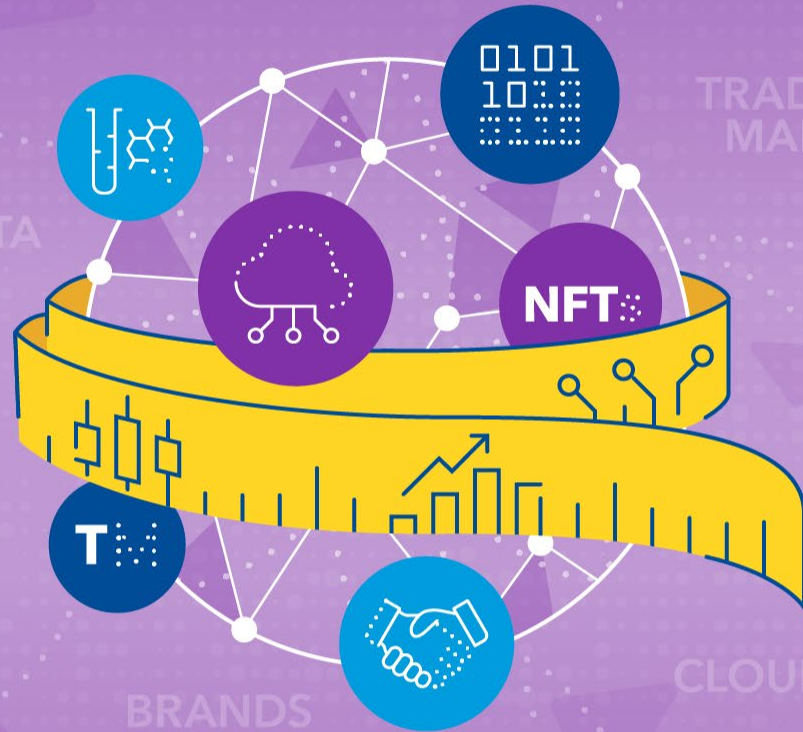


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MEASURING THE TANGIBLE BENEFITS OF INTANGIBLE CAPITAL



Social Capital: What it is and why statisticians should care

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Overview

- What is social capital?
- Is it really capital and can it be measured?
- If so, should we measure it in wealth accounts?
- What are the links between social capital and other assets, including intangible capital?

What is social capital?

- No single definition, though researchers have considered the issue for decades
 - ▶ See this [World Bank report](#) for an excellent overview
- A [frequently cited OECD study](#) noted four main conceptualizations:
 - ▶ Personal relationships
 - ▶ Support from social networks
 - ▶ Engagement in civic activities
 - ▶ Trust and cooperative norms
 - ◆ These suggest that social capital has both **personal** and **collective** elements
 - ◆ The personal elements mean that social and human capital may be difficult to disentangle
- Putnam ([Bowling Alone](#)) referred to “bonding” (networks) and “bridging” (trust and norms) capital, again reinforcing the personal and collective elements
- More contentiously, [some argue](#) that social capital exists in the form of certain physical assets, like libraries, that permit group bonding and bridging

Is social capital really capital?

- Theory and evidence suggest that trust, norms, networks, etc. are positively related to levels of economic output
 - ▶ Points to existence of an underlying asset
- Social capital can clearly be created by investing time and effort and can endure
 - ▶ And it can depreciate (sometimes quickly and unpredictably)
- The associated benefits can be privatized and are excludable
 - ▶ I benefit from my personal networks and can exclude others from benefiting
 - ▶ Societies can benefit from collective trust and exclude other societies from benefiting
- But are trust, norms, networks, etc. actually **stocks**?
 - ▶ Or are they **flows** from some other, more fundamental, stock?
 - ◆ If so, what is the nature of the fundamental social capital stock?

Can social capital be measured?

- Much effort put into measurement by statistical offices and researchers, mainly through national and international social surveys
 - ▶ In general, there is a lack of standardization across countries and within countries across time
- Surveys can be infrequent and multiple surveys may be involved
 - ▶ For example, in the UK, six surveys with varying frequency are used to [report annually on social capital](#)
 - ▶ In Canada, only [periodic reports](#) exist (2015 most recently)
- Indicators may be qualitative (e.g., levels of trust) and quantitative (e.g., voter turnout)
- Monetary indicators are rare, though [some pioneering efforts](#) have been made by comparing changes in subjective well-being from changes in income and trust considering the monetary value of changes in subjective wellbeing
- Indicator sets can be large and not easily interpreted
 - ▶ Principal component analysis [can be used](#) to reduce complexity

Should social capital be measured in wealth accounts?

- A case can be made that social capital is “missing wealth”
 - ▶ If so, a gap should exist between observed GDP and the implicit level of GDP based on measured human, natural and produced capital
 - ◆ A [study on comprehensive wealth in Canada](#) provides evidence of this
 - Observed GDP is higher than the level of GDP implied by Canada’s human, natural and produced assets, suggesting an important asset may be missing from Canada’s national balance sheet
- Calls to move “beyond GDP” are growing louder all the time
 - ▶ [Secretary-General Guterres has called GDP](#) “a glaring blind spot in how we measure economic prosperity and progress” and launched a political process to move beyond it
 - ▶ Measuring “comprehensive wealth” – the value of human, natural, produced and, arguably, social capital provides a [robust basis](#) for doing so

Given this, [statistical offices should](#):

1. Work to standardize non-monetary indicators of social capital
2. Contribute to research on monetary social capital indicators
3. Include social capital within work programmes to measure comprehensive wealth

Links between social capital and other assets

- Strong social capital is, some would argue, the most important asset a society can possess
 - ▶ Without it, there can be little or no economic growth or human well-being
- Given this, social capital can be assumed to influence the value of human, natural and produced capital and *vice versa*
- How might the rise of intangible capital, especially the information assets created and leveraged by the internet and social media companies, impact social capital
 - ▶ Researchers are actively attempting to answer this important question:
 - ◆ “...media content can affect perceptions of what is deemed to be socially acceptable. This is of particular importance in collective action of a destructive nature, underscoring the point that social capital need not be put to benign uses only.”
 - ▶ The question is of fundamental importance today given the rise in populism and its possible “non-benign” use of social capital

The international statistical system can help by taking the measurement of social capital seriously, which has, arguably, never been more important

Thank you

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