 on the Rule of Law index would result in a HDI value of .712, while a 10% increase in effective norms as measured by the Rule of Law index results in a .0196 increase in a country’s HDI value. These results show that norms also account for a large proportion (60% from r squared) of HDI value.
r squared) of HDI value. When tested together, trust and norms account for an even larger (67% from r squared), statistically significant (.01 level) proportion of HDI value in Latin America.\(^5\) The empirical role of trust and norms in development demonstrated here will inform the argument throughout this thesis and provides quantifiable support for the recommendations offered at the conclusion.\(^6\) Table 3 below summarizes these findings compared to standard variables considered in the field of development.

\(^5\) The same relationship can be inferred on a national level for El Salvador. Attempts at demonstrating this relationship have proven futile given the low number of departments (14) which is the smallest territory with available World Values Survey data.

\(^6\) Given a lack of data to make a regression significant (see Table 2), the same cannot be proven for networks/associations.
Table 3- Trust and Norms versus Standard Variables of Development

<table>
<thead>
<tr>
<th>Independent Variables</th>
<th>Trust Coefficient</th>
<th>Standard Error</th>
<th>Probability Level</th>
<th>Norms Coefficient</th>
<th>Standard Error</th>
<th>Probability Level</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trust</td>
<td>.250</td>
<td>.121</td>
<td>.059</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Norms/Rule of Law</td>
<td></td>
<td></td>
<td></td>
<td>.140</td>
<td>.056</td>
<td>.027</td>
</tr>
<tr>
<td>Employment (% work age)</td>
<td>-.042</td>
<td>.335</td>
<td>.901</td>
<td>.109</td>
<td>.341</td>
<td>.756</td>
</tr>
<tr>
<td>Public Health Expenditures</td>
<td>1.985</td>
<td>.981</td>
<td>.064</td>
<td>1.774</td>
<td>.930</td>
<td>.079</td>
</tr>
<tr>
<td>Trade (% GDP)</td>
<td>.134</td>
<td>.124</td>
<td>.300</td>
<td>.101</td>
<td>.121</td>
<td>.417</td>
</tr>
<tr>
<td>Constant</td>
<td>.654</td>
<td>.043</td>
<td>.001</td>
<td>.639</td>
<td>.041</td>
<td>.001</td>
</tr>
</tbody>
</table>

Overall Model:
- F= 17.39 p<.001
- R² = .723
- N= 19


As would be expected, with the addition of the control variables of employment, public health expenditures and trade, the proportion of HDI value explained by each set of variables was larger than trust and norms alone (72% and 75% r squared respectively) while remaining statistically significant (.01 level). Notable is lack of significant relationships between each control variable alone and HDI value which further demonstrates the aforementioned importance of trust and norms.
Beyond the Numbers

With the relationship between two of the major components of social capital and development empirically established, the focus can shift decidedly beyond the numbers to specific affects and consequences of elements of social capital and their contribution to development. To reiterate, despite basic empirical findings correlating the two phenomena, the aim here is not to show social capital as causal panacea for development but to take this empirical understanding of its potential effect and substantiate it with contextual and situational considerations of social capital and its role in development. In the following chapters I will discuss indicators of social capital and check their presence again their effects, namely their effects on development in the Salvadoran context. While I hypothesize that generalized social trust is a necessary form of positive social capital for El Salvador’s development and that social capital in the form of criminal associations and destructive norms have a negative impact on development, I recognize that there is no zero-sum for positive and negative elements as each component of social capital has a relative impact. Therefore, I will not simply add up the contextual considerations (e.g. trust given the prevalence of violence, associations in migration and impunity as the norm), but instead consider their impact on the development context of El Salvador in order to provide a broader picture of the situation. It is then imperative to remember throughout that many elements are necessary in the development puzzle and that most rely on the specific context of each country. In the context under consideration, it will be shown that social capital prevails as one of the imperative pieces of that puzzle.
Trust is at the same time a component and a product of social capital; used as an instrument of creating social capital and a result of social capital’s presence respectively. In Putnam’s definition of the notion, trust or trustworthiness arise from social networks and are bolstered by norms of reciprocity, making it the central component of social capital (2000, 19). In this chapter I will examine trust in the Salvadoran development context in light of its centrality for social capital. Then, in the following chapter, I will relate the components of networks and norms to this central element.

As a component of social capital, trust is instrumental not only in the reduction of transaction costs as noted above (e.g. lessening of security and legal costs), but also in the vertical integration of community involvement (e.g. trust in lower levels of hierarchy via delegation) and access to low-interest credit (e.g. micro-credit loans). Conversely, the absence of trust can result in paralyzed market transactions, lengthy and expensive contractual agreements for even the most mundane relationships and lack of start-up capital for small businesses or entrepreneurial ventures. In his caricature of a society without trust, Tim Harford describes the following scenario:

Imagine going to the corner store to buy a carton of milk, only to find that the refrigerator is locked. When you’ve persuaded the shopkeeper to retrieve the milk, you then end up arguing over whether you’re going to
hand the money over first, or whether he is going to hand over the milk.

(2006)

While seemingly simple, this illustration provides a reminder of the importance of trust that can be easily overlooked in daily life. This interpersonal trust can be interpreted in a number of ways, the following section examines prevailing characteristics and conceptualizations of trust pertinent to the present discussion.

**Defining Trust**

While it may be apparent, the trust involved in social capital is inherently social in nature. This characteristic of trust is even more evident when a distinction is drawn between it and confidence. In this differentiation, trust pertains to the actions of others whereas confidence is based on facts. Claus Offe, in his contemplations on trusting fellow citizens, illustrates the difference as facing regret when trusting another person versus confronting back luck when having confidence in a certain outcome (1999, 44). Therefore, when we trust we are partaking in a social process that involves other individuals and their actions. It is for that reason that trust is an integral part of social capital versus the factual basis of confidence.

While this social understanding of trust provides the basis for many interactions, it can be further characterized by its breadth. When interacting with others, one can have a narrow radius of trust limited to family and close friends or one can exhibit a willingness to trust strangers. When discussing the trust involved in social capital, we refer to what has been labeled “generalized trust” (Uslaner 1999, 124). Generalized trust
extends beyond the particularized trust reminiscent of bonding social capital whereby only close associates can be trusted. Generalized trust – or trust in “most people” as measured in Chapter 3 – represents a willingness to participate in reciprocal relationships where no previous knowledge exists of the person in question.

Given these defining attributes of trust, we can better understand the concept in the context and the development process in Salvadoran society.

*The Salvadoran Context of Trust*

Trust is arguably the central and most significant component of social capital in El Salvador. Shaped by social hierarchy and excessive wartime and post-conflict violence, trust is a chief factor in the survival of civil society in El Salvador. A visitor to the country may be surprised by frequent use of the term *confianza* to refer to trust in individuals with whom one conducts business transactions or even merely interacts. More than just a term used to identify an individual as trustworthy or reliable in only important or substantial dealings, *confianza* is used to recognize safety and respect. Even the smallest interactions such as a brief chat or greeting can draw judgment from companions regarding the level of *confianza* the encountered is perceived as deserving.

This anecdotal evidence is consistent with empirical findings that El Salvador shows a tendency toward low generalized trust. Grouped with other Latin American countries suffering from high levels of violence (see Table 2), the perception of security and its influence on trust are notable. Also significant are historical factors and cultural traits contributing to the propensity to trust. Below, I take up the consideration of these
historical and cultural factors in El Salvador before arriving at the impact that modern levels of violence have had on trust.

The impact of religious belief on trust has particular salience for the Salvadoran context given the strong Catholic tradition of the country. Though that tradition is currently being challenged by evangelical, Protestant veins of belief, the strong emphasis placed on family (Fukuyama 1995, 55) and distant, strict hierarchy (Inglehart 1999, 92) of the Catholic Church have molded Salvadoran society in such a way that there are many constraints to generalized trust, especially in the formation of religious norms (see Chapter 5). The strong emphasis placed on family (bonding) groups has created a small circle upon which one can rely with some amount of confidence. Added to that the absence of a local, involved interface with the Catholic Church (especially in rural areas) and there is little room for trust to grow between tight family groups and greater society. While not determinate, the role of religion has contributed to the low level of trust in Salvadoran society together with extant historical factors.

The legacy of trust in any society could be traced back interminably based on a variety of factors. What is important to the present discussion is that trust is neither created nor destroyed spontaneously but rather shaped by such forces as centralized political power (see Fukuyama 1995, 37). Together with hierarchical structures such as the church, the lack of disperse political power from colonialization to modern day has impeded the growth of generalized trust in El Salvador. The tradition of this centralized

---

7 Inglehart (1999) has shown this on a global scale where there is a convincing relationship between religious tradition, particularly between Catholic and Protestant or Confucian dominated societies, and levels of trust.
power and even coercion (repressive or non-violent) act as a fetter to socialization and thereby reduce necessary interactions upon which trust can be established. These characteristics were particularly present in the years leading up to and throughout the civil war in El Salvador when repression was at its peak in the country. While these contributions to trust are significant in their own right and merit their own historical investigation, the overriding factor in present day Salvadoran society is the prevalence of violence.

Violence has plagued the Central American region since even before the inception of several civil wars in the last half of the 20th century. The situation that exists today in many Central American countries is a reflection of the challenges that exist within societies to break cycles of violence and repression. The long, pervasive civil wars fought a little more than a decade ago are still fresh in the memories of even young adults. There is little doubt that the violence of the past affects the trust of today as will be demonstrated below. However, there is a marked difference in the type of violence suffered by the population; whereas during the civil wars violence was mainly political, today it is social. Thus, there is no code of conduct or side to join, rather constant uncertainty and insecurity in daily life.

Empirically, the data show cause for serious concern regarding the situation of violence in El Salvador not only for safety and security, but also for the prevalence of trustworthiness in society (Putnam 2000, 144). As a measure of the prevalence of violence, even conservative estimates place the homicide rate at an average of 10 murders per day or 41 to 55.5 homicides per 100,000 inhabitants (Mockus and Velásquez 2005;
Henríquez 2007) while others place the rate at a more astonishing 90 to 120 homicides per 100,000 inhabitants (Payne 2000, 8). In Latin America rankings, this rate earns El Salvador the title of one of, if not the most, violent country in the hemisphere (compared with Honduras at 41, Colombia at 40 and Guatemala at 35 homicides per 100,000 inhabitants).\(^8\) Even given recent tactics to reduce delinquency, most notably by confronting the prevalence of maras or street gangs (a situation that will be taken up in the following chapter), the homicide rate has continued to climb in the country as see in Table 4 below.

Table 4- National Homicide Rates (per 100,000 inhabitants)

<table>
<thead>
<tr>
<th>Year</th>
<th>Rate (per 100,000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>31.1</td>
</tr>
<tr>
<td>2003</td>
<td>34</td>
</tr>
<tr>
<td>2004</td>
<td>41.5</td>
</tr>
<tr>
<td>2005</td>
<td>54.71</td>
</tr>
<tr>
<td>2006</td>
<td>55.5</td>
</tr>
</tbody>
</table>

Source: Henríquez 2007 from official police statistics.

Overall, the impact of current violence in El Salvador has lead to a feeling of insecurity that even surpasses the impact of the civil war. In a study conducted by a prominent Salvadoran non-profit group, it was found that a majority of those surveyed felt less safe now than they did during the war (FUSADES in Payne 2000, 9). This

---

\(^8\) At the other end of the spectrum Argentina, Peru, Uruguay, Paraguay and Chile all have rates at 5 homicides or less per 100,000 inhabitants (Mockus and Velásquez 2005).
feeling of insecurity represents a major challenge to the formation or even preservation of levels of trust. Putnam identifies this challenge, noting that “low levels of trust and cohesion lead to higher levels of crime, which lead to even lower levels of trust and cohesion” (2000, 317). The cyclical digression of trust via incidence of crime is thus an element that hinders the formation of social capital in the country. While crime and violence themselves have obvious detrimental repercussions for personal well-being (both physical and psychological), their impact on social relations can be just as damaging. This social impact is well demonstrated by Mo Hume in his case study of violence and poverty in El Salvador:

Post-war violence in El Salvador has exacerbated existing social cleavages. Fear and mistrust work together to undermine social capital in many ways and create a vicious circle for the reproduction of violence. The disintegration of social networks has further reinforced the existing fragmentation and political and socio-economic polarization of society, and public spaces for collective action have been reduced. Communities' capacity to deal with conflict is limited and violence has become part of everyday neighbourhood interaction. (2004, 3)

The implications of a reality determined by violence and crime are great. As Hume notes, the cyclical nature of the problem (i.e. violence begets violence) creates an unsustainable and increasingly insecure future for the country. This degradation of trust via pervasive violence has serious implication for development in El Salvador that are examined in the next section.
Crime and violence are detrimental to development understood as modernization, industrialization or economic progress given the prevalence or absence trust. In this consideration, a key component to consider further is transaction cost. Via transaction cost, we can identify a principle relation between social capital and economic development on the macro level, namely the norms at work which limit added expenditure in their absence. This argument points to the simple fact that the cost of doing business (i.e. security, transportation, storage and even personal interactions) increases as trust and norms decrease. Fukuyama identified this transaction cost in high crime societies where the economic cost of security rises as the respect for societal norms decreased (1999, 4). This situation results in the discouragement of links and alliances beyond particularized trust and a reliance on intimate circles.

While transaction costs are important to the development process understood economically, trust is even more significant when development is understood as individual freedom. The freedom to associate, participate and organize, when not constrained by other forces, can be limited by a lack of generalized trust in those with which one interacts. Distrust, whether culturally or situationally initiated, can lead to the constraint of freedoms thus limiting the potential of an individual. For example; the trust one has to walk in the street at dusk limits his or her freedom of movement (not to mention availability to work); the trust one has in a bank and the security of transporting monetary instruments limits the potential to earn interest, obtain credit or conduct transactions; the trust one has in the local school and its staff to protect their children
limits the education and thus freedoms of future generations. These examples demonstrate the limitations on freedom imposed by distrust, however the positive implications of trust are just as numerous; trust in community members provides outlets for grassroots collaboration; trust in neighbors to watch out for one’s well-being provides protection from burglaries and break-ins; trust in vendors to provide fair prices provides daily sustenance. While the examples of both trust and distrust are limitless, the significance of individual freedom to interact in society is the root concern in this approach to development. In societies where state planning and provisions are insufficient, trust in individuals and the role of civil society takes on greater significance, though it cannot completely replace the role of the state and its actors (i.e. police, health officials, education officers, etc.).

The challenge to establishing this trust for individual freedom is affected not only by the prevalence of violence in El Salvador, but also by the extant economic situation as described in Chapter 3. The relationship between poverty and trust demonstrates the reciprocal nature of the propensity to trust. In general, the person who is trusted by others will feel a greater propensity to trust others in exchange. This argument is posited by Putnam who states that the “have-nots” might tend toward distrust more-so than the “haves” because the “haves are often treated with more honesty and respect” (2000, 138). The individual freedoms of the poor, while already constrained by economic conditions, are thus further constrained by a lack of trust. This lack of trust can then prove to worsen economic conditions via a lack of access to credit or differential treatment in the credit market or a lack of access to the sales market due to deficient credentials.
The role of trust for the poor is disproportionately important given these already stringent constraints on individual freedom. Given the fact that there is no economic or human capital to support and maintain an individual or family living in poverty, the role of social capital becomes even more apparent and significant. Trust in particular takes on greater importance given the fact that “under extreme poverty, the loss incurred from misplaced trust can be fatal” (Inglehart 1999, 89). Whereas an individual with a larger cushion of economic support could recover from the loss of an unpaid debt, a theft or small business investment, such a loss could devastate an impoverished family. Therefore, this consideration of the development context must recognize the significance of trust in contributing to the creation of individual freedoms and the conditions under which that trust can be safely exercised.

The argument that poverty begets distrust and distrust in turn begets more poverty can lead to a circular chicken and egg dispute. However, when considered together with the cultural, religious and situational context as presented above, it has been proven that the religious and cultural context plays a role in determining both trust and economic development (Inglehart 1999, 94). Therefore, what appears to be circularity has more to do with simultaneous causality than spiraling determinism. While this does not lessen the significance of trust and its role in development, it does highlight the significance of having a contextual basis for understanding both trust and development. In the present case, we have seen where the religious, cultural and situational context has provided the stage upon which this interaction between trust and development has taken place. In
particular, this interaction has demonstrated how development as individual freedom has been limited given a lack of trust generated by violence and poverty in El Salvador.
In the previous chapter I examined trust in the Salvadoran development context in light of its centrality for social capital. In the present chapter I relate the components of networks and norms to this central element. As noted previously, in Putnam’s definition of social capital, trust or trustworthiness arise from social networks and are bolstered by norms of reciprocity (2000, 19). In his investigations Putnam bases social capital as a whole on the existence of networks and associations whereby these networks are the source of social capital in the form of norms of reciprocity and trust. Given this relationship between the components of social capital, as well as trust’s significance in the Salvadoran context as seen above, it is important to flush out the entire notion of social capital through an examination of networks and norms.

**Networks and Associations in the Salvadoran Context**

For Putnam, formal associations among individuals (i.e. measurable membership in associations such as philanthropic clubs, professional organizations and sports leagues) are the greatest source of norms of reciprocity and trust while he less emphasis is placed on informal or more traditional associations (such as communities, loose networks of contacts or Coleman’s emphasis on familial ties). However, for the Central American countries, scholars have proven that communal activism present in more repressive societies (El Salvador is included by the authors) is more prevalent and contributes more
to trust than formal associational activity (Booth and Richard 1998, 39). This distinction takes on further importance in the examination of societies where formal membership in organizations is less common and informal groups and social ties, whether seen as “communal activism” or not, are the norm. For example, an attempt to quantify the number of individuals who participate in Sunday recreational soccer throughout El Salvador would be difficult given the irregularity of matches and unpredictability of rosters. Despite this informality, arguments for the relationships of reciprocity and formation of trust are as salient here as in formalized organizations. Even more informal are the bonds created by loyalty to one professional soccer organization or another. Anecdotally, this is witnessed by a visitor who upon meeting a young Salvadoran (male or female) is often asked who they cheer for (correct responses being Real Madrid or Barcelona of the Spanish League). This identification with one group of fans or another is often represented by clothing, decals and posters, not dissimilar from pins or plaques representing membership in formal organizations such as Rotary International or uniforms worn by scouting groups. However strong this group identification may be, what is potentially lacking beyond the initial introduction and warm reception, are lasting ties that lead to the formulation of trust and reciprocity.

On the other side of the associational formality spectrum, the tight-knit traditional family organization characteristic of Catholic countries such as El Salvador is representative of strong bonding social capital. While not a part of civil society in the strictest sense, family groups in Catholic countries have traditionally formed the counterweight to large state structures. The strong family associations on one end and
large state on the other has left a civil society void in many Latin Catholic countries such as France, Spain, Italy and as well as in various regions of Latin America (Fukuyama 1995, 55). While this void has been filled in many cases, in others the hampering or even destruction of associations formed to bridge the family and state has limited organization, especially with the prevalence of civil conflict in certain countries.

One of the significant ways the civil conflict in El Salvador affected trust was in this destruction of civil society networks. Examples include such strong pre-war organizations as base communities that were banded together to provide a forum for faith and justice (Pearce 1998, 597). The targeting of these associations has had and continues to have an affect on the propensity to join organizations in the post-war period. This hesitation stems from Tocqueville’s observation that when some associations are allowed and not others it is therefore difficult to distinguish between what organization may be acceptable or not (1835, 207). Thus, when the state chooses to put down some organizations it is difficult to then encourage membership in others.\(^1\) The post-conflict situation has given rise to the need for not only the “re-association” of groups in general to recreate lost social capital, but also requires a new approach to organization.

In her estimation of post-conflict social capital reconstruction and this need for new organization, Lynn Davies states that “while in stable societies all three types (of social capital; bonding, bridging and linking) may help community renewal, in conflict societies it would seem advisable to try to work towards ‘linking’ social capital rather

\(^1\) Using aggregate levels of membership, Howard (2003, 69) has identified this tendency in post-authoritarian countries where, despite a wide variation, the average number of individuals’ organizational membership is substantially lower than in older democracies.
than to support exclusionary or ‘bonding’ groups” (2004, 234). In the case of El Salvador, linking social capital is especially pertinent, and notably absent, given the polarized nature of politics and economic relations prior to and after the civil war. Despite that need, investigations into the post-conflict civil situation in El Salvador have identified new social networks and non-governmental organizations (NGOs) that fail to bridge or link. Michael Foley discusses the creation of many of these NGOs as “exclusive” or bonding social capital due to the focus of exogenous reconstruction policies on “building and supporting organizations led by the wealthiest members of a class-divided society” (1996, 73). Thus, instead of increasing linkages between sectors of society, outward attempts at fostering civil society have exacerbated divisions. The polarization of political forces in El Salvador demonstrate the way in which civil society reflects such division. In an already democratic and egalitarian society (such as the one Tocqueville describes in Democracy in America in which associations are the lifeblood of democracy), associations reflect and support that equality. However, as seen in the Salvadoran case, political divisions will be reflected in a society where associations are not instruments for “reducing tension or promoting reconciliation” (Foley 1996, 89). Worse yet, the actions of these associations can lead to further conflict when such groups contribute more to political capital than add to bonds in the creation of social capital.

Networks in the Salvadoran Context – Criminal Gangs

The social violence responsible for feelings of insecurity and distrust describe in Chapter 4 can be partially attributed to the rise of associations in the form of maras, or
criminal gangs, throughout Central America. In El Salvador alone, conservative estimates place gang membership at 10,000 with an addition 20,000 young associates, while other estimates reach up to 40,000 total members and beyond (Arana 2005, 101). These gangs’ affect on insecurity and distrust is significant given the fact that at least 60% of homicides in the country are attributable to gang violence (Ribando 2005, 1).

Clare Ribando, in her report on Central American gangs for the United States Congress identified several factors in the formation of gangs and the propensity of violence:

Scholars have identified income inequality as the strongest predictor of violent crime rates. Central American countries (aside from Costa Rica) have some of the highest income inequality indices in the world. Other regional trends that may worsen patterns of gang violence in many countries include extreme poverty; highly urbanized populations; growing youth populations facing stagnant job markets; and an absence of political will to fight crime in a holistic manner. (2005, 2)

While all the factors that contribute to the creation of gangs are each important in themselves, the formation and growth of these gangs deserves special attention in the argument that social capital can take on negative forms.

Since we have seen that violence has an overtly negative impact on trust, it is important to consider associations in light of that framework as well. This is especially interesting given the debate on gangs as associations that construct or promote negative social capital. According to some, given the fact that gangs operate based on particularized trust, they cannot be considered contributors of social capital (Uslaner
1999, 125). However, others have pointed to the formation and growth of gangs as an overtly negative source of social capital (Putnam 2000, 21; Portes 1998, 15; Kliksberg 2000, 12). This argument considers the strong associational tendencies of gangs to be similar to other organizations and associations that produce social capital via the creation of networks and the building of personal contacts. The important caveat is that criminal gangs have negative externalities which can even lead to a decrease in social capital in general (i.e. lower generalized trust and negative, destructive norms). For Putnam, this may be little more than a circular argument where low norms and trust promote negative associations and then negative associations, in turn, create low norms and trust. Specifically, he argues that “the absence of positive norms, community associations, and informal adult friendship and kin networks leaves kids to their own devices. It is in such settings that youths are most likely to act on shortsighted or self-destructive impulses” (Putnam 2000, 312). This circularity is instructive in the search for a starting or intervention point in order to quell violence (see Chapter 6), however here its implications demonstrate a spiraling effect where low social capital begets violence and violence begets low social capital and on down to the potentiality for anarchy and complete generalized distrust. Given such a hypothetical, it is important to note that gangs will always seek to fill the void left by withering constructive social capital\(^2\) and thus ways of promoting social capital are indispensable (ibid., 316).

---

\(^2\) This void is especially apparent in deteriorating family bonds which encourage children to seek association elsewhere (see Fukuyama 1995, 337).
The debate around gangs as associational social capital hinges on the differentiation between bonding and bridging forms of the notion. While gangs do not fit snugly into one category or the other, they do demonstrate a strong tendency toward bonding social capital given their exclusive and inward looking nature. As a counterpoint to that argument, it is important to note that gangs are not completely exclusive in their attempts at recruiting new members. It is somewhat safer to argue that in general gangs demonstrate less bridging or inclusive social capital given their propensity toward violent interactions with outside groups. However, there are cases where gangs have networked with drug cartels, terrorist groups and even other gangs that would qualify their interactions as bridging social capital.

The transnational nature of gangs is a concern among policy makers and of interesting consideration in the debate on social capital. While gangs existed in El Salvador before the arrival of the current groups, the extent of their influence and their local presence was not as powerful as today’s Mara Salvatrucha and 18th Street gangs. The growth and power of gangs in El Salvador were exacerbated by the deportation of large numbers of criminal gang members from the United States after the signing of the Peace Accords in El Salvador in 1992. Educated and trained on the streets of Los Angeles, these Salvadorans, many of whom knew little about neither their homeland nor their native language, constituted a harmful migratory “brain gain” for the already

---

3 Though she overlooks the earlier presence of gangs in El Salvador, Ana Arana (2005) has summarized this growth with particular attention to the role of US deportation laws and their affect on Central America.
damaged society. Seen as leaders given their experience, these gang members retained ties with others in the United States, creating a transnational network.

The continued deportation of gang members from the United States to El Salvador has exacerbated these transnational associations. As we will see below on the discussion of migrant hometown associations who often create a transnational bond with their counterparts in the country of origin, gang members who are deported back to El Salvador also bring back new knowledge and tactics learned on the streets of Los Angeles or Washington, DC. This comprises what Peggy Levitt refers to as negative “social remittances” or the “ideas behaviors identities and social capital that flow from receiving to sending countries” (1996, 34 and 2). The skills, knowledge and influence among non-migrants that is gained by these migrants-cum-deportees position them to be leaders among their peers upon their return. This empowerment of gangs via transnational networks and movement reinforces hierarchical relationships within gangs, creates criminal “heroes” to mimic and furthers out group antagonisms by creating a stronger bonding association among deportee gang members. As in the consideration of local gang activity, these networks reinforce the argument for the existence and significance of detrimental social capital.

No matter the form of social capital gangs acquire, the most important discussion surrounds the negative externalities that they produce (i.e. violence) and the impact those externalities have on society in general (i.e. the deterioration of trust). In El Salvador, criminal gangs and the violence they espouse have an impact on migration as many in the population attempt to seek refuge from insecurity. This is congruent to the findings of
Robert Lucas who, in his consideration of the economic impact of migration on sending countries in general, noted that negative social capital, namely violence and criminal gangs, exacerbate migration (2004, 8). While the general argument that violence perpetuates and encourages migration is itself solid enough, evidence from surveys of migrants support the claim. According to a study cited by the UNDP, 34% of men and 27% of women emigrated out of El Salvador in order to escape violence (Gammage 2005 in UNDP 2005b, 311). As seen in the following section, this exacerbation of migration by negative social capital produces a different form of social capital found in migrant networks.

*Networks in the Salvadoran Context – Migration*

Migration has played a significant role in the formation of networks in El Salvador. These networks have both negative, criminal ends (as seen above) as well as positive, developmental goals. It is imperative to understand the migration context in the country in order to then discuss the way in which these networks have formed.

Emigration from El Salvador, while it has changed in many ways, is not a new phenomenon. If we consider the past half-century alone, we can see major shifts in the reason Salvadorans have emigrated, the destinations they emigrated to and the rate at which they emigrated. Migration before and during the 1970s in Central America was both internal and international; however it is estimated that up to 76% of emigrants from El Salvador moved within the region (UNDP 2005b, 35). This movement of people was most often driven by demands for agricultural labor at various times of year (i.e. coffee
picking season) and was cyclical in nature as the migrants returned to their hometowns at the end of the season.

With the increasing repression and outbreak of armed conflict within the country at the end of the decade and into the 1980s, migration shifted beyond Central America and increased further northward to the United States. Migration flows out of El Salvador during the 1980s rose 73% within the decade which, along with the change in destination, resulted in an increase in the significance of remittances received from .3% of GDP in 1980 to 4.0% in 1989 (Villalona 2006, 28). As the civil war carried on through the decade, more and more Salvadorans were migrating not for economic reasons, but in search of protection from the violence within the country.

The 1990s brought yet another change to the face of emigration from El Salvador as families attempted to reunite abroad and an increasing amount of economic migrants sought the benefits of working in, mostly, the United States. These factors led to a 307% increase in emigration during the decade (UNDP 2005b, 34) and a rise in the significance of remittances to 17% of GDP (Villalona 2006, 28). The trends of the past have resulted in a unique situation where today 3.3 million or one-third of all Salvadorans live abroad. While the countries of destination are as diverse as Australia, Italy and Canada, it is estimated that 88% of all Salvadoran emigrants live in the United States (Ministerio de Relaciones Exteriores de El Salvador in UNDP 2005b, 38).

---

4 Remittances are not discussed at length here as contributors to social capital given their particularized trust in exchanges between family members. As evidence of this, Villalona (2003, 26) notes that nuclear family remittances account for 78% of the total in El Salvador.
The creation of networks is an integral element of international migration. The contributions networks make add to the perpetuation of migrant flows as well as condition migrants’ probabilities and possibilities. Network theory of migration suggests that the propensity toward movement is greater when there are interpersonal ties between origin and destination. These ties lower both costs and risks of migration while simultaneously increasing the expected returns (Massey et al. 1993, 448). Therefore, networks form social capital that benefits migrants in their search for jobs, documents and stability in the destination country. Through this social capital, costs are lowered for subsequent migrants who benefit from the knowledge and experience of predecessors. Risks are lowered in the same way whereby a large network of compatriots provides various opportunities for employment and assistance, versus self-reliance or narrow channels of association. Despite the reduction of costs and risks, networks are no guarantee for successful migration. However, we should expect to see that networks respond to raising barriers with even greater alliances in order to overcome new challenges (ibid., 460).

While international migration networks tend to the informal, the institutionalization of networks and the subsequent formation of associations tend toward formal participation. Latin American hometown associations (HTAs) in the United States have traditionally been involved with and highly localized around issues concerning the migrant community, though recent research shows that they have become more international in their focus (Orozco 2000, 1). These associations differentiate themselves from other nonprofit organizations by their contemporary interest in
maintaining ties with and supporting their communities of origin which differs from other groups’ focus on the local needs of their members (ibid., 2). For Salvadorans, HTAs are a large portion of the 360 expatriate organizations worldwide (UNDP 2005b, 517). While the majority of these organizations are concentrated in the United States (80%), they are further densely located in California and the Washington, D.C. metropolitan area (Orozco 2004, 11).

Whether focused on domestic issues or involved in international activities (almost exclusively entailing communities of origin), overall these international migrants contribute positively to the social capital equation. The positive net gain from these associations must take into account that an initial brain drain of first generation leaders, talented youth and human capital occurred when the members of these organizations emigrated. This loss within the country is lamentable in its own right; however the recent trend in transnational connections between HTAs and in-country organizations and communities has the potential to empower new leaders and encourage associations among individuals at the point of origin. Consideration must also be made for the type of relationship that exists between the associations and organizations or individuals in the community of origin. In his study of Salvadoran HTAs, Manuel Orozco found that “the majority of the organizations are hierarchical, meaning they work with a contact person in the hometown but dictate major decisions from [the United States]” (2004, 9; see also Levitt 1996, 28). However, Orozco also notes that some associations work with local organizations, committees or significant individuals in the communities of origin. For the present discussion it is important to identify social capital that is fostered in this dynamic
when and where participation in associations creates potential benefits for its members as well as those served by the organization.

Despite these positive contributions by HTAs, it is not clear that migration or life abroad increases participation in organizations in general. As we will see below, the benefits to local development accrued through the work of these associations and their partners are numerous, however, the propensity to join an HTA is a quantifier in the consideration of its role as a provider of net positive social capital. In general, Salvadorans’ membership in and giving to associations lags behind neighboring and global migrant groups. An estimated 4% of Salvadoran remittance senders belong to an HTA while a total of 5% give money towards their philanthropy versus an average of 9% membership for Latin America in general and up to 16% of West Africans who donate (Orozco and Rouse 2007). Also of significance is the fact that proportionally less Salvadoran remittance sending migrants belong to an HTA than Salvadoran non-migrants belong to a community organization in El Salvador. Versus the 5% of remittance sending migrants who participating in some aspect of an HTA, 9.8% of Salvadorans at home are active in a local community or charitable organization (European Values Study Foundation 1999). Therefore, we cannot point to migration as an exclusive determining factor in Salvadorans’ propensity to join associations or organizations. We can however see where the benefits of these associations create social capital that can be used for development beyond the normal propensity to work collectively as will be examined below.
Norms in the Salvadoran Context

While societal norms, especially those of reciprocity, are harder to quantify and less tangible than even generalized trust or informal associational membership they merit observation and reflection as a component of social capital. For Coleman, extant and effective norms “constitute a powerful, though sometimes fragile, form of social capital” that can then contribute to other components through the formation of cooperation in associations and trust in others (1988, 104). In the Salvadoran context, there is a history of economic inequality and political polarization that dates back at least to the period of colonization that has formed strong, potentially negative, norms. Those realities combined with the prevalence of violence in Salvadoran society have shown the fragility of the positive, effective norms Coleman describes.

The effect of religious hierarchy on trust as discussed in Chapter 4 has relevance to the discussion of norms as well. The inherent stratification within the Catholic Church from the day of its arrival in the New World created a norm of obedience and submission that is visible to this day within sectors of Salvadoran society.\(^5\) Piety, martyrdom and humility were taught and learned over centuries of evangelization and indoctrination, whether overt or inadvertent (a reality that exogenous modernization theorists exacerbated via their perception of “backward” traditional societies generally characterized by their high levels of trust, albeit of limited generalizability). These norms form the constraints to generalized trust as discussed previously via their establishment of

\(^5\) Notably, these were the norms that base community organizations were attempting to overcome when their associations were repressed by political hierarchy.
dominant vertical order versus horizontal standards of reciprocity whereby individuals rely on one another instead of having to look to a higher authority. While this influence on norms is far from determinant, the length and breadth of historical president undoubtedly affects societal mores of sociability.

In recent history, the prevalence of violence has had a tremendous impact on the norms of society. A recent study by the Institute of Public Opinion at the University of Central America in San Salvador has found that in El Salvador a victimized person has a greater propensity of embracing norms that tolerate the use of violence against others (Cruz 1999, 296). This “an eye for an eye” norm is dangerous not only for the safety and security of citizens, but due to the disintegration of generalized social trust that it creates.

The relationship of security and norms with associations and trust is best described by Mark Warren in his discussion of democratic theory and trust:

At the most basic level of security, for example, laws make it easier to develop relations of trust with strangers, especially if we can count on them not to be violent (Hardin 1993, 524). High rates of crime dampen the spontaneous generosity of people with respect to their assessments of the motivation of others, which in turn corrodes the capacities of a society to generate relations of trust. Similarly, the rule of law with its rights of equal protection and due process decreases the risks of creating new associations and forms of organization. (1999b, 334)

Therefore, the creation of destructive norms or the lack of effective norms, exacerbated by the lack of effective policing and rule of law in El Salvador, has a negative affect on
both trust and associations. As evidenced previously, El Salvador shares the bottom of the Rule of Law ranking with its Central American counterparts (see Table 2). This situation is due in part to the large amount of impunity enjoyed by criminals. For example, in the first month of implementation of the government’s 2003 *Mano Dura* program to incarcerate gang members 900 gang members were captured (Revista Envío 2003, 7). However, given lack of evidence collected by police and investigators to try the accused, only 30% of those arrested were convicted and imprisoned (ibid.). The rate of incarceration decreased to only 5% of the 11,000 captured gang members in the first nine months of the program (Flores 2004). Such an inadequacy to prosecute can prove to be dangerous as potential criminals had their rights revoked by the state for a period of time while they were imprisoned and then released for lack of evidence, thus emboldening them to react violently against authorities in the future. Further, the sense of impunity that results from this system of catch-and-release exacerbates the norm of violence in which actions go unpunished.

*Networks and Norms – Implications for Trust and Development in El Salvador*

With the role of networks and norms in the creation of both positive and negative social capital established, I turn now to the discussion on these components of Salvadoran society and their impact on the development process. Given the contributions these components make to trust, here I examine their contributions to development in regard to their direct impact when possible. Otherwise, it is important to remember their promotion or destruction of trust, and its subsequent impact on development, as examined...
above. The contributions of hometown associations (HTAs), the impact of violence and impunity and the persisting traditional norms are examined here as they contribute to or take away from development understood as individual agency in El Salvador.

Migration itself plays a significant role in development, especially development understood as GDP growth. Migratory networks, in their role of providing support and a means for continued emigration, contribute indirectly to the rise of remittance sending and thus remittances share of GDP. Apart from that developmental contribution, and more pertinent to the broader understanding of development, the role of Salvadoran HTAs that work with local organizations in El Salvador is particularly notable. When HTAs liaise with local organizations they provide not only economic capital (Orozco 2000, 6), but also the potential for organizational and human capital formation. This situation creates a form of “brain-gain” via the transfer of know-how and support, and a potential recuperation of losses incurred by the community during initial out-migration. This cyclical gain for the community whereby networks pull human capital out and, via social capital, associations replace some of the loss has positive potentialities for local development. Contemporary modernist development thought emphasizes the significance of this contribution in its focus on the need for communities to develop links to external resources in the expansion of individual agency (with a particular emphasis on banks and sources of funding).

For this associational component to have the desired positive impact on development, consideration must be made for the inclusion of vital elements in the linkage between HTAs and communities of origin. According to Orozco, these elements
are ownership, correspondence, sustainability and replicability (2007). This framework emphasizes the need for community participation at all stages, meeting the real needs of the community, focusing on the long-term and the availability of similar resources in other communities. Thus, for such associations to have a significant developmental impact, they must incorporate these characteristics that promote positive conditions for communal and individual agency.

The other major form of association and networking in the Salvadoran context, criminal gangs, has serious implications for development. Negative social capital in the form of criminal gangs contributes greatly to violence and the erosion of trust described in Chapter 4 which ultimately creates barriers for development. Beyond the realm of transaction costs that limit business, contemporary development theory such as critical modernism prizes “alliances that draw together the powers of the oppressed majority to counter what is otherwise the overwhelming power of the exploiting minority” in highly polarized countries such as El Salvador (Peet 1999, 198). These movements, whether set to confront hegemonic repression or oriented to providing basic community services, require generalized trust in order to form associations among diverse actors within and between communities locally or globally. When gangs contribute to the problem of violence in society and limit trust between individuals, the propensity to associate is also limited. And when this propensity to associate is limited, the alliances called upon by critical modernism are weakened or missing all together. The impunity that has marred the response to these gangs and the violence they perpetuate does little to boost trust in
the government, police or authority in general. As shown in Chapter 3, the lack of order and rule of law has a significant impact on human development.

Finally, the role of norms in the development process can be witnessed in the argument for local development as an endogenous movement. In contrast to the traditional norm of remote control by church hierarchy (Inglehart 1999, 93), local actors can seek a role in their territory’s development. In El Salvador, this can be seen in the reemergence of activities by base communities and the support of local organizations by HTAs. While international actors have long played a part (both positive and negative) in El Salvador’s development, the norms established first under colonial rule and then by these exogenous actors have a significant impact on the ability of local actors to take the reigns on their own. Far from acting alone, the opportunity afforded to local actors via associations and the shifting of traditional norms provides the tools necessary to participate together with international counterparts in their territory’s own sustainable development (de Franco 2000, 16) and to pursue their own individual agency.
As stated at the outset, the objective of the current thesis has been to examine the role of social capital in the context of a developing society. Specifically, the investigation was based on the following question: What forms of social capital are significant to the development process in El Salvador? This thesis has added to the debate on the role of social capital by providing a contextual investigation into the role of its various forms and their contributions to development in El Salvador. Here I have provided a nuanced and anomolie-ridden consideration of the nexus between the two notions in theory and in practice and have examined some of the most significant relations between social capital and development in El Salvador.

While I have shown an empirical relationship between the two, throughout the text I have not assumed that social capital has a sufficient, causal relationship with development. Rather, I have theorized that the contributions of positive social capital are necessary for development in El Salvador. Unlike many others who have prescribed social capital building without regard for context, I hypothesized that generalized social trust is a necessary form of positive social capital for El Salvador’s development and that social capital in the form of criminal associations and destructive norms have a negative impact on development. As previously stated, there is not a zero-sum of positive and negative elements, but instead each form of social capital creates its own particular situation and environment and thus one cannot simply add up the indicators of social
capital but must check their presence against their effects, in this case their effects on development. Therefore, in this thesis I have presented significant indicators of the three forms of social capital (trust, associations and norms) and have discussed the effect of each indicator on development in El Salvador.

Before expanding on these conclusions, I would be remiss not to recommend the ways in which my investigation here could and should be expanded, challenged and supported by further research in order to reinforce my findings. For a generalized, causal relationship to be determined between social capital and development, agreed upon indicators and more widely available data for various countries or one country over time controlling for other necessary elements would be necessary. The challenge for this approach can be seen in the diverse indicators of social capital that have been used and the lack of continuity of data across regions and over time. For example, previous research in the field has used such indicators as the expression of trust in political authorities (Putnam 1993a; Narayan and Pritchett 1999), trust toward other social groups such as family and community (Narayan and Pritchett 1999), an index of questions on trustworthiness (Knack 1999), the crime rate (Coleman 1988), questions on values and attitudes towards norms (Narayan and Pritchett 1999), active membership rates in various voluntary associations such as sports and cultural clubs, professional organizations and others (Putnam 1993a and 2000; Narayan and Pritchett 1999; Foley 1996; Stolle 2002).

For the specific context of high migratory societies, a special investigation will need to be undertaken to study economic remittances as an indicator of social capital contributing to development given exceptional role they play in such places (Orozco et al.
2005, like others, have linked remittances and development in Latin America, but do not discuss the relationship in regards to social capital). Remittances are often seen as contributing to bonding social capital in their exclusiveness within the family unit and operation with high transaction costs given low levels of trust in banks and personal couriers (Taylor 2006, 15). However more investigation will need to be done regarding their positive or potentially negative contribution to development as a component of social capital. Such investigations would revolve around their propensity to affect generalized social trust or their role in creating networks beyond inter-family exchanges (see note 4, Chapter 5).

**Social Capital, a Necessary but Variable Contributor to Development**

Throughout this thesis I have identified various forms of social capital that are significant to the development process and addressed the question of how specifically they contribute or detract to that process. These forms include the state of trust given a recent history of conflict and continuing violence, associations formed by criminal gangs and migrants, and norms and their effectiveness given rates of impunity and violence. Considered together, these components of social capital and their indicators have provided a nuanced analysis of the local context in which the development process attempts to advance. Seen as separate contributors in themselves, the following findings are instructive in the overall consideration of the contributions of social capital to development in El Salvador:
1) Gangs and the violence they espouse are generators of distrust and harmful norms which exhibit negative influences on development. These influences include the limitation of individual agency via fear, increases in transaction costs via distrust and social antagonisms via heavily bonded social ties.

2) Positive social capital is being generated by hometown associations and informal migrant networks. These associations work in many ways to contribute to development efforts and resources. Meanwhile, despite potential brain-gain in HTA–community organization relationships, networks are working to make it increasingly less costly and less risky to migrate which may exacerbate further brain-drain while simultaneously increasing the returns for the sending country via social and economic remittances and increased support for HTAs.

3) Traditional norms are giving way to context-based norms of self preservation and acceptance of violence. The current state of rule of law and impunity exacerbates these norms, degrading the tendency to associate or trust, thereby limiting endogenous movements.

These findings support my hypothesis that generalized social trust is a necessary form of positive social capital for El Salvador’s development and that social capital in the form of criminal associations and destructive norms have a negative impact on development.

Thus, there is a need to qualify acclaim for social capital in its role in development that has been widely embraced (see Kliksberg 2000; Knack 1999; Naranyan and Pritchett 1999; Woolcock 1998). Far from rejecting the importance of the notion all together, the
evidence of these particular findings demonstrate that we cannot only speak of social capital building for development, but must target positive areas where social capital is weak and intervene where it is negative and strong. The findings suggest that not only the identification of these areas of social capital, but also the externalities produced by them, have a significant role in the development process. As such, social capital has served as a useful tool to identify social ills acting as deterants for development which can then lead to areas for intervention. This identification has required a contextual basis for investigating potential areas of intervention versus applying global percriptions for social capital building.

Social Capital for Development in El Salvador – Recommendations

Some argue that social capital is historically determined and thus resistant to modern realities and situational influences toward building or fostering its growth (Putnam 1993a and 1993b; Fukuyama 1995). For them, as Fukuyama describes, “social capital is like a ratchet that is more easily turned in one direction than another; it can be dissipated by the actions of governments much more readily than those governments can build it up again” (1995, 362). There is truth to the fact that social capital can be destroyed more easily than created – witness the struggle to re-form associations that were previously repressed in the Salvadoran case – especially when those influences are long-term – witness the vertical hierarchy established in colonial times and maintained to this day by the Catholic Church. However, once the manifestations of social capital in a certain context have been identified through its indicators (i.e. prevalence of associations,
violence and its impact on generalized trust, rule of law, etc.), steps can be made to address those present-day symptoms. This is especially relevant in the social capital-development nexus where there is a specific goal to be achieved via the fostering of social capital. Unlike attempts to “create” social capital for the sole purpose of strengthening civil society in hopes of promoting a balance to the state (which is admirable in its own right), the recommendations that follow have the specific aim of contributing positively to the development process understood as the creation of individual agency in an enabling environment.

As has been made clear throughout this thesis, the most significant contributor to the lack of trust has been and continues to be the prevalence of violence in El Salvador. Until fear, insecurity and generalized distrust can be reigned in through the lowering of the crime rate, there is little room for projects and programs aimed at increasing interactions and building trust specifically to have effect. A particular point of intervention identified in this thesis is gang membership. As noted in Chapter 5, the circularity of absent positive norms, lack of community opportunities and extant violent surroundings creating higher potentialities for youth to turn to gangs which creates more violence, leading to the further destruction of positive norms, the creation of negative norms and decreasing positive community opportunities. In order intervene in this downward spiral and to impact both crime rate and levels of interpersonal trust, focus must be placed on social programs in personal conflict resolution, community and family development, and education in order to provide areas of positive interaction among community members, especially the young. Finally, transparency and inclusion in public
sector decisions must be priorities as well as providing expanded and effective healthcare, education and services in order to promote trust between the state and citizens.¹

Contributing to the state of generalized trust, networks and associations must play their prescribed role in fostering relationships of reciprocity. Instead of the repressive policies of previous decades, strides must be taken to assure positive interaction in community activities. Community organizing and communal activism must be regarded as a positive step in civil society (and, in turn, these organizations must keep their activism positive). Further, support should be afforded to those organizations and associations that demonstrate inclusive strategies, cutting across social cleavages and boundaries of exclusion. This support should extend, with reciprocal expectations of inclusion, to the growing number of hometown associations and their cohorts in El Salvador. Beyond the significance of inclusion, these associations also require attention to one or all of the following: a non-hierarchical relationship with local organizations, a return on human capital losses in the form of training and human capital building in the community of origin, organization membership in the country of origin and an explicit framework of development (versus a disguised exchange of family remittances).

Similar to the situation surrounding HTAs, movements of endogenous groups must be supported and encouraged, thereby increasing individual agency for personal and community development in order to confront the legacy of traditional norms such as

¹ While often disregarded in the social capital debate, the state can and should play a role in fostering and supporting civil society (see Cohen 1999, 219 and Howard 2003, 17).
vertical hierarchy and acquisition to the role of exogenous actors. While these norms are arguably the most difficult to impact via policy or programming, the role of impunity in establishing order and security cannot be overlooked. The deficit of institutional capacity and intra-governmental cooperation needed to capture, prosecute and punish criminals is most notable in initiatives such as *Mano Dura*, where impunity even among those arrested has been as high as 95%. This suggests that improvements must be made to bolster the capacity of the judicial system in order for it to handle the cases brought before it, thus making norms more effective through enforcement.

In sum, given that both generalized social trust as a form of positive social capital and criminal associations as a form of negative social capital reflect the need to expand individual agency via increased security; that positive associations in the form of migrant networks and associations contribute financial and human capital necessary to expand individual agency; and that destructive norms degrade the tendency to associate for positive purposes or to trust generally, it is possible to conclude that social capital does indeed play a necessary role in the process of human development in El Salvador and that attempts to intervene on the behalf of positive social capital are advisable.

---

2 This lack of cooperation is evident in the frustration expressed by Agustín García Calderón, President of the Salvadoran Supreme Court, when he notes that key actors, including the justice department, were not invited to discuss available alternatives to combat violence (Revista Envío 2003, 2).
REFERENCES


