

Reflections on the value added of social capital

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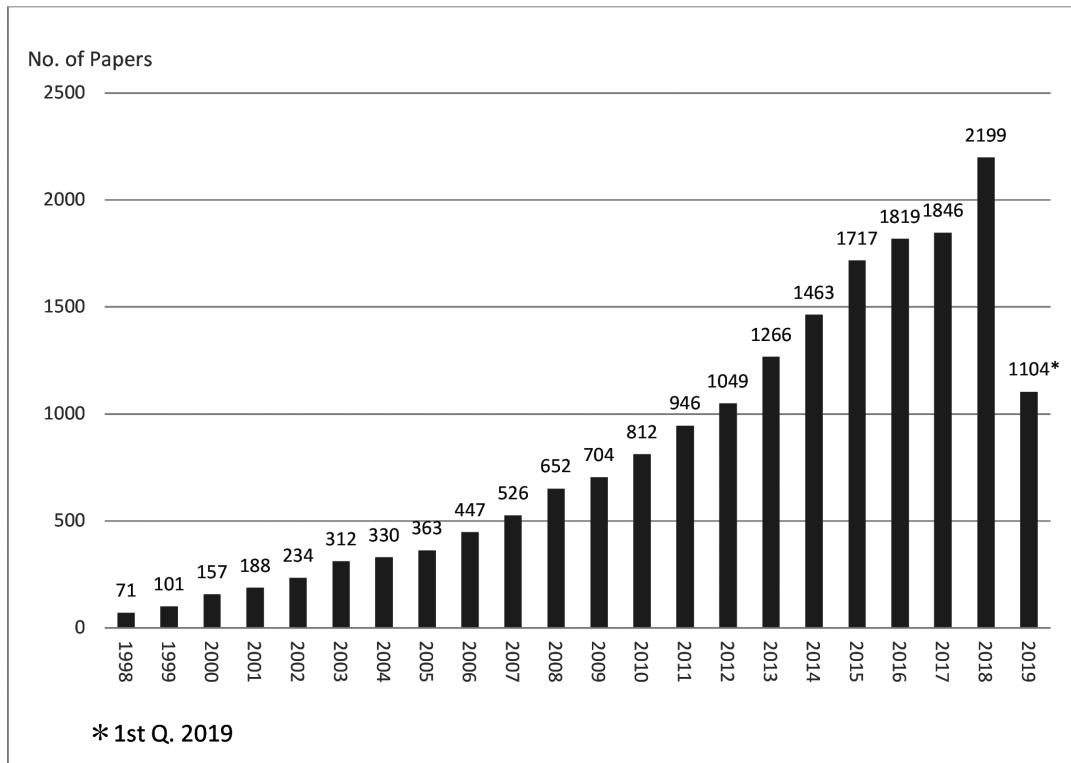
1. Preface

It has been over thirty years since the concept of social capital⁽¹⁾ was advocated by some scholars. At first, the concept was just a minor offspring of heretics. However those heretics included academic giants of sociology, political science, economics, and public health such as Pierre Bourdieu, James Coleman, Robert Putnam, Gary Becker, Francis Fukuyama, Elinor Ostrom, and Ichiro Kawachi. The concept has been met with some harsh critiques including a total denial of the concept.⁽²⁾

Nowadays, social capital has gained recognition as an academic concept reflecting an accumulation of numerous empirical research works in the past three decades. In 2003, John Field wrote “While there is a spreading literature on the concept, though, there has so far been nothing in the way of an extended introduction.” in his first edition of “Social Capital”. Fourteen years later in 2017, in his third edition, he described as follows.

Today, the idea of social capital is so widely used that it is almost a taken-for-granted part of the researcher’s tool bag. - - - So, on the whole, I think it reasonable to conclude that the concept has indeed

Figure 1 The Number of Academic Papers Related to Social Capital



(Source) Science Direct, accessed on May 1 2019

come of age, and has served an extremely valuable purpose in drawing attention to the resources embedded in social relations and the ways in which people use them. (p.91)

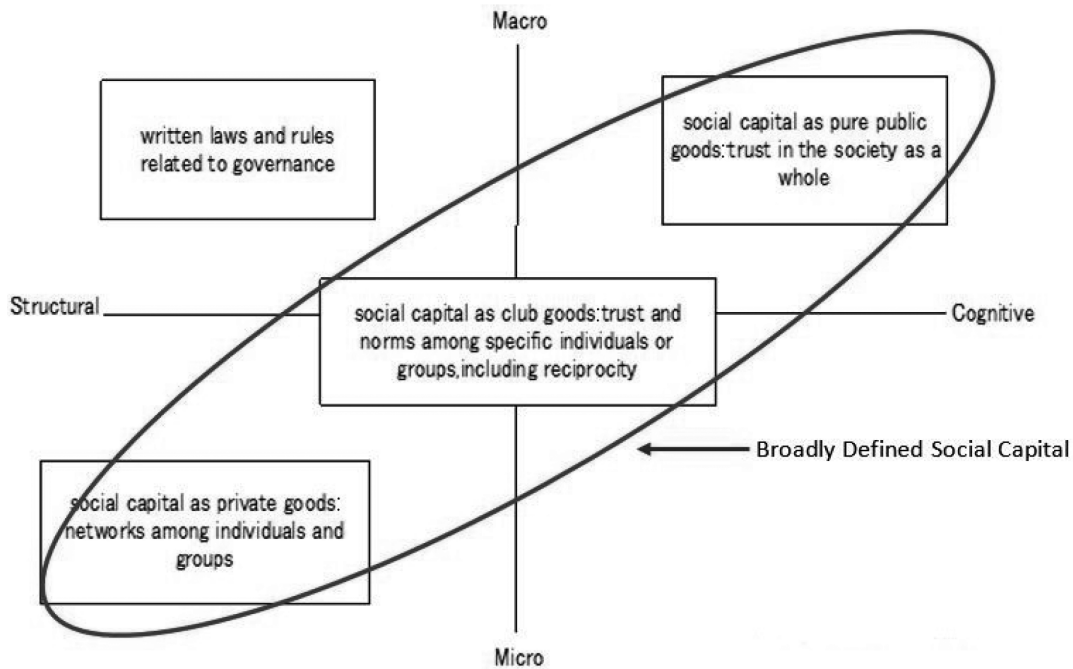
It is true that we can observe a proliferation of literature related to social capital. As shown in Figure 1, the number of academic papers which include social capital as one of key words has been constantly increasing in the past 20 years. However, in spite of this proliferation, controversies on the concept have been far from being over. “Criticisms of social capital are centered on five ambiguities: ambiguity of the definition, ambiguity on the added value derived from social capital, ambiguity on measurement, ambiguity on causality, and ambiguity as policy tools” (Inaba 2013). The author wrote answers to these critiques

titled “what’s wrong with social capital? Critiques from social science” as a chapter for “Global Perspectives on Social Capital” edited by Kawachi, Takao, and Subramanian. The present essay is a follow-up of the chapter mainly focusing on why analyses on the combination of the three basic concepts of social capital, namely, network, norms, and trust have value added?

2. Why the combination of the three basic concepts of social capital, namely, network, norms, and trust has value added?

The most fundamental academic question related to social capital is as follows. “Each of the basic components of social capital such as trust, norms of reciprocity, and social network represents a well-established construct with huge accumulations of academic works in the past.” (Inaba 2013, p326) Existing studies on each of the three concepts would be suffice to shed light on socio-economic matters in the present society. How come we have to create a new concept like social capital? Fine (2010) even denounced social capital as “hack academia.”⁽³⁾ What Fine meant was deep disbelief in those who use the term, social capital. According to Fine, they are just disguising old well established findings as something newly found. If that were the case, those who have been advocating the concept of social capital including the author of this essay should be ashamed of themselves. However, that is not the case. Social capital, especially, broadly defined as the combination of networks, norms, and trust as shown in Figure 2 does have value added to supplement the defects of existing concepts. The theme of this essay is to clarify that Fine’s accusation is totally groundless.

Figure 2 Three Concepts of Social Capital



(Source) Inaba (2005)

2.1 Social Capital has value added as a micro-macro link⁽⁴⁾

Social capital in its broadly defined sense has at least five potentials to provide value added. In the first place, it can function as micro-macro link between individuals and society as a whole using the meso level as a link. Social capital can provide a comprehensive picture of our society by combining individuals, community and the society as a whole into one concept. The author should be modest. However based upon my experience in the past 50 years, I can safely say the followings. That is some academic disciplines strangely lack the concept of community. As a result, they fail to provide the true picture of our world. This causes big problems from the viewpoints of policy makers, because major academic disciplines fail to provide comprehensive policies to deal with various current issues. What they assert is just a patchwork based upon their partial understandings of the real world.

Tett (2015) described the question raised by the Queen of England at the London School of Economics two months after the Lemman shock. After a presentation by Luis Garicano, a highly esteemed economist, she asked him “Why did nobody see the crisis coming?” His answer was “though lots of people had understood separate pieces of the picture, nobody had been able to take an overview (pp. 132-133).” I would not say social capital can always present a perfectly comprehensive picture of the real world by putting communities linking both individuals and macro situations. However, social capital in the broadly defined sense could provide a clue to know the whole picture thanks to its micro-macro link function.

2.2 Social capital has value added as a bridge between the past and the future

Social capital as a micro-macro link suggests its snapshot function to gain the comprehensive picture of the present society. However, community social capital is also a reflection of its past defined by history and cultural heritage. Putnam’s seminal work “Making Democracy Work” (Putnam, 1993) described the history of Italy by tracing back to the 11th century. He devoted as many as 42 pages out of the 185-page book for Italian history to explain regional peculiarities of social capital in Italy. Obviously the present social capital is situated at the midpoint of the timeline from the past to the future. Social capital in the broadly defined sense is an embodiment of the past, some elements of which should be inherited to the next generation in the future. In that sense, social capital functions as a bridge between the past and the future.

Many countries have been endowed with local festivals which foster social capital of both intra and inter generations, and the social capital,

in turn, functions as a cradle for further development of the festival in the future. The nexus continues throughout the timeline from the past to the future. Local festivals are good examples of social capital's function as a bridge between the past and the future. The festival itself may last just a few days. However, it is regularly carried out, in many cases, once a year. That means people meet with each other many times for the preparation prior to the festival. The author has been engaging in a field survey on Danjiri festival in Kishiwada city in Osaka prefecture. The festival is said to be started in 1703 and attracts as many as 400 thousands tourists every year. Preparation for the next year starts right after the end of the festival this year. Every neighborhood which has the privilege to take part in the festival creates a voluntary group in charge of the festival within the neighborhood association. Heads of these voluntary groups, which are self-governed body responsible for the festival, attend over 100 meetings every year for the preparation of the festival.⁽⁵⁾ The voluntary organization consists of vertical subgroups including every generations starting from youngsters (elementary to high school students) to those in their 50s and 60s. Thus they can also have inter-generational exchanges. The organization forms a kind of commons to carry out the festival and functions as a cradle to enhance social capital and passes the historic and cultural intangibles in the form of the festival from one generation to the next.

2.3 Social capital has value added as a prerequisite to make some basic concepts effective.

Some academic disciplines concern behavioral changes. For instance both economists and social epidemiologists concern measures to refrain from smoking. Some others concern over the salt intake which causes

cardiovascular diseases.

One of the most successful cases of behavioral change in Japan is Suzaka city located in Nagano Prefecture.⁽⁶⁾ The population of the municipality is approximately 50 thousand. Originally a small local health care movement started from a part of Suzaka city back in the 1940s has grown into a formal city government program which provides education on health to over 280 housewives every two-year period. The program celebrated its 60th anniversary in 2016. As many as 7500 housewives participated in the program during the sixty years. This means over a quarter of housewives in Suzaka city took the health care cause. It has achieved phenomenal changes regarding the health care related behaviors among the residents. In fact, the movement was so successful that other municipalities not only in Nagano prefecture but also municipalities all over Japan adopted the movement. Although the prefecture, which used to be known as the most short-lived prefecture mainly due to excessive intake of salt, has successfully reduced their salt intake. Residents in Nagano prefecture now enjoy longevity. Their life expectancy belongs to the longest group among the 47 prefectures in Japan.

However behavioral changes often do not last long. Even the supposedly strongest incentive like the price hike of tobacco cannot keep people from smoking for a long period. Many smokers resume smoking in 18 months in spite of the price hike.⁽⁷⁾ The difference between the tobacco price hike and the health care education in Suzaka city is whether they utilize social capital or not. Tobacco price hike depending upon behavioral changes of individuals alone cannot achieve a long lasting result. However, health care movement mobilizing social capital of residents can change the norms of residents and bring about a long lasting behavioral change.

Another example is governance.⁽⁸⁾ For instance, changes in rules cannot terminate corporate misdeeds. Japanese government made efforts to enhance entrepreneurship on the part of the management by emphasizing corporate governance. In fact, corporation law has been amended frequently since the middle of the 1990s. First, the government strengthened the power of the auditors, and then, the position of auditors. In addition, they introduced Anglo-Saxon corporate governance systems in 2003. They also introduced Corporate Governance Code, and Stewardship Code for institutional investors. As far as formal rules are concerned, the corporate governance system has been substantially improved. Yet the present situation of corporate governance leaves much to be desired. Investors have been suffered from corporate misdeeds one after another.

Companies set up what they call a third party committee to investigate the cause of the misconduct. Quite frequently, they attribute the misconduct to the company's corporate culture.

What the committee implicitly implies is the management of the company is not directly responsible for the misconduct. However, in my opinion, that is completely wrong because the corporate culture is an intangible asset which has been crafted by the top management. In reality, there are informal rules as Ostrom called institutions behind formal regulations and rules. These informal rules consist social capital of the firm. In any case, corporate misdeeds could have been prevented if information about the organizational social capital were available. Sound social capital is the most important prerequisite for sound corporate governance. By the same token, social capital is a prerequisite for sound democracy as well⁽⁹⁾.

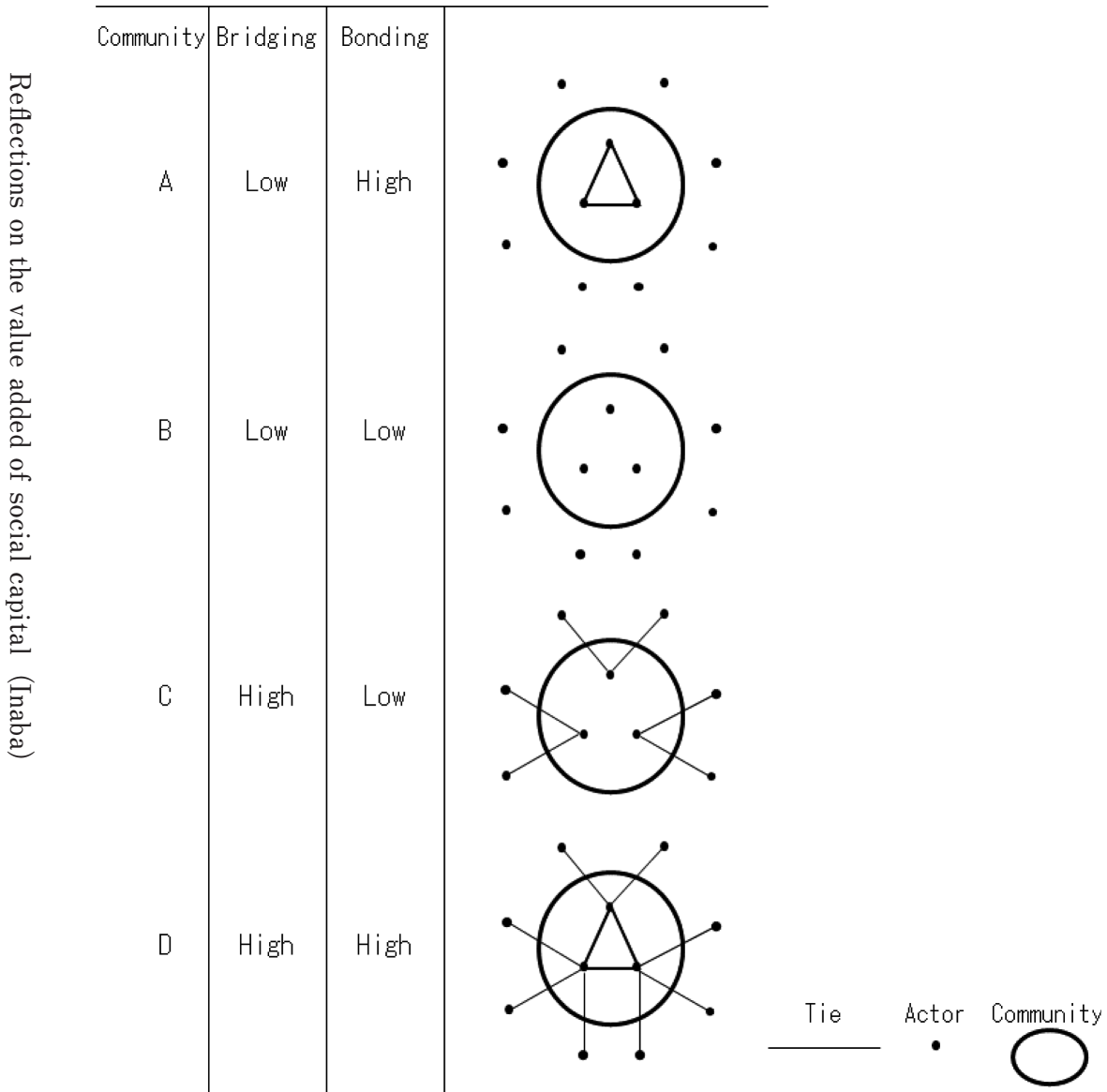
2.4 Social capital has value added by providing comprehensive pictures of communities

The function of social capital as a micro-macro link provide a comprehensive picture of a community. As shown in Figure 3, basically any communities can be classified into four types from the viewpoint of social capital. The residents of the community D has close ties with both the members and non-members of the community, while the residents in the community B are isolated without any ties with others. Those in the community A have ties among the members of the community. However they lack ties with people outside their community. On the contrary, those in the community C do not have ties in the community, but have ties with people outside of their community.

Ishida (2015) found these four types in Tama New Town Area located in the west suburb of Tokyo. One area is a newly developed residential area for relatively wealthy families living in individually detached houses. The residents of the area had abundant outside ties with very poor contacts with his/her neighbors. The area fits the image of the community C mentioned above.

On the other hand, there is an old community located nearby consisted of households residing the area for a long time. Quite naturally, they enjoy close ties among the residents. But they have little outside ties. The area is just like the community A. In the southern center of Tama New Town, there is a public apartment owned by the Metropolitan Tokyo Government. The dwellers of the apartment are mainly old with low income, and in many cases, live alone. They have little contacts with each other and few ties with outsiders like the case of the community B in Figure 3. Just a few blocks away from the apartment, there are residential areas consisted of condos owned by middle income households originally developed & sold by UR

Figure 3 Community Classification by Social Capital



(Source) Inaba (2013, pp.336-337)

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(Government Housing Corporation). The residents of these areas enjoy ties both among themselves as well as ties with outsiders (community D).

Apparently, what the local government is supposed to do is different depending on the characteristics of social capital of each community. The community D may require no major intervention form the local government, while the local government may be required to assist

dwellers in the community B to prevent them from being isolated by assisting the residents making ties among and outside the community. As for the community A, the local government should help them to create ties with those living outside of the community. On the contrary, as for the community C, the local government should assist the residents to get acquainted with each other.

Nobody would not have any difficulties in understanding the above mentioned logic. However, in reality, it is not so easy for local governments to adopt differentiated policies depending on the characteristics of neighborhoods from the view point of fairness and neutrality in providing public services to tax payers. Social capital gives the local government a logic to differentiate its interventions depending upon the characteristics of social capital.

2.5 Social capital has value added as a missing link between income/wealth gap and the soundness of democracy

Grootaert (1998) suggested social capital is a missing link connecting three types of capital: natural, physical, and human capital. However, in my opinion, social capital in broadly defined sense has a role as a missing link in more significant contemporary issues. That is a link between income/wealth gap and the soundness of democracy. Economists' enthusiasm on widening income/wealth gap is a phenomenon observed in the recent ten years. Until the middle of the 2000s, mainstream economists had been apathetic toward the issue. They said poverty was a big economic issue, not the income/wealth gap. They also said income gap was nothing but a reflection of differences in one's ability and preference. According to them, if there had been economic gap which could not be explained by ability or by preference, the market mechanism would adjust the gap. It will be vanished eventually

in the competitive market. The widening income/wealth gap is a reflection of sound economic activities providing incentives to those endowed with talents. I must mention, to be fair, there were many economists who worried about the widening economic gap. However, they appeared on the main stage of the economics only in the 2010s in spite of the fact, the widening income/wealth gap had been observed since as early as in the 1990s.

While mainstream economists had ignored the negative impact of the widening income/wealth gap, those who advocated social capital correctly pointed out the negative impact of the gap. They argued that the widening income gap deteriorated social capital, thus led to the deterioration of health. The widening income/wealth gap lengthens social distance among people. It will deteriorate trust toward society as a whole (generalized trust), and strengthen the trust among the group he/she belongs to (particularized trust).

Inaba (2008) summarizing the results of preceding works suggests that the causality mainly goes from economic equality to social capital, not vice versa. According to the paper, the mechanisms through which inequality affects social capital can be summarized as follows.

- 1) Inequality increases social distances between income groups. (Wilkinson [2005])
- 2) It is easier for the members of egalitarian communities than for those in communities with wide income and wealth gaps to share the same values. Conversely difficulties in sharing the same values will more greatly damage efforts for collective work between income classes (Uslaner [2002] ; Wilkinson [2005]).
- 3) Economic inequality may deteriorate the self-esteem of the have-nots and thus deprive them of the sense of collective work with the

- rich. This in turn deteriorates the social capital of the community (Uslaner [2002], Wilkinson [2005]).
- 4) Economic inequality may deteriorate the quality of social contacts for the poor. Although there is a strong incentive on the part of the poor to establish contacts with the rich, the rich lack incentives to have contacts with lower classes. Social contacts of the poor tend to be limited to those among the same kind of people, leading to further deterioration of their social capital (Uslaner [2002] ; Field [2003]).
 - 5) Economic inequality may accelerate the asymmetry of information. The have-nots tend to be put in a disadvantageous position in terms of both the quantity and the quality of information they can obtain, while the affluent tend to be in a better position. The latter can take advantage of their position and exploit the former. This makes the poor more distrustful of the rich and results in deterioration of social capital.
 - 6) Increased asymmetry of information caused by inequality may make a higher level of diligence necessary in transactions, thus increasing the transaction costs of the community as a whole. Although transaction costs often reflect the conditions of social capital, the relationship may be the reverse. Higher transaction costs may be accompanied by more friction, which can have an adverse impact on social capital (Zak and Knack [2001]).
 - 7) Excessive economic inequality may hurt people's expectation for the future. People become less optimistic about the future and may lose the get-ahead sentiment. People do not see any reason to conduct inter-class cooperation under a class society with a pessimistic view of the future (Uslaner [2002]). (Inaba 2008, p.5)

Unfortunately all these mechanisms have materialized. Economic inequality has had a seriously adverse impact on our society through the deterioration of social capital, and even has been endangering democracy, while mainstream economists have been concentrating on their patchworks ignoring the serious negative impact of the widening economic inequality.

As mentioned earlier, there is social capital with negative externalities. I would not say that social capital is a wizard's wand, one wave of that brings about solutions to every issue. However, even in the case of negative issues, social capital in broadly defined often provides a clue to identify the hardcore of the problem. Broadly defined social capital is indispensable in dealing with various contemporary issues by providing unique views other concepts cannot reveal.

3. New frontiers of social capital research⁽¹⁰⁾

Having viewed the merits of broadly defined social capital, let me turn to the new frontiers of social capital research. I can raise three points as mentioned below.

3.1 Reevaluation of the Commons in the era of AI

Elinor Ostrom, the first female Nobel laureate in economics became an ardent advocator of social capital in the last one and half decade of her academic life. Since her enthusiasm on social capital was derived from her study on the Commons, her definition of social capital includes institutions in place of norms (Ostrom & Ahn, 2009; Ahn & Ostrom, 2008). What she meant by institution is tilted toward informal rules among community members rather than formal laws and regulations stipulated

by central or local governments.

As illustrated by Ostrom (1990) and her colleagues (Ostrom et al. 2002), social capital functions as a base for the smooth management of the Commons suggesting social capital as a prerequisite for the sound management of the Commons.

Jeremy Rifkin reevaluates the role of the Commons as one of the three governing mechanisms of our society in tandem with the market mechanism and the government.

Until very recently, economists and historians regarded the Commons as a unique economic model whose relevance was inextricably tied to a feudal society. Over the past 25 years, however, a younger generation of scholars and practitioners has begun to reexamine the Commons as a governing model. They sense that its guiding principles, if updated and reworked, might offer a more practical organizational model for a transitioning economy where centralized command and control of commerce is capitulating to distributed, laterally scaled, peer-to-peer production, where property exchange in markets is becoming less relevant than access to sharable goods and services in networks, and where social capital is becoming more valued than market capital in orchestrating economic life. (Rifkin 2014, p.189)

If there is an essential theme to the Commons, it is that the people who know best how to govern their lives are the members of the community themselves. If there are resources, goods, and services that are public in nature and are best optimized by public access and use, then they are often best managed by the community as a whole. (Rifkin2014, p.195)

What was unique about the view point of Rifkin was that he found abundant examples of the Commons in today's high technology domains such as the development of Linux.

The GPL⁽¹¹⁾ became the vehicle for the establishment of a Commons for the free sharing of software. The license incorporated many of the paramount features Elinor Ostrom proposed for effective management of any Commons, most importantly the conditions of inclusion and the restrictions for exclusion; the rights governing access and withdrawal; monitoring sanctions and protocols for self-management; enhancement and stewardship of the resources, which, in this is the code itself. - - - There was a growing awareness of the Internet as a place where human beings create social capital rather than market capital. - - - That operating logic favors an open Commons form of democratic self-management. - - - The idea that much of the social life of our species is best optimized in the public domain makes "common" sense – after all, it is the arena in which we create social capital and trust. (Rifkin 2014, pp.211, 214, 219, the footnote provided by Inaba)

In fact, according to Rifkin, the Commons can be a governing system for the high tech world on the web if social capital prevails. Thus social capital is indispensable for creating high tech Commons. His justification to treat the arena for the development of high technologies as the Commons is as followings. That is, today's successive technological progress reduces marginal cost down to almost zero where goods and services can be treated as public goods.

There is no doubt that we need more detailed analyses before jumping into the conclusion. However, Rifkin did make a very important

proposition worth for further analyses from a view point of social capital study.

3.2 Needs for a national benchmark survey of social capital

Rifkin (2014) reevaluates the role of the commons as a governing mechanism in the era of AI, where social capital is of vital importance. Although there has been many surveys on social capital in Japan focusing on various local areas, there is no nationwide survey which provides a benchmark on the level of social capital. Without a benchmark, the peculiarities of communities from a viewpoint of social capital cannot be identified.

JAGES⁽¹²⁾ (the Japan Gerontological Evaluation Study) has been a phenomenal success revealing a number of evidences on the relation⁽¹³⁾ between social capital and health. They provide diagnoses on the social determinants of health including social capital for each of the participating municipalities. The study originally started as a local survey in Chita Peninsula in Aichi prefecture with the data of just 7057 senior citizens living in two municipalities in 1999. It has grown into a huge survey project. The fifth wave carried out in 2016-2017 gathered the data of as many as approximately 200,000 individuals age 65 or over in 40 municipalities. The results of the projects should be analyzed in comparison with a benchmark data which is a survey nationwide with all generations. However, there has been no nationwide survey on social capital which represents the entire Japanese population including younger generations.

The nationwide benchmark study of social capital could also provide a barometer on the soundness of our communities if it is carried out regularly, for instance, every five-year period like the Census.

3.3 Progress in the assessment of social capital in the era of AI

Progress in network assessment together with space assessment assisted by AI have been opening up a new frontier for social capital analyses. Originally, it was formidably difficult for researchers to draw a sociogram or a comprehensive picture of a community or a group. In addition, it was also formidably difficult for researchers to define the appropriate scope of a research mainly due to difficulties in getting appropriate data. They all suffered from the modifiable areal unit problem (MAUP). That is, the result could be changed depending upon the unit of the area used for the analysis. Because of these difficulties, researchers used proxies such as group participation rates and the frequencies of contacts with neighbors, friends and acquaintances, and so on. In many cases, there is practically no way to overcome the MAUP due to the availability of data. However, if researchers can overcome ethical issues, technological progress of ITC enables us to draw a sociogram of any groups by using, for instances, the exchanges of e-mails and SNSs. ITC also allows us to identify the center of information exchanges and, thus, we can identify the appropriate scope of a network.

4. Concluding Remarks

An eminent statistician Dr. Junji Nakano once made a following comment. “Human beings cannot beat machines. They cannot beat even bikes.”⁽¹⁴⁾

Regardless of our preference, AI will prevail in our society at least in areas currently under the market mechanisms sooner or later. It may be imperative for us to create new types of the Commons in the virtual

space based on our social capital to protect ourselves before the greedy market mechanism takes the fruits of AI.

Acknowledgments

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key words: social capital, commons, AI

- (1) With regard to the definition of social capital, Inaba (2013, p.332) defined “social capital as trust, norms of reciprocity, and networks that are associated with externality effects which operate through perceptions and cognitions or in the minds of the actors.”
- (2) “I beg to differ, and insist not only that social capital should be critically addressed, but that it should be discarded as a result” (Fine, 2010, p.207) Fine (2001) and Fine (2010) provide most comprehensive analyses on flaws of social capital. The author owes a great deal to the insights shown in these two books.
- (3) “With all social theory reinterpreted through its prism, a common feature of a typical social capital article can be its adoption of the form social capital plus X, or vice versa. Whatever I or even somebody else, published before, I can publish again as if a new contribution.” (Fine, 2010, p.32).
- (4) My knowledge on the micro-macro link is based on Alexander et al. (1987).
- (5) Ko (2005) gives the detailed description of the annual schedule of a deputy head in charge of the operation of the festival for a neighborhood. The deputy spent 53 days attending 130 meetings during a nine-month period from January to September in 2003.
- (6) The description of this part is based on two mail surveys and over 50 interviews I carried out in the past 12 years.
- (7) Based on a remark made by Prof. Rei Goto at the luncheon seminar 8 titled “Behavioral changes from the viewpoint of behavioral economics – bright sides and dark sides”, at the 75th annual meeting of Japan Society of Public Health on 27th of October 2016 held in Osaka. The remark was made in answer to a question concerning the durability of incentives. Besides the remark, there are numerous cases in which behavioral changes does not last long without social capital.
- (8) Refer to Inaba (2017) for a further detailed analysis on corporate misconducts from the view point of social capital.
- (9) Please refer to Inaba (2019a) on the analysis in which I extended the logic to democracy.
- (10) This section as well as the concluding remarks is based on Inaba (2019b) originally written in Japanese, translated by the author with some

additional modifications.

- (11) The GPL stands for General Public License. It stipulates the framework for free software licensing, which is called “copy left” in contrast with “copy right.” (Rifkin 2014, p.214)
- (12) https://www.jages.net/about_jages/ accessed on May 22, 2019.
- (13) Not an association which might be derived from coincidences.
- (14) A comment given by Dr. Junji Nakano, the former Director General of the Japan Statistical Society, in his speech on AI, January 20th 2018 at Nihon University.