Social Capital and Entrepreneurship in a Regional Context: The Case of Spanish Regions

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1 Introduction

In the history of economic analysis different variables have been considered to explain the progress of the nations. Traditionally mainly quantitative variables have been considered. During the twentieth century with the introduction of the endogenous growth models and the improvement of the statistical methods and data information, the qualitative variables have been quantified. Examples include: democracy, corruption, rule of law, social capital and entrepreneurship. Such variables now have their quantitative measures that are used in analyzing many economic issues.

Social capital is not a new concept. The name “social capital” was formulated by Hanifan (1920) in the first decades of twentieth century. Earlier economists have also considered the concept of social capital. For instance, in Adam Smith’s (1776) writings it is possible to find references to this concept and its effects on productivity and economic growth. Alfred Marshall (1890), among others is also another example to be considered. Social capital is produced and contained by in social relations; it is not resided in material objects possessed by individuals. It is a result of behaviour
strategies pursued consciously or unconsciously by individuals trying to obtain present and/or future advantages (Bourdieu 1986).

On the other hand, entrepreneurship activity is a way to increase the employment rate and the production. It implies, among other things, that someone discovers the possibility to obtain some profits and then decide to invest. However, it is not a new variable. In the economic literature it is possible to find several references to this concept.

Therefore, entrepreneurship has positive effects on economic growth. For this reason it is interesting to determine the factors that are entrepreneurship enhancing. Several have been considered, especially related to public policies and economic behavior. However, social capital could have a relevant role in the process, because the existence of established organizations can actively encourage the pursuit and development of new activities. And social capital plays a relevant role in this encouragement, facilitating sometimes the necessarily resources to create a new business.

The main goal of this chapter is to analyse the relationship between social capital and entrepreneurship. In section two we will consider the definition and characteristics of social capital. In section three we will analyse the relationship between social capital and entrepreneurship. In section four we will develop an empirical analysis for the case of the Spanish regions. Next section we will consider the main conclusions.

2 Social Capital Definition

Social capital concept has been mainly developed by sociologists and economists who have recently introduced it in their analysis. Recently, this concept has been introduced in the economic growth analysis (for a broad analysis of this concept, see Fornoni et al., 2008).

Different definitions of social capital have been considered in the literature. This conceptual vagueness has had two main consequences. First, it has facilitated its use among the social studies. Second, it has been an impediment to the empirical and theoretical social capital research. For example, Coleman (1990) highlights the social structure of the entities and their ability to facilitate some activities of the individuals; Narayan and Prichett (2000) consider economic effects and the strengthen of the linkages among individuals; Burt (1992) highlights the contacts among individuals and the possibility of using other kind of capital; Portes (1998) considers the capacity of individuals to use scarce resources and attributes to their membership in networks. Putnam (1993) distinguishes between the linking relationships among dissimilar individuals that would be