No Black Box and No Black Hole: from Social Capital to Gift Exchange

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Abstract	In this paper, we draw on the literature about gift exchange to suggest a conceptualization of the emergence, maintenance and use of social capital (SK). We thus open up the black box of how social relations are established, and are able to indicate what can be meaningfully ascribed to social capital. Social capital as a concept cannot be invoked at will to explain situations that are primarily perceived as favorable. Instead, when the way in which social capital emerges, maintained and used is conceptually clarified, it becomes clear that situations perceived as unfavorable can be ascribed to SK as well, and it becomes clear that SK cannot be drawn on at will, by just anybody. SK resides in what we call a social capital community.
Free Keywords	Social Capital, Gifts, Reciprocity, Social Exchange, Social Capital Community
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No Black Box *and* No Black Hole:

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1. Introduction

Does social capital matter for organizations? Social capital resides in members of a group, and in their relations. Social capital may extend to (parts of) a company, and may extend beyond the company. Understanding social capital is relevant for understanding what is going on within and between companies. How does social capital emerge, how is it maintained, and how is it used? The vast literature on social capital has only begun to address these questions.

Over the years, the concept of social capital has gathered attention at an extraordinary rate. Fine (2000) states that social theory is currently being rewritten through the lens of social capital. The idea that relationships and social networks are a valuable asset, in that they can facilitate action, is the common denominator. As such, much of the attention of scholars has focused on the tangible benefits social capital can provide, and has, as such, been put to the test in a wide variety of contexts (e.g. Adler & Kwon, 2002; Field, 2003; Fine, 2000; Portes & Sensebrenner, 1993; Woolcock, 1998) demonstrating its relevancy in those contexts. Despite its popularity, social capital has not yet crystallized and it is still hampered by the lack of a common definition regarding the concept and its elements (Adam & Roncevic, 2003). Furthermore, much attention in the literature has been directed to identifying social capital and less so to issues of how social capital is created, how it is put to use and how it is maintained. These processes are not self-evident: the benefits of social capital do not materialize at will and not every individual is likely to benefit to the same extent.

The focus of this paper is on relations between individuals in a community and the cooperation between them. These relations will be studied by reviewing the economic and management literature on social capital, supplemented by the literature in sociology and anthropology on gift exchange. This latter literature focuses, on the one hand, on gift exchange as a possibly instrumental exchange of resources, services or information. On the other hand, in line with Homans (1951), the literature reveals that relatively frequent gift exchange generates cohesion and commitment to exchange relations (Lawler et al., 2000) where people are more likely to invest in mutual relationships under such circumstances (Mauss, 1954; Bourdieu, 1977; Larsen and Watson, 2001). From this literature, social capital emerges as a consequence of exchange relations, capturing the procedural aspects of social relationships. The literature on gifts suggests mechanisms for reciprocity, equity, interpretation/meaning and the strength of a relationship, which may be tied up with the existing literature on social capital.

In this article we conclude that socials capital, as a concept, remains a black box in the sense that the mechanisms that constitute it remain underdeveloped *and* that it is a black hole in the sense that many empirical phenomena are attributed to its presence. The literature on gift exchange suggests ways of opening the black box by exploring mechanisms, proposing that creation, use and maintenance of social capital is to be understood as a corollary of gift exchange.

2. Social Capital

The concept of social capital was mainly developed in the late 1980s. Although the first use of the term social capital has been credited to Hanifan in 1916 (Dika & Singh, 2003; Fine, 2000), Bordieu (1986), Coleman (1988) and Putnam (1993) are considered to be the founding fathers of the concept of social capital although their approach and conceptualization of social capital differ substantially. Many of these differences result from the respective points of departure or perspectives. The most contentious point for discussion is whether social capital is an egocentric or a sociocentric concept – i.e. does it reside in individuals or in the relations between them (Adam & Ronsevic, 2003; Adler & Kwon, 2002)? Most authors, however, agree with Coleman that social capital deals with aspects of social structure which enable social action; social relationships can act as a resource for social action (Coleman, 1988; Burt, 1992; Bourdieu, 1986). Tentatively, one may describe social capital as the sum of actual or potential resources embedded within, available through, and derived from the social structure that facilitate exchange and social interaction. As a function of the configuration and content of the network of more or less durable social relations, one can access social capital either directly or indirectly. Social capital thus emerges as the intended, instrumental *or* unintentional result of social interaction or exchange.

Adler & Kwon (2002) have argued that social capital has a number of characteristics. First, social capital can be invested in, for instance one can expand or deepen one's network of external contacts thus enlarging the stock of social capital (Bourdieu, 1977, 1986). Second, social capital is appropriable in the sense that an actor's network can be used for different purposes by the focal actor and not by others (Coleman, 1988; Bourdieu, 1986). Third, social capital needs maintenance as social ties may weaken due to relational atrophy (Cheal, 1988). Four, social capital resides in individuals as well as in mutual ties. As a result, if one party defects on or terminates the relationship, social capital vanishes. Social capital in some ways resembles a "collective good" (e.g. Coleman, 1988). Although one can 'own' social capital, it is not one's private property since it resides in the ties between individuals. However, unlike a pure "collective good", one can exclude others or be excluded by others from social capital's benefits.

Nahapiet and Ghosal (1998) claim that social capital can be argued to have three dimensions: a structural component, a relational component and a cognitive component. The structural dimension describes the totality of impersonal configuration of linkages between actors (Nahapiet & Ghoshal, 1998; Scott, 1991; Wasserman & Faust, 1994). According to Coleman (1988), social capital is accumulated history in the form of a social structure appropriable for productive use by an actor in the pursuit of his interests. Among the most important facets of the structural dimension we can identify the presence or absence of network ties between actors (Scott, 1991; Wasserman & Faust, 1994). The significance of an actor's social capital is not exclusively determined by the number of direct and indirect ties and the respective resources that the individuals have at their disposal. The structural embeddedness or configurations of ties that make up an individual's exchange network play a role as well. Thus the configurations of the focal actor's exchange network affect the quality of someone's exchange network and therefore his social capital. Networks – defined as specific types of relations linking sets of people, objects or events (Knoke & Kuklinski, 1982) – may be just one example of the structural dimension of social capital.

Secondly, the relational dimension focuses on the specific content of an individual's ties: how individuals perceive their contacts, over and above the quantity of ties. The emphasis is on the behavioral embeddedness of social relations, which "describes the kind of personal relationships people have developed with each other through a history of interactions" (Granovetter, 1992).

Thirdly, the cognitive dimension of social capital deals with that aspect of the social infrastructure which represents shared meanings and interpretations. As Edwards and Foley (1997) have argued: "social capital cannot be conceived in purely structural terms because even in its structural sense it carries a cultural freight ('expectations, obligations, trust') that is nested in structure but not simply reducible to structure. Second, what is equally clear about the cultural component of social capital is that it is appropriated by individuals but is not simply an attribute of individuals…….. It is precisely this socio cultural component of social capital that provides the context with which it acquires meaning and becomes available to individuals and groups in a way that can facilitate an individual or collective action not otherwise possible". The cultural dimension then represents a resource in that it provides shared understanding among parties (Nahaphiet & Ghoshal, 1998; Cicourel, 1973). If one were to take a sociocentric position, one would obviously be more inclined to emphasize this cognitive dimension.

Coleman (1988) emphasizes that social capital constitutes an aspect of the social structure and is capable of facilitating the actions of individuals within that structure. These actions relate to the (potential) benefits of social capital, identified and categorized by Sandefur and Laumann (1998): information, influence and solidarity. These benefits allow actors to achieve ends which would be impossible to achieve without social capital, or only by means of (significant) additional costs.

A substantial amount of research, in difference areas, has focused on the (mostly positive) consequences of social capital (e.g. Alder & Kwon, 2002; Jackman & Miller, 1998; Field, 2003; Fine, 2000; Portes & Sensebrenner, 1993; Woolwock, 1998). Significantly less has been written about the way social capital is created en maintained, which is at stake in this paper. Or, as Ulmann Margalit (1977) argues: an explanation is incomplete if the How-question is not addressed in addition to the Why-question.

3. The Source of Social Capital: Gift Exchange

The literature on social capital has little to offer regarding the *sources* of social capital. Social capital appears to emerge from a black box, and is enigmatically invoked to explain a plethora of phenomena – mostly good but sometimes bad. In that respect it is like a black hole.

Some authors have hinted at possible sources for social capital, leaving most of the elaborations for later. Putnam (1993) points at norms, trust and network ties as sources of the creation and maintenance of social capital. For Coleman (1988) social capital results from properties of social structures, most notably network closure and multiplex ties, but this seems to raise an even larger amount of questions. According to Portes (1998) the motives of recipients and donors are sources of social capital . She distinguishes between consummatory motives, referring to an internalized norm resulting from socialization during childhood and/or from a shared faith, and instrumental motives, referring to access to resources. The viability of instrumental motives in the creation of social capital results from the creation of mutual obligations and enforceable trust. Bourdieu (1986) emphasizes the instrumental nature of social capital construction.

Bourdieu (1986) and Coleman (1988) argue that social capital can be formed purposefully as well as unintentionally. Social capital may result from instrumental behavior. Bourdieu emphasizes the role of social obligation, trust and the advantages of connections in social capital (Smart, 1993). Bourdieu ( ) underlines the fact that connections and obligations are not givens, but are the product of investment strategies "consciously or unconsciously" aimed at establishing or reproducing social relationships that are directly usable in the short or long term. Thus, self-interested and otherwise purposive actors may strategically enter into certain kinds of relationships (Coleman, 1990, 1994; Field, 2003; Portes, 1998; Sandefur & Laumann, 1998). Coleman (1994) cites examples of individuals' intentional creation of obligations by, for instance, performing unsolicited favors and giving gifts to others. These obligations become a basis for future exchange. Coleman in particular argues that they are a kind of 'entitlement' to future social support. Social capital may also be a byproduct of broad spectrum of activities, and many investments in social capital are not intentionally made as such. Social capital may emerge and vanish as a byproduct of activities engaged in for reasons other than the accumulation of social capital (Coleman, 1988, 1990; Field, 2000; Sandefur & Laumann, 1998; Paldam & Svendsen, 2000). In addition, its value is often as much for the broader public as for those individuals who actually belong to and have invested in the relations (Coleman, 1988; Field, 2003).

In this paper we will draw on the concept of gift exchange, developed predominantly in the anthropological literature, as a concept which allows social scientists to understand how relations emerge, how they are maintained, and how they may be drawn on. As Portes (1998) has pointed out: "Resources obtained through social capital have, from the point of view of the recipient, the character of a gift".

Gift exchange and emergence of social capital

The vast literature on gift exchange points out that gift exchange plays a vital role in the construction of social networks (Cheal, 1996; Larsen & Watson, 2001; Gouldner, 1960); gift dimensions are used to initiate, maintain, or sever relationships with individuals or groups (Belk, 1979; Sherry, 1983; Larsen & Watson, 2001; Cheal, 1996; Darr, 2003; Mauss, 1954; Gouldner, 1960). Frequent gift or favor exchange leads to positive emotions and uncertainty reduction which, in turn, generates cohesion and commitment to exchange relations (Lawler et al., 2000).

In contrast to popular belief, gifts may be exchanged for both instrumental as well as for more purely altruistic reasons. Classical anthropologists such as Mauss and Malinowski have argued persuasively that, indeed, the exchange of gifts is motivated by self-interest in many cases. Even when altruistic motives play a role, these tend not to be unrelated to the motive of self interest. By drawing on the well-established research on gifts, one is able to incorporate all of the dimensions that are attributed to social capital, as well as clarify how social capital is established and maintained.

The literature on gift exchange points out that gift exchange is a form of ***instrumental*** behavior and takes place in a context of quasi enforced reciprocity, but can also be an ***unintentional by-product*** (Blau, 1964, Bourdieu, 1977, Heath, 1976; Homans, 1974; Mauss, 1954). Rose-Ackerman (1998) points out that gifts, presented to people and institutions in a position to benefit the giver, actually come close to being prices (or, depending on the situation, even bribes) – if the appropriate ritual is not adopted (Smart 1993).
Gift giving may be a strategic, self motivated action meant to create an obligation in the exchange partner to reciprocate (Bourdieu, 1977; Humphrey & Hugh-Jones, 1992; Darr, 2003). The generosity and voluntarism observed in gift giving may be an illusion and only be altruism in appearance (Blau, 1964; Mauss, 1954). Ostensibly, there is not necessarily an expectation of equivalent or formal return ([Beals, 1970] quoted in Sherry, 1983), but in reality the purposive focal actor – consciously or unconsciously (Komter, 1996; McGrath et al., 1996; Levi-Strauss, 1996) – takes into account past and or future outcomes for the self, and is at least partly motivated by the expectation of some return gieft, whether direct (such as power over others) or indirect (such as social approval) (Blau, 1964). As Zucker (1986) argues, creating trust is an *implicit* role of gift exchange; that role should not become explicit, however (Bourdieu 1992, Darr 2003). It is, nevertheless, this equity over the longer term that makes the exchange mutually beneficial and therefore its existence and continuance is reasonable (Cook & Emerson, 1984). Enforcement is self-regulating, since, between equals, if one partner fails to reciprocate, the other actor is likely to discontinue the exchange (Nye, 1979).

Because gift exchange is generally unbalanced when viewed at one particular point in time, a longitudinal perspective more accurately reveals the nature of gift giving. A deferred return obligates one individual to another, and creates 'social debt'. Significant time may pass between the gift and the counter-gift. Gift exchange is carried out without a legal contract (Ferrary, 2003), but instead informal existence of interpersonal relationships and trust makes it possible to leave the particulars of the exchange unspecified (Uehara, 1990; Zucker, 1986). If the obligations could in fact be enforced and imposed on by third parties we would be talking about market transactions.

Gift exchange is a distinct form of exchange that is characterized by a set of **three principles** that Marcel Mauss (1954) has been very adamant about. As part of a community, anybody is obliged to (1) give, to (2) receive[1] and to (3) reciprocate (cf. Dore 1983; Gouldner, 1960; Levi-Strauss, 1996; Malinowski, 1996; Sahlins, 1996; Schwartz, 1996; Simmel, 1996). The imperative nature of this three-fold obligation derives from its cultural embeddedness (Sherry, 1983). These obligations are certainly social in that they are enforced by the community. In addition, they have moral overtones (Mauss 1954). As a result, donors and recipients feel psychologically obliged to act according to the principles (cf. Schein, 1965). In a situation where this psychological contract is violated, one will question the reciprocal goodwill of the other. Acceptance of the gift is, to a certain extent, acceptance of the giver and the relationship between the parties (Larsen & Watson, 2001; Carrier, 1991). It is also an acceptance of the perception that the giver has of the receiver. It is for this reason that a gift which is perceived as improper by the receiver may be rejected, may fail to initiate a relation, and may harm an existing relation. Refusal of the initial gift marks the refusal to initiate the dynamic of exchange, thus to refuse a gift is to refuse a relationship and one's role in that relation (Ferray, 2003; Mauss, 1954). Reciprocity is open to discretion as to the value and form of the counter gift: the currency with which the obligation is repaid can be different from the form with which they were incurred. Schwartz (1996) states that it is even prohibited to make an equal-return 'payment' (homeomorphic reciprocity) in gift exchange which is tantamount to returning the offered gift to the donor and discontinuing the relationship. Gift exchange is diachronous since reciprocity is open to discretion with regard to time; a gift is not reciprocated by immediate compensation, but instead by a deferred form of compensation (Mauss, 1954; Bourdieu, 1977; Ferray, 2003.; Deckop et al., 2003). The 'objective' value of the counter-gift may be ostensibly lower then the original gift if circumstances permit this. If the party who is originally at the receiving end is evidently not in a position to return gifts of approximately equal value he need not do so – he may not have enough resources, but there may also be other reasons for the scales being 'objectively' out of balanc, even permanently. Material value of gifts exchanged can also be compensated for by obvious inculcation of immaterial value –such as time, effort and creativity– in the counter-gift. The instrumental nature of gift exchange can also be apparent when a dependent party who is evidently less well endowed gives to a more central party, being better endowed, in the expectation to receive in return, but certainly not something of equal value. The instrumental reason for giving in the first place is to be able to establish a relation that will be beneficial in the long run, possibly by being able to tap into the other relations that the receiving party maintains (Ferrary 2003). Thus, the exact nature or moment of the counter-gift is necessarily not specified beforehand – gifts are 'silent' as it were (Bourdieu, 1977; Gouldner, 1960; Mauss, 1954; Deckop et al., 2003). Many scholars emphasize that the return-gift should ultimately be of roughly equivalent value, however this equivalence refers to equivalence as defined by the actors involved, including their inter-subjective understanding of the value of the gifts actually exchanged. 'Objectively', even in the long run, the exchange might not be equal in value (Gouldner, 1960).

The discussion of the literature on gift exchange leads us to the following propositions:

Proposition 1: Gift exchange allows for a common bond to be established and maintained ('social capital'), and thus contributes to value creation by providing access to resources.

Proposition 2: In order for Gift Exchange to establish and maintain a relation, it should not be ostensibly motivated by the counter-gift anticipated.

Proposition 3: No start or continuation of cooperation without some form of gift giving – including within and between firms

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[1] Remember the proverb "never look a gift horse in the mouth"; "never criticize or express displeasure at a gift" (Seidl

Virtually any resource – material or immaterial, tangible or intangible, of high or low value – can be transformed into a gift or favor (Blau, 1964, Heath, 1976; Homans, 1974; Sherry, 1983). Gifts may be flowers, a box of chocolates, an invitation, a handshake or joke, a suggestion or tip one knows to be relevant, attention or heed, knowledge and ideas. A gift may even take the form of money, if and when given with the proper ritual such as a gift-wrapping (Zelizer 1997; Khalil 2004). The alteration from a resource to a gift is realized by observing and keeping in mind the social relationships, the proper occasions, and using the signals that accompany gift giving. Relations start with gift giving, as they convey the message that one intends to relate to the other, and has a specific perception of the other as someone who would appreciate the gift offered and is willing and able to offer a counter-gift the original giver would also appreciate. A first gift is in fact an offer to become a member of an existing, what we would call, *Social Capital Community*, or, alternatively, a request to be allowed to join the Social Capital Community of the receiving party. Given the possibility to offend the receiver by giving a gift, the original gift will not be idiosyncratic. The more a first gift signals a specific perception of the receiver and his context, the bigger the chances of offense are. The more obviously valuable a first gift is, the more the giver is likely to signal that the gift is actually a bribe or price. Gift exchange thus serves both ***economic*** and ***social purposes*** (Belk, 1979; Larsen & Watson, 2001; Cheal, 1996), and may be mutually supportive (Ferrary 2003; Smart 1993).[2] While gift exchange is necessarily between individuals, these individuals may be from the same organization (e.g., Flynn 2003), or from different organizations (e.g., Ferrrary 2003). The individuals may, of course, represent organizations, even formally. Gift exchange has been regarded by some as a purely economic exchange between two parties (Larsen and Watson, 2001). Gift exchange is not merely an economic transaction, however, it is also a good in itself, a 'process benefit', establishing or affirming, but possibly also damaging or destroying a personal relationship (Ferrary 2003; Offer, 1997). Gifts not only transfer utility but are also social interactions embedded in social structures (Cheal, 1996). The relation

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& McMordie, 1978).

[2] Some have argued that gift exchange may be the only type of exchange to create a commercial product that can be used – open source software being a case in point (Zeitlyn 2003).

between giver and receiver is primarily personal and can therefore have a value independent of and in addition to their instrumental function of regulating transactions (Rose-Ackerman, 1998). As there is a limit to the number of relations (ties) one is able to sustain – especially if the ties are strong ties – there is necessarily a boundary to one's immediate Social Capital Community. One may be able to tap into the social capital that inheres in more indirect ties, but only if one's direct ties allow this. Darr (2003) claims that gift exchange and market transactions are 'inextricably intertwined' in contemporary markets. Smart (1993, p.389) avows we should "avoid the Scylla of assuming that gift exchange and market exchange are completely different types of relationships and the Charybdis of dissolving the distinction in a unifying theoretical practice of explaining all actions as outcomes of the strategic pursuit of the advantage of the agent" (cf. Dore 1983).

Proposition 4: Gift exchange will not extent beyond an (emerging) Social Capital Community.

Maintenance of social capital

Gift exchange not only facilitates the exchange of resources it also effects the realm of social relations. Gift exchange, if and when performed using the appropriate rituals, establishes and maintains relationships between individuals.

The social capital that inheres in these ties and relationships between actors can be **appropriated** for different purposes. Being connected is a resource in itself since people are able to make use of their connection to obtain other benefits. An important mechanism that underlies this aspect of social capital is reciprocity which was shown to be an important element of gift exchange. Gift exchange is seen to strengthen the rights of the provider to call upon the receiver and the obligation of the latter to provide it at some future point (Blehr, 1974; Uehara, 1990). Or as Sherry (1983) formulates it "to avoid feeling inferior and to safeguard reputation, the recipient must reciprocate. Failure to reciprocate appropriately can result in an asymmetrical relationship". Reciprocity then gives rise to obligations, that are created between gift exchanging individuals, which according to Coleman (1990) can be considered as credit slips which can be put to use when the actor requires its use. These 'credit slips' or obligations then facilitate the mobilization and appropriation of existing ties and relationships. In determining whether the resources could be called upon in practice, Coleman identifies two 'crucial' context specific elements namely; the 'actual extent of obligations held' and 'the level of trustworthiness of the social environment'. Burt (1992) concludes that trust is an essential characteristic of obligations since we never know a debt is recognized until the trusted person reciprocates.

Another important aspect of social capital, as defined by Adler and Kwon (2002), is the fact that it needs ***maintenance***. Gift exchange can be considered as an investment to create a relation that can be drawn on later and that can thus be referred to as social capital (Bourdieu, 1986; Nahapiet & Ghosal, 1998). "Gifts can be described as an investment in the relationship between donor and recipient. The greater the value of the gift, the more substantial the investment" (Larsen & Watson 2001, p.). The generosity and voluntarism observed in gift giving may be an illusion and only an apparent altruism (Blau, 1964; Mauss, 1954). Indeed, social capital is not simply there for anybody to use, as both Coleman (1988) and Putnam (1993) assume. Investments are necessary since connections are not givens but require continuous effort (Bourdieu, 1977, 1986). Gift exchange engenders the relationships in which social capital can be said to reside (Bourdieu, 1986; Nahapiet & Ghosal, 1998). The symbolic denial of economic calculation of gift exchanges then serves the requirement of strategic interaction (Bourdieu, 1977).

Social relationships and group boundaries are formed and sustained through the perpetuating exchange cycle of giving and receiving (Ruth et al., 1999). The latter aspect of the gift, its instrumentality in *maintaining* social ties (Belk, 1979; Cheal, 1988; Mauss, 1954; Ruth et al., 1999; Sherry, 1983; McGrath et al., 1996), is highlighted by Belk and Coon (1993) who stress that gift giving creates a bond of goodwill and social indebtedness between people. In their argument, instrumental and altruistic motives are not so neatly separated. This indebtedness is what highlights gift giving as an exchange and perpetuates the exchange process – as long as the scales are not balanced. Gift exchange then establishes repetitive, self enforcing bonds (Offer, 1997); the outstanding obligations between the exchange partners make it expedient not to break off relationships, for both 'creditor' and 'debtor' as both have an interest in maintaining their long-term relation (Gouldner, 1960). On the other hand, however, it has been argued that a person should not maintain a pattern of gift exchange that is (perceived as) highly unbalanced. This will not only affect his sense of emotional state of mind, but if it were to occur within a firm, for instance, this unbalance would make it less productive (Flynn 2003). Being perceived as a creditor, rather than as a debtor, however, does increase one's status or reputation within a community, something which may best be done by exchanging gifts frequently (Flynn 2003). An organization where gifts are exchanged is a caring organization where knowledge creation and diffusion is more likely to occur (Von Krogh 1998).

Social capital inheres in the ties between individuals and thus takes both parties to be drawn on. A counter-gift cannot be legally enforced and is by its very nature part of the social realm. Individuals can be (purposefully) **included** as well as **excluded** from a Social Capital Community. Understanding the emergence, maintanence and possible disappearance of social capital as arising from gift exchange, it becomes clear how and why boundaries are drawn between (groups of) social individuals, resulting in processes of inclusion and exclusion (Dolfsma & Dannreuther 2003).

Proposition 5: A relation with another person in one's Social Capital Community cannot be drawn on at will, demanding whatever counter gift, by any member

Proposition 6: As a return gift cannot be (legally) demanded, it matters crucially *how* relations in a Social Capital Community are drawn on to elicit a counter-gift if and when needed.

Use of social capital

As Levi-Strauss (1996) puts it: “to give is to receive”. The literature on gifts, as well as empirical findings on gift exchange, show that those who give more are also the ones who receive more (Komter, 1996).[3] Actors can try to shape their environment to become members of a group (inclusion) – giving them access to the benefits of social capital present in that particular group. Actors who are unable or unwilling to give, prove to be the poorest recipients (Komter, 1996) - both a cause and an effect for those individuals to have no social networks (Gouldner 1960). Komter (1996) has, consistent with the abovementioned, observed that “people seem to choose – probably mostly not consciously – those social partners in their gift relationships who are attractive to them, because they can expect them to give in return at some time”. Homans (1950) points out that “the higher a man’s social rank, the larger will be the number of persons that originate interaction for him” (cf. Darr 2003). Bodeman (1988) point out that powerful people –being in a position where they are in a position to confer benefits – will receive more gifts than less powerful individuals, so that they might be more likely to reciprocate the focal agent. The (less-extended) social networks of less powerful or resource-rich individuals lead to less participation in gift exchange and diminishing opportunities to develop feelings of ‘faithfulness and gratitude’ (Simmel, 1996). Individuals may very well seek supportive relationships with network members who have different – not just more – resources (see, e.g. Lin and Dumin, 1986). Even though Mauss has stated that gifts should be accepted, there are ways one may prevent from being offered one. Rejecting a gift publicly offered is an offense for both parties. Anticipating that a gift may not be accepted or signaling that a (particular kind of) gift will not be deemed appropriate prevents one from having to reciprocate later, preventing the establishment of a relation or inclusion into a Social Capital Community. Also: an exchange of gifts can start or go awry. As the gift signals the kind of person the giver is (wants to be), the perception by the giver of the receiver, as well as the perception by the giver of the relationship as it exists, there is scope for misunderstandings to arise.

Certainly because of the necessarily 'silent' nature of the gift. As Sherry (1983) points out: "those to whom we give differ from those to whom we do not give".

While trust can thus emerge and grow due to gift exchange, it can vanish as well: "Risk-taking and trusting behavior are thus really different sides of the same coin" (Deutsch 1958, p.266; cf. Mayer et al. 1995). Trust may be betrayed (Elangovan and Shapiro 1998), but if it works, transaction costs can go down substantially, conferring economic benefits to the parties involved as well as social ones (Dore 1983). If the wrong gift is offered in the wrong way, a relationship will not start off and an existing relationship can seize to exist, destroying all the social capital that existed between parties in the process. Not only will the parties involved miss out on a potentially lucrative relation, they may also lose 'face' (Smart 1993).

Knowing the right people and moving in the right circles is a good start but does not mean that one can use the social capital present. Social capital, as the discussion of gifts suggests, does not float around in the group, but exists between concrete individuals and are tangible expressions of their social relations (Sherry, 1983). One person is not generally in a position to profit from the social capital present in the relation between a second and third person. A focal actor can be excluded; gifts can be a medium through which social boundaries are expressed, frequently invoked in ritual (Smart 1993; Schneider, 1981 [from Sherry, 1983]; Dolfsma & Dannreuther 2003). Reciprocity in gift exchange should not be exclusively considered as affirming or reinforcing social networks (Komter 1996). Douglas and Isherwood (1979) succinctly observed that 'reciprocity in itself is a principle of exclusion'.

4. Discussion: no black box, no black hole

Emerson (1981) and Gouldner (1960) conceive exchange relationships as being predicated upon dependence of two parties on each other's resources. Thus, in a situation of dispersed resources, exchange becomes a necessary condition for resource combination (Moran & Ghosal, 1996; Nahapiet & Ghosal, 1998; Tsai & Ghosal, 1998). Bargaining power of participants will vary according to alternatives sources of

[3] This principle is also succinctly captured by the biblical wisdom " Remember this: whoever sows sparingly will also

supply open to them (e.g. Heath, 1976). The giving of gifts is then a way of conferring material benefit on a recipient (Sherry, 1983). Ostensibly, there is no expectation of equivalent or formal return ([Beals, 1970] from Sherry, 1983). Although – again ostensibly – the act of giving takes precedence over the gift itself, acknowledgement of the gift invariably involves reference to the value and benefit of the gift (Sherry, 1983). The value of a gift is not necessarily defined by the price in the marketplace but is likely just as much to be a reflection of factors other than the ones one associates with the market place such as scarcity, monetary price and alternative sources of supply (Belk & Coon, 1993).[4] For exchange between individuals to be efficient, the intended exchange must be obtained at the lowest cost possible. Gift exchange can lead to lower transaction costs since it allows individuals to trade with one another without relying solely on formal mechanisms such as legal contracts and litigation. It is believed by most exchange theorists that actors will engage in exchange if both parties believe that exchange provides them with more utility (satisfaction) than any other option currently open to them (Uehara, 1990). Offer (1997) and Ferrary (2003) point out that under certain circumstances reciprocal exchange, without the presence of a contract or financial compensation, is preferred. Firstly, not all goods exchanged are merchandisable in the sense that their circulation cannot be transmitted via the market with a commercial contract and a monetary counter payment (for example certain types of information). Secondly, reciprocal exchange has been preferred when trade involves a personal interaction, and when goods or services are unique, expensive or have many dimensions of quality.

Gift exchange opens up the black box of social capital. Discussing social capital as the result of gift exchange, allows one to understand how social capital is created, maintained and used. This, in turn, makes clear what can and what cannot be usefully attributed to social capital and that, hence, not all good or bad can be ascribed to it, disappearing in a black hole. The phenomena of gift exchange shows that the social and the economic sphere should not be conceived of as separate spheres (Dolfsma, Finch & McMaster 2005). Through gift exchange one may initiate and maintain relationships, as (mutual) obligations are

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reap sparingly, and whoever sows generously will also reap generously” (2 Corinthians 9: 6) created in its process. A corollary of the cycle of giving and reciprocating, trust emerges and cooperation between the (exchange) parties involved is more likely to take root (Sahlins, 1996; Mauss, 1954; Gouldner, 1960; Euhara, 1990). As such, these benefits ascribed to social capital can now be properly understood.

Gift exchange creates and maintains social capital as a gift requires (Mauss) the receiver to give in return. Relationships between individuals are formed and sustained through the perpetual cycle of giving and receiving (Ruth et al., 1999). Frequent gift of favor exchange leads to positive emotions and reduces uncertainty, generating cohesion and commitment (Lawler et al., 2000). Repeated social interactions – only possible if the cycle is not obviously broken – makes it possible for trust to develop (Landry et al., 2002; Tsai & Ghosal, 1998; Adler, 2001; Williamson, 1993). The indebtedness of others to the focal actor allows him to call in favors from those who are indebted to him. However, the exact nature of the counter gift, nor the moment at which it occurs, can be fully determined by the focal agent. No formal, enforceable agreement is involved; if there would be such an enforceable agreement, one would have to speak of a market transaction. Building a new, what we call here, Social Capital Community, or extending an existing one requires protracted investments in the form of gift exchange. Gift exchange only occurs when both parties are willing and able to give, receive and reciprocate resources in a broad sense of the term. Thus, in time, social capital is created and sustained by exchange, but at the same time, once created, social capital facilitates exchange particularly in uncertain circumstances (Bourdieu, 1986; Nahapiet & Ghosal, 1998).

[4] Appendix I presents a formalized discussion on this, based on Boulding (1981).

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Appendix A

It is instructive to consider Boulding's (1981) formalization of the exchange of gifts (grants, as he calls them). He considers two individuals (A and B) exchanging two different goods (x and y, respectively). These x's and y's may be commodities, money, but may also represent "communications, information, threats, promises, affirmations, persuasions, and so on" (Boulding 1981, p.19). A sends out something, x, which he perceives as sending x_a, to B; B, similarly, may send something, y, which she perceives as sending y_b to A. When x_a and y_b arrive at B respectively A, they may be (perceived of as) different from what was intended: x_b and y_a. When there is a simultaneous exchange of commodities, a 'complete' market exchange emerges. In such a 'simple' market exchange, it may be unproblematic to assume that $x_a = x_b$ and $y_b = y_a$; only the solid arrows of Figure 1 need be considered. Such alignment of perceptions may not occur. Indeed, as Boulding (1981, p.21) argues: "in many forms, even in commodity exchange, the difference between x_a and x_b and between y_b and y_a may be of great significance." In many exchanges, then, flows of information and communication are involved: x'_a x'_b and y'_b y'_a – the dashed lines.

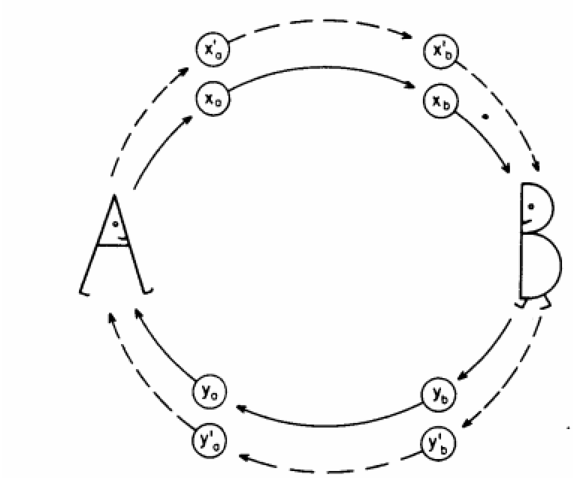

Figure A-1: 'Simple' Market Exchange (Boulding 1981)

The gift is then that exchange in which one of the commodity flow is zero, for instance $y_b = y_a = 0$. This is presented in Figure 2. At some later occasion, A will expect B to reciprocate, but reciprocation may not occur and the value of that which is reciprocated may not ‘objectively’ be similar or the same. There is, thus, considerable uncertainty involved in gift exchange.

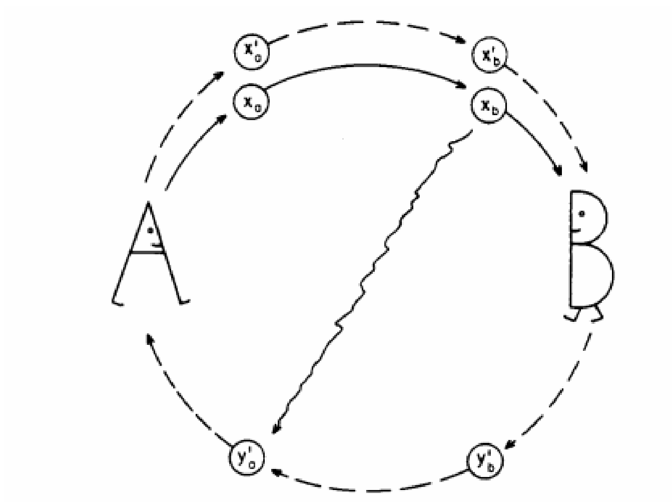

Figure A-2: Gift Exchange (Boulding 1981)

To the extent that gift exchange is instrumental, and thus motivated by self-interest, we may assume that some sense of a terms of trade (T) between A and B will play a role. If *v* is the quantity of x exchanged, and *u* the quantity of y, then the terms of trade for A in case of a gift from A to B will be T_a:

$$T_a = \frac{(y'_a \, u'_a)}{(x_a \, v_a) + (x'_b \, v'_b)} \qquad \text{(Equation A-1)}$$

The terms of trade for B can be determined by analogy.[5] One would then expect, pace Boulding and others who have emphasized the instrumental nature of gift exchange as mentioned in the main body of the paper, that both A and B will only engage in gift exchange iff: Ta, Tb ≥ 1. Part of the exchange, incorporated in $y'_a \, y'_b$ is the promise or recognition of the obligation of a counter-gift. The original gift will be given in the expectation of a counter-gift to come, and B will communicate to A that one is to be expected. Gift exchange will go awry if and when either the perception by B of good x given by A to B (x_b) or the understanding by A of the signals from B (y'_b) are misguided. In a knowledge economy, information-communication can in fact be what is expected as a counter-gift; in the present framework, consistent with Bouling's argument, this would be y_b y_a and not y'_a y'_b. Assuming continued interaction, at some later moment in time, another exchange similar to that of Figure A-2 will occur, in opposite direction.

[5] The discussion presupposes cardinal utility or an objective determination of value, but, according to Boulding (1962), one can reformulate in terms of ordinal utility or (inter-) subjective value.

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