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Formation of Social Capital for Poverty Reduction*

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貧困退治のための社会的資本形成

林 景 洙

貧困退治の手段としての社会的資本形成に対する論議が、世界銀行（World Bank：WB）やアジア開発銀行（Asian Development Bank：ADB）等から提起されている。そこで本稿では、アジア地域の貧困問題に焦点を絞り、貧困減少のための社会的資本の有用性を探った。そのためにアジア地域の貧困の実態を種々の国際統計を通じて把握し、貧困に関わる社会的資本形成の事例を国際機構の報告書を通じて探ってみた。最後には、これらの論議をもとに貧困退治のための社会的資本形成に関する政策的示唆を導き出した。

研究の結果は次の通りである。一つ目は、東南アジア国家の経済開発計画は絶対貧困層を劇的に減少させたが、絶対貧困層と非貧困層との所得の格差がさらに拡大することになり、これを緩和するための社会政策が必要である。そのために隣人に対する信頼と協同、前近代的な社会的ネットワークなど、社会的資本が用いられるように資源化する必要がある。

二つ目は、アジア地域の社会的特性である共同体社会の相互信頼と協同性が、経済成長に肯定的な働きをしたものと見られる。1970年代から90年代にかけてのシンガポール、韓国、台湾、香港等のNICsの経済成長の事例と、1990年代以降中国、タイ、フィリピン、マレーシア等のアジア地域の経済成長の過程からこれを確認できる。今後、貧困緩和のためにはこうした経済成長と適切な社会福祉政策を社会的資本と連携する必要がある。

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Key words; Social Capital, Poverty Reduction Programs, Economic Growth, Income, Distribution

I. Introduction

Of the world's population of 6 billion, about 1 billions living in the EU, the US, Japan, Canada, Australia, Singapore, Hong Kong, Korea, etc. are well-off. The capital of the rich countries above reached up to USD 9 trillion in 1990 and USD 35 trillion in 2000, which is about 95 % of the world's total capital (Young, 2003). On the contrary, about half of the world's population (3 billion) lives on less than 3 dollars a day. According to "Global Economic Prospects 2004" issued by the World Bank, 1.1 billion of the world's population manages to get along with less than 1 dollar a day and 2.7 billion with less than 2 dollars a day (World Bank 2003; Amnesty International Report 2001). 2.5 dollars of daily agricultural subsidy granted by the EU to farmers is enough amount of money for 3.8 billion of the world's population to manage to get along each day. At the "Millennium Development Goals in 2004" conference, James D. Wolfensohn, chairman of the World Bank, insisted that eliminating poverty is a way to world peace. He added that 2004 is the starting point for fighting against poverty.

Is poverty permanent, or not? Why are many Asian and African countries poor while Western Europe and the US are rich? Even though the relative poverty issue has emerged even in Western Europe and the US (Muffels & Fourage, 2000), over 20% of the world's population is still suffering from extreme poverty. Now, poverty isn't an issue that can be handled by a certain individual any more. Many governments and international organizations have developed a variety of policies and measures to take good care of the poverty issue.

As a partial poverty reduction measure, the formation of social capital has emerged from an international organization since 2000 (World Bank, 2001). Therefore, the purpose of this paper is to examine what program could be the best for the formation of social capital to fight against poverty, especially in Asia. This paper is organized as follows:

First of all, in section II, a theoretical review of social capital, such as its concept and characteristics, will be conducted. In section III, the actual poverty condition in Asia will be investigated through various international statistics. In section IV, poverty-related social capital cases will be dealt with through the reports of an international organization. In section V, policy suggestion will be discussed with regard to the formation of poverty reduction social capital. The scope of this paper is limited to South Asia (India included) and East Asia & the Pacific region (China included).

II. Theoretical Review

1. Economic Growth and Distribution, Counterplan against Poverty

The relationship between economic growth and poverty has been regarded as a kind of trade-off. Most developing countries in Asia, Africa, and South America have preferred economic growth-oriented policy to poverty reduction. Since Simon Kuznets, 1971 Nobel laureate in economics, insisted that the imbalance was inevitable at the early stage of economic development, many developing countries have pursued economic growth. The fruits of economic growth were supposed to return to the poor as well through trickling down effects. (Hirschman, 1958). However, this unbalanced policy has generated a growth in joblessness and made it even harder for the poor to get out of their poverty. With regard to the issue of the priority of growth or distribution, this contention could be summarized as follows:

In favor of “economic growth goes first” contention

- The government should focus on savings and investment. Then the benefits of economic growth would be distributed to other sectors.
- As long as the low-income bracket (the imbalance) exists, the rich should save more money. As the average savings rate goes higher, the growth rate will also become higher.
- A certain rate of poverty and imbalance should be kept to obtain cheap labor and promote investment.
- Tax restrictions on investors or those in the high-income bracket must be very careful because it could in turn restrict poverty reduction and social development resources.

Against “economic growth goes first” contention

- Economic growth and poverty reduction should be proceed together in the early stages because it is a part of the social contract made between the government and the citizens for social modernization.
- With regard to the quality of growth, investment and social development should be promoted equally.
- If the imbalance becomes more prevalent, it means that the trickle-down effects are weak. In other words, the high-class people never give up their privilege and superiority. As the imbalance gets more severe, development becomes more distorted accordingly.

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- An equal distribution promotes domestic demand, which in turn accelerates growth. The low-income bracket's comprehensive increase in effective demand contributes a lot to the growth of the domestic market.
- If the income of the low-income bracket is taken good care of, labor productivity increases.

With regard to the conflictive relationship between economic growth and distribution, developing countries have long been contemplated how to search proper policies for having both sides in poverty reduction program. However, recently international organizations have agreed on how to deal with poverty as follows:

First of all, diagnosing obstacles to poverty reduction and agreeing on strategies to overcome them are required. Why poverty exists in certain nations, agreement on how to measure the poverty, and obstacles to poverty reduction should be examined in advance.

Then, as a next step, related strategies should be discussed. Poverty reduction cannot be achieved with charity. For poverty reduction, structural changes in the economy, politics, and society should be followed. The poverty reduction policies suggested by the World Bank, ADB, UN, and other international organizations can be summarized as follows:

- (a) Promoting pro-poor growth
- (b) Extending opportunities for the poor
- (c) Ensuring decent governance
- (d) Empowering the poor and excluded groups
- (e) Investing in social development
- (f) Fighting gender disparities
- (g) Reducing vulnerability and risks to the poor

As for development strategies that pursue both economic growth and its distribution equally, it has turned out to be more effective to promote the poverty reduction movement keeping the government's traditional values together with social values and social coalition groups.

2. Social Capital

In 1835, returning from America, A.D.Tocqueville realized that Americans pursued the public

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benefit. He said that citizens' voluntary participation, individual responsibility to the public good, and their sense of belonging are a form of social capital (Tocqueville, 1968; Seo, 2002). Since then, Coleman and Putnam have started to realize that trust, participation in civil society, the social network, etc. as well as economic factors are a part of social capital.

Putnam (1993) studied Italian local governments for about 20 years from the 1970's. He sorted out regions based on the level of dynamic disposition in connection with socio-economic development, institutional performance, and civic vitality and explained the locality (Kemenade, 2002).

Coleman (1990) saw social capital as a compound entity. Social capital had two main characteristics, he said. First, social capital is a productive entity that makes it possible to achieve a certain goal just like human or other physical resources. Second, it promotes a certain behavior while each individual gets involved in social relationships under the social structure (Seo, 2002; Coleman, 1990).

On the other hand, Fukuyama (1995) insisted that trust among the members of society was the social capital. Through the case study of six countries, he found that there was a correlation between economic development and societal trust.

In the case of Germany, Japan, and the US, a lot of large private companies which are managed by a professional manager exist due to high social trust while there are many family-owned small-scale companies in France, Italy, and China due to a lack of trust of others, he insisted. He believed that the different level of social trust causes this kind of industry-structure difference.

Grootaert, Narayan, Jones, and Woolcock classified the range of social capital as follows:

- Groups and Networks
- Trust and Solidarity
- Collective Action and Cooperation
- Information and Communication
- Social Cohesion and Inclusion
- Empowerment and Political Action

III. Poverty Conditions in Asia

According to the statistics of the World Bank, the poorest regions in which people live on less than

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US 1 dollar a day as of 2001 are as follows: Sub-Saharan Africa (315.8 million persons, 46.9%), India (358.6 million persons, 34.7%), South Asia (428.4 million persons, 31.3%), China (211.6 million persons, 16.6%), and East Asia and Pacific (271.3 million persons, 14.9%). If India and China are included in the aforementioned regions, the extreme poverty regions are still concentrated in and around Asia and Africa. The poverty conditions in Asia are shown in <Table 1> below.

<Table 1> Poverty Conditions in Asian Countries

Country		% of Population under National Poverty Line				Poverty Measures under International Poverty Line				
		Year	Urban	Rural	National	Year	% of Population < \$1	Poverty Gap <\$1	% of Population <\$2	Poverty Gap <\$2
East Asia and Pacific	Cambodia	1997	21.10	40.10	36.10		..	..	..	..
	China	1998	<2	4.60	4.60	1998	18.50	4.20	53.70	21.00
	Indonesia	1999			27.10	2000	7.19	1.04	55.38	16.35
	Lao PDR	1997-98	26.86	40.97	38.60	1997-98	26.33	6.30	73.15	29.56
	Malaysia	1989	..	..	15.50	1997	<2	<0.5	9.25	2.00
	Mongolia	1995	38.50	33.10	36.30	1995	13.92	3.06	49.96	17.47
	Papua New Guinea	1996	16.10	41.30	37.50		..	..	..	..
	Philippines	1997	21.50	50.70	36.80	2000	14.64	2.71	46.38	17.16
	Thailand	1992	10.20	15.50	13.10	2000	<2	<0.5	32.47	8.99
	Vietnam	1993	25.90	57.20	50.90	1998	17.74	3.34	63.66	22.89
South Asia	Bangladesh	2000	36.60	53.00	49.80	2000	36.03	8.11	82.82	36.33
	India	1999-00	24.70	30.20	28.60	1997	44.21	12.03	86.21	41.44
	Nepal	1995-96	23.00	44.00	42.00	1995	37.68	9.74	82.46	37.47
	Pakistan	1998-99	24.20	35.90	32.60	1998	13.36	2.36	65.56	21.97
	Sri Lanka	1995-96	15.00	27.00	25.00	1995-96	6.56	1.00	45.35	13.49

Source: World Bank, 2004. **Global Poverty Monitoring.**

<Table 1> has a limit in that the statistical data are not in concord in terms of year, but it's enough to figure out the overall poverty conditions. First, when urban and rural areas are compared, the poor are concentrated in rural areas. The fact that a relatively large number of poor people are living in the rural areas should be considered when poverty reduction programs are developed and applied. In other words, programs should be developed considering the distinctiveness of each local situation. In the case of urban areas where people have interests with others under a market economy, poverty reduction programs should be developed based on the market economy. The rural areas, on the other hand, are family-oriented and homogeneous based on traditional social relationships.

In the case of Asia, the characteristics of rural areas are well established. Therefore, in the case of

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Asia, because the poor population is concentrated in rural areas poverty reduction policies should be set up considering the features of rural areas.

Lao PDR and China in East Asia and Pacific and India, Nepal, and Bangladesh in South Asia have high numbers of people under the international poverty line of less than US 1 dollar a day. The poverty gap also shows a similar pattern. Countries with less than US 2 dollars a day are as follows: Lao PDR, Vietnam, Indonesia, China, Mongolia, and the Philippines. The poverty gap also shows a similar pattern.

<Table 2> Head Count Ratio, Poverty Gap, and Inequality in Asia

	Country	Year	Head Count	Poverty gap	Gini Index
East Asia and Pacific	Cambodia	1997	34.07	9.67	40.39
	China	2001	0.33	0.09	44.73
	Indonesia	2002	7.51	0.91	34.31
	Lao PDR	-	-	-	-
	Malaysia	1989	12.36	3.01	48.52
	Mongolia	1995	13.92	3.06	33.02
	Papua New Guinea	-	-	-	-
	Philippines	2000	14.60	2.70	45.69
	Thailand	2000	1.93	0.05	43.19
	Vietnam	1998	17.74	3.34	36.10
South Asia	Bangladesh	2000	36.03	8.11	31.80
	India	1997	38.65 ¹⁾	10.22 ¹⁾	37.83
	Nepal	1995	37.68	9.74	28.26 ²⁾
	Pakistan	1998	13.36	2.36	32.63
	Sri Lanka	1995	6.56	1.00	34.36

Note: 1) Mean value between rural and urban areas

2) Statistical data during 1985 ~ 1986

Source: World Bank, 2004. Global Poverty Monitoring

As the head count ratio gets lower, the Gini index, which represents the level of inequality, gets higher. The head count ratio is the percentage of households (or individuals) whose income is below the poverty line. The high head count ratio means that income is not properly redistributed within a country or local society. In other words, even though rapid economic growth is going on among people in certain high-class brackets or certain big corporations, the income inequality gets more severe. This implies that the fruits of economic success are not being returned to the poor through trickling down effects. It also means that the economic growth policies of Asian developing countries are not closely connected with the poverty reduction goal. Therefore, the market-oriented

economic growth, which partially contributes to poverty reduction, could not be helpful for the independence and self-support of the poor. Therefore, the market-oriented poverty reduction policy is not the best solution in Asia. That is why social capital has emerged to create an optimal poverty reduction program for Asia.

IV. Formation of Social Capital and Poverty Reduction Programs

If social capital is adopted as the subject of policies for poverty reduction, the social mechanics between poverty groups and non-poverty groups become very important. Therefore, based on a comparative analysis of these two groups in terms of social capital, the previous studies will be reviewed.

First, a study on the relationship between social capital and poverty was conducted by Hong Gyeong-Jun in 2002 in Korea. He has empirically confirmed that the social capital had a positive influence on the size of income even when other variables are controlled. This empirical evidence has the following meanings. First, we need to have a broader understanding of poverty. Second, we need to have a new counterplan against poverty. In other words, it shows that a social capital-based poverty reduction program is empirically effective in poverty reduction. Furthermore, when poverty is related to the loss or lack of social capital, we need to consider expanding social capital as a counterplan, because the existing compensation program might provide physical capital, but it could hardly provide the measure needed for the expansion of social capital. Therefore, in order to truly get out of poverty, a new program to increase social capital as well as existing assistance should be developed, Hong insists.

Now let us briefly take a look at Putnam's study (1993). He conducted comparative research on Southern and Northern areas of Italy with regard to social capital. He measured the level of citizen's participation by number of voters, newspaper subscription rates, number of chorus members, number of soccer clubs, and reliance on public organizations. The result showed that most indices were significantly higher in Northern Italy. There was a significant improvement in governance, institutional performance, development, etc. His recent research has shown that the US social capital is in decline over the long term.

Portes (1995), and Light and Karageorgis (1994) have studied the economic conditions of each immigrant group within the US. The study has shown that certain groups (Korean immigrant groups in

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LA and Chinese immigrant groups in San Francisco) are better off than other groups (Mexican immigrant groups in San Diego and Dominican immigrant groups in New York). In the case of the former group, the economic success was relatively faster because the social system was favorable for new immigrants. It has provided them with the following services; credit data, insurance, childcare, language training, job seeking, etc. In the case of the latter group, on the contrary, society has provided temporary service only and extremely limited services to each member of society.

Massey and Espinosa (1997) have studied Mexican immigrants in the US. They found that certain government policies such as NAFTA enhance the flow of human resources, production, distribution, and consumption. Using an interview method, they found that the social capital theory is much better than either neo-classical theory or human capital theory in forecasting the immigrant's preferred region, number of immigrants, cause of immigration, etc. The result of this research has been used as basic data for efficient management of Mexican immigrants in the US and revolutionary policy suggestions (<http://www.worldbank.org/poverty/scapital/index.htm>).

Wilkinson and Kawachi have explained a series of empirical results from economic poverty to crime and poor health in connection with social capital. By examining the cause of the weakness or the crime, they tried to forecast the type of disease. Social cohesion seemed to be connected with social capital, collective effectiveness, and social non-organization. (Fine, 2001: 107).

The above contentions show that without consideration of distribution, economic growth theory in underdeveloped and developing countries might just aggravate the gap between the rich and the poor.

In other words, market-oriented economic growth policies make the situation even worse for the poor. Furthermore, for better poverty reduction, economic growth and social welfare policies should be proceed together. However, the underdeveloped and developing countries have no room to take care of social welfare. That's why it gets more difficult for the poor to get out of the poverty.

After all, citizen's voluntary efforts and proper government policy should be harmonized for the success of poverty reduction. The social network owned by the local citizens is the key variable. That's why the formation of social capital is essential for poverty reduction programs.

V. Conclusion: Policy Suggestions

Poverty is not just a matter of money. It is a lack of basic living conditions that are essential for hu-

mans to live with minimum dignity. Extreme poverty in which even minimum dignity cannot be maintained is a matter beyond the individual. It is an overall social problem, which should be handled accordingly. Therefore, the extreme poverty in Asia and Africa must be solved. Each government and international organization has developed many programs and made great efforts to solve extreme poverty, but it is still unsatisfactory. In the case of South Asia, the population of extreme poverty has greatly decreased since the late 1980's due to decent economic development policies (the population with incomes of less than US 1 dollar a day, from 57.7% to 14.9%). However, the Gini index has become much higher, which implies that the gap between the rich and the poor has become even worse.

Utilizing both theoretical and empirical studies of the importance of social capital for poverty reduction, this paper has examined the necessity for poverty reduction programs in Asia which considers, the distinctiveness of local conditions and traditions. The suggestions for government policies can be summarized as follows:

First, the economic development plan in South Asia was successful in that the population of those in extreme poverty has sharply decreased. However, the gap between the rich and the poor has become even worse. Therefore, a social policy needs to be adopted to solve the income disparity. For efficient use of social capital, cooperation in rural areas, trust among neighbors, and modern social networks should be covered.

Second, it seems very hard to generalize the true meaning of social capital in Asia. To summarize previous studies, Asian countries are still much stronger than western countries in terms of trust and cooperation, which could be positive factors in future economic growth. This can be seen in the economic development of Singapore, Korea, Hong Kong, and Taiwan from the 1970's to the 1990's and of China, Thailand, the Philippines, and Malaysia since the 1990's. However, the distribution of the fruits of economic success and how well social welfare policies are connected with social capital can be very different from each other depending on each country's distinctiveness. However, charity or social welfare policies will not be the best way to solve the poverty problem from the long-term perspective.

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