



Advances in Education in Diverse Communities: Research, Policy and Praxis

Emerald Book Chapter: The Decline of Social Capital in Urban China

Weijie Wang

Article information:

To cite this document: Weijie Wang, (2012), "The Decline of Social Capital in Urban China", Carol Camp Yeakey, in (ed.) Living on the Boundaries: Urban Marginality in National and International Contexts (Advances in Education in Diverse Communities: Research, Policy and Praxis, Volume 8), Emerald Group Publishing Limited, pp. 489 - 510

Permanent link to this document:

[http://dx.doi.org/10.1108/S1479-358X\(2012\)0000008024](http://dx.doi.org/10.1108/S1479-358X(2012)0000008024)

Downloaded on: 21-05-2012

References: This document contains references to 45 other documents

To copy this document: permissions@emeraldinsight.com

(c) Emerald Group Publishing Limited

Access to this document was granted through an Emerald subscription provided by Emerald Group Publishing Limited

For Authors:

If you would like to write for this, or any other Emerald publication, then please use our Emerald for Authors service. Information about how to choose which publication to write for and submission guidelines are available for all. Additional help for authors is available for Emerald subscribers. Please visit www.emeraldinsight.com/authors for more information.

About Emerald www.emeraldinsight.com

With over forty years' experience, Emerald Group Publishing is a leading independent publisher of global research with impact in business, society, public policy and education. In total, Emerald publishes over 275 journals and more than 130 book series, as well as an extensive range of online products and services. Emerald is both COUNTER 3 and TRANSFER compliant. The organization is a partner of the Committee on Publication Ethics (COPE) and also works with Portico and the LOCKSS initiative for digital archive preservation.

*Related content and download information correct at time of download.

THE DECLINE OF SOCIAL CAPITAL IN URBAN CHINA

Weijie Wang

ABSTRACT

The chapter examines various manifestations of the concept of “social capital” in details by sorting them into three categories: individual, collective, and hybrid. Based on the examination of social capital literature, the chapter defines social capital as moral resources that lubricate cooperation among individuals for economic as well as civic reasons. Then the chapter examines social capital in contemporary urban China. The atomizing effect of market economy destroyed previous stock of social capital, but there are not corrective mechanisms to generate new social capital. Therefore urban China is experiencing the paucity of social capital.

INTRODUCTION

Social capital has become an important concept in the social sciences. Despite the conceptual unclarity caused by uncritical usage patterns, the positive roles that social capital plays in human society have been widely recognized. The existence of dense social capital is conducive to economic development. For example, it can reduce transaction costs in reaching and enforcing contracts; it also can promote cooperation among people to solve

Living on the Boundaries: Urban Marginality in National and International Contexts
Advances in Education in Diverse Communities: Research, Policy and Praxis, Volume 8, 489–510
Copyright © 2012 by Emerald Group Publishing Limited
All rights of reproduction in any form reserved
ISSN: 1479-358X/doi:10.1108/S1479-358X(2012)0000008024

collective action problem (Fukuyama, 2000; Ostrom, 1990; Putnam, 1993). Moreover, social capital serves important political functions. For example, it helps to foster robust civil society which, in turn, is vital for the consolidation of a functioning democratic system (Fukuyama, 2000; Putnam, 1993; Tocqueville, 1835/2000). Besides these benefits, social capital is also associated with low rate of suicide (Durkheim, 1897/2006), as well as better mental and physical health (Kawachi, Kennedy, & Glass, 1999; Song & Lin, 2009).

Given the wide range of positive effects that social capital exerts, it is important to generate and maintain social capital for the good of society. A study by Putnam (1995, 2000) demonstrates that social capital in the United States is constantly declining. Of course, this is a point on which scholars have not yet reached consensus and debate is still ongoing. Paxton (1999), for example, argues that association membership and trust in institutions do not decline in the United States. This chapter does not aim to assess the condition of social capital in the United States; actually it attempts to put the debates around social capital into the Chinese context: How to assess the condition of social capital in urban China where market reform has exerted profound influences and has led to dramatic transformations in the past 30 years? Considering the important political functions that social capital plays, do the changes in social capital in urban China have any implications for the fostering of civil society, or democratization in the long run?

The first part of this chapter examines various definitions of social capital at great length and sorts them into three categories suggested by Lin (2001). Though the length of this section may risk destroying the overall structure of the chapter, the deeper understanding of the concept of “social capital” is not only helpful for the following discussion but also a desirable goal in itself. A working definition of social capital for this chapter is raised based on the examination of concepts. This chapter focuses on the attitudinal components of social capital, regarding it as a moral resource, such as social trust, norms, and shared values, that bond people together. The reason is not only that these components are essential aspects of social capital but also that people’s values and beliefs, or social moral resources, have changed greatly in the market reform. Examining the changing nature of moral resources will help to better understand contemporary Chinese society. The next section of this chapter will focus on social capital in urban China. The chapter generally argues that the market economy causes the atomization of individuals and destroys previous social capital. Due to the lack of corrective mechanisms such as civic engagement to produce new social capital, social capital in urban China is declining.

WHAT IS SOCIAL CAPITAL?

Since the 1980s, social capital has become a widely used concept in sociology, political sciences, economics, and other fields. Many scholars employ this concept to analyze a wide range of social problems, yet because of some uncritical and indiscriminate use, the concept began to increasingly lose its conceptual clarity. Woolcock (1998) argues that social capital “risks trying to explain too much with too little” (p. 155); Lin (2001) points out that “social capital becomes merely another trendy term to employ or deploy in the broad context of improving or building social integration and solidarity” (p. 26). Before delving into the discussion of social capital in urban China, the first part of this chapter attempts to provide a clear picture of the concepts of social capital.

The term “social capital” might be new, yet Healy and Cote (2001) contend that “the idea of social capital can be traced to the work of Alexis de Tocqueville, Emile Durkheim and Max Weber” (p. 40). For example, Tocqueville (1835/2000) observed that civic life was a salient feature of America about 180 years ago; people were associated with one another through cohesive neighborhoods, voluntary organizations, and fraternity groups. Strong social bonding was formed during the course of collectively addressing public problems. Regarding the use of the concept in modern times, Woolcock (1998) traces the earliest use to Lyda Hanifan in 1920. Then Jacobs and Loury used this term in their papers respectively in the 1960s and 1970s. However, the term did not become well known and extensively studied until the late 1980s and early 1990s; Bourdieu’s (1986) work, to some degree, helps to “rediscover” the meaning of social capital in social sciences; Coleman and Putnam are the two who put the term in the spotlight on the academic stage. Since then, scholars have employed this term to analyze a great variety of problems from their own perspectives, resulting in a wide range of manifestations of the concept.

Lin (2001) sorts out a way to clarify various manifestations of “social capital” and thus sheds light on the clarification of this term. He distinguishes two levels in discussing social capital – the individual level and the collective level – according to “whether the profit (of social capital) is accrued for the individual or the group” (p. 21). He argues that the uncritical cross-level use of the concept of social capital is a source of confusion. Based on Lin’s argument, the next part of this chapter sorts social capital literature into three categories: individual level, collective level, and hybrid. These three categories will be examined one after another. In order to better illustrate the differences of the three, the discussion will

mainly focus on two aspects of each category: (1) The nature of social capital. Is it a private good or a public good? (2) The benefits of social capital: What is the return on social capital?

Social Capital as an Individual Attribute

The studies on social capital at the individual level regard social capital as an individual attribute. The main focus is on “the use of social capital by individuals – how individuals access and use resources embedded in social networks to gain returns in instrumental actions” (Lin, 2001, p. 21). Lin’s own discussion of social capital is at this level.

Lin (2001) defines social capital as “resources embedded in a social structure that are accessed and/or mobilized in purposive actions” (p. 29). In Lin’s view, social capital is similar to human capital; the difference is that human capital is pure personal resources which are gained through education, inheritance, and the like, while social capital is the resources of other people that one can access through direct or indirect social ties. The resources, which are the core of social capital, still belong to certain people in the society, but these personal resources could become another person’s social capital if the latter person has some sort of relation with the first person and thus could utilize these resources in the pursuit of his or her personal goals. For example, Person A’s close friend has a brand new iPad, this iPad is A’s social capital if he/she can borrow it from this friend. Thus, social capital is a private good that one can mobilize when necessary.

A further conclusion is that different social networks have completely different social capital because the people who make up this network have various resources. Lin uses an example of two professors, who are affiliated with an Ivy League university and a state four-year college, respectively, to illustrate this point. These two professors have different social capital even if their knowledge and salaries are the same. This is because the professor at the Ivy League university is assumed to have a network of Ivy League professors and alumni who usually have many more resources than the people in the network of the state college professor. Therefore, in order to have more social capital, one should try to include people with more resources in his or her social network.

Since social capital is a kind of capital, what can people get if they invest social capital? This individual-level perspective argues that social capital is not produced; it is the resources that are taken into a certain network by the people who own them. Thus, investing social capital is to mobilize the

resources embedded in social networks for their purposive actions; for example, a student might contact with a friend's father who is the CEO of a fortune 500 company to find a better job.

Social Capital as a Collective Attribute

The studies on social capital at the collective level regard social capital as a collective attribute. These studies maintain that social capital is a collective asset and is helpful to economic development and the maintenance of democracy in a society. Political scientists usually discuss social capital from this perspective.

Putnam's study on social capital is an example. In his renowned book *Making Democracy Work: Civic Traditions in Modern Italy*, Putnam defines social capital as "features of social organization, such as trust, norms, and networks that can improve the efficiency of society by facilitating coordinated action" (p. 167). Putnam stresses the extreme importance of cooperation for mutual benefits and for addressing collective action problems. The failure to cooperate, in his view, is a major source of economic backwardness. The existence of social capital in the forms of trust, norms, and civic networks is very helpful to reduce transaction costs and foster cooperation. For example, high level of social trust could greatly reduce the cost of reaching and enforcing contracts, and thus promote cooperation among people for mutual benefits. From this perspective, social capital is not the private property of any person; instead, it is a public good.

Putnam thinks highly of networks of civic engagement in producing social capital. Denser networks of civic engagement mean denser social capital. Networks of civic engagement, such as neighborhood associations, clubs, churches, provide opportunities for people to interact with one another and thus develop relations characterized by reciprocity and trust. These networks also help the dissemination of information which is another favorable factor to cooperation. Social capital is a kind of moral resources (Hirschman, 1984) which increase through use and decline when unused. Therefore, the way to increase social capital is to encourage civic engagement and the formation of strong social networks.

Regarding the return on investing social capital, Putnam argues that: First, investment of social capital could bring economic benefits and promote economic development. As mentioned earlier, dense social trust and networks will significantly reduce transaction costs – the cost of searching for information, bargaining, monitoring – in cooperation and

promote regional economic development. Second, the investment of social capital is vital for democracy. As Tocqueville (1835/2000) argues, the existence of various networks of civic engagement provides training ground for democratic skills; through collectively addressing public problems, private persons begin to be concerned about the interests of society and become citizens. As argued by Putnam (1993), “Democratic government is strengthened, not weakened, when it faces a vigorous civil society” (p. 182).

Studies from this perspective are quite popular among scholars, especially those who study the macro-level development of a country or region. They usually argue that social capital is an important resource that may aid the development. However, Lin (2001) argues that this collective-level study of social capital loses its micro-level foundation. “Divorced from its roots in individual interactions and networking, social capital becomes merely another trendy term to employ or deploy in the broad context of improving or building social integration and solidarity” (p. 9). Lin’s criticism, though rightfully acknowledges the role of social capital in social solidarity, seems to be unfair to Putnam. Putnam’s definition of social capital is not completely divorced from individual interactions and networking. Social capital such as trust is still produced from individual interactions, but it becomes the property of the collectivity.

Bjornskov (2006) argues that Putnam’s definition of social capital is too vague to be employed as an effective policy instrument. Based on a study of cross-nation data set, Bjornskov demonstrates that the three elements of Putnam’s definition – trust, norms, and networks are actually the manifestations of three different phenomena. Therefore, macroeconomic and social effects that a given policy aims to achieve may relate to different elements of social capital. It is important to detect the effects of each element of social capital so that policies can be more accurate to achieve their specific goals. Social capital can thus be a more effective policy instrument.

Social Capital as a Hybrid

Not all studies on social capital fall into these two extremes. There are, actually, many studies that fall between these two levels. The exemplar studies from this perspective are by Coleman (1990) and Ostrom (2009).

Coleman is another major contributor to the study of social capital. In Coleman’s (1990) opinion, “Social capital is not a single entity, but a variety of entities having two characteristics in common: they all consist of some

aspect of a social structure, and they facilitate certain actions of individuals who are within the structure” (p. 302). Coleman argues that social capital is a capital asset for the individual, so this is still an individual-level consideration. Social capital is not lodged in individuals; it inheres in social relations among persons. However, Coleman also discusses extensively the collective nature of social capital. He argues that the reason why a person can utilize another person’s resources lies in reciprocity: The first person helped the latter person in the past and thus he holds a “credit slip” and expects that the latter person will repay when he or she is in need. If a person engages in more reciprocal relations and thus holds more credit slips, he or she will have more social resources. This highlights the important role of trustworthiness which is critical to reciprocal relations. It is mutual trust or overall trust in other group members that makes reciprocal relations possible. Coleman also demonstrates that norms and civic organizations, both of which are clearly collective in nature, are also forms of social capital. The collective nature of social capital means that it does not belong to any single person; instead, it is a public good. Therefore, social capital faces the potential risk of underinvestment. From this perspective, what can people get if they make investments with social capital? Coleman uses an example that in a backward village where physical capital, such as farming tools, is inadequate, those without tools could borrow from people who have tools; in addition, people help one another with farming work. Thus, the existence of social capital could make up for the lack of physical capital.

Ostrom (2009) also studies social capital from this perspective. Ostrom defines social capital as “a set of relationships among members of a group and values that they share that enable them to solve collective problems in the present and future” (p. 21). From this perspective, an important part of social capital is relationships, which show that this definition still has salient individual characteristics. One example that Ostrom employs also illuminates this individual feature – an individual could draw on the resources that are embedded in his or her friendship network for his or her personal purposive actions. However, the other part of the definition, values, has obvious collective nature. The values that group members share do not belong to any individual member; they are formed in a group through long-term interactions. Ostrom also argues that institutions, which are clearly collective in nature, are a type of social capital because institutions could enhance “shared norms of trustworthiness, trust and reciprocity” (p. 26).

To conclude, the various manifestations of social capital can roughly be sorted into three categories, which can reveal the nature, source, and benefits of social capital at a deeper level. This chapter attempts to examine the stock

of social capital in urban China which is undergoing dramatic changes during economic liberalization. Therefore, a macro-level definition of social capital which perceives it as a collective asset of a society will better serve this macro-level examination. A classic macro-level definition of social capital is given by Putnam (1993): social capital is “features of social organization, such as trust, norms, and networks that can improve the efficiency of society by facilitating coordinated actions” (p. 167). This definition actually involves both structural (networks) and attitudinal (trust) components of social capital (Hooghe & Stolle, 2003). Putnam (1993) himself pays special attention to the roles of attitudinal components represented by social trust in promoting cooperation. He argues that “the greater the level of trust within a society, the greater the likelihood of cooperation” (p. 171). It is hardly possible for people to cooperate with one another under a condition of “war of every man against every man” (Hobbes, 1651/2008, p. 85). A lot of other studies have identified the positive political functions that attitudinal components of social capital, for example, individuals living in a society with abundant social trust usually are more active in civic organizations and have more confidence in democracy (Rothstein & Uslaner 2005; Zmerli & Newton, 2008); societies with dense social trust usually have better functioning democratic systems, less crime and corruption, and are more tolerant to minorities (Rothstein & Uslaner, 2005). Considering the fact that one major end of this paper is to examine the political implications of social capital in China and the important roles that attitudinal components of social capital play in fostering civil society as well as consolidating democracy, the working definition of social capital in this chapter is: social capital is moral resources such as social trust, norms, and shared values that are conducive to cooperation. The next part will turn to the changes of social capital in urban China under the background of market reform.

MARKET ECONOMY, ATOMIZING EFFECT, AND CORRECTIVE MECHANISMS

The market economy greatly stimulates the development of human society in almost all aspects. The secret might be that the market economy motivates individuals to spare no efforts to pursue their personal interests and in this course the society fulfills its potential. Adams Smith (1776/1999) argues that it is the pursuit of one’s own interests that better promote the interests of the society. In addition, social order is more stable if it is built on

interests rather than on love or benevolence (Hirschman, 1984). Thus, market economy morally justifies the pursuit of self-interests. Despite the argument that markets have strong “civilizing effect,” making people honest, cooperative, friendly, and orderly (Hirschman, 1982), in the actual market it is not difficult for people to go from individualism to egoism. Many early critics of market capitalism argued that market values would erode the moral foundation of human society (Hirschman, 1982). Marx is one of the most profound critics of market capitalism. He observed the negative effects of the excessive pursuit of personal interests at the early stage of capitalism and argued that “capital comes dripping from head to foot, from every pore, with blood and dirt” (Marx, 1867/2001, p. 1088). He also noticed the alienation effect of market capitalism and further argued that capitalism carried with itself the seed of its destruction.

The market economy gives rise to profound transformations in human society. It emancipates people from the confinements of traditional communities, values, and obligations – the basic social unit is no longer the family but the individual; the relations of individuals are no longer defined by status but by contract (Maine, 1870/1986). Tönnies (1887/1957) discussed the inevitability of the transformation from *Gemeinschaft* to *Gesellschaft* – the personal, reciprocal, and intimate social relations in traditional communities (*Gemeinschaft*) would be replaced by impersonal and rational relations in the market (*Gesellschaft*). Urban interpersonal relations inevitably become more and more instrumental, superficial, anonymous, and transitory (Wirth, 1938). Traditional values and customs which once served to bond people together are significantly weakened by market ideologies. Population mobility is at a higher level than ever because people keep moving to search for better job opportunities. As argued by Nisbet (1953), “capitalism was an isolating and separating process that stripped off the historically grown layers of custom and social membership, leaving only leveled masses of individuals” (p. 96). We may call this the “atomizing effect,” meaning that the free market tends to disintegrate individuals from traditional social fabrics and turns them into “atomized masses of insecure individuals” (Nisbet, 1953, p. 96). To conclude, the principles of the market economy are usually at odds with the existence of dense social capital. The atomizing effect of the market in fact gives rise to masses of individuals without dense and meaningful social ties.

However, it is not difficult to observe that Western countries, where the market economy has a history of hundreds of years, do not end up with atomized societies which the above discussion seems to indicate. For example, despite the contention that social capital in the United States is

declining, the United States still has a robust civil society. If the above analysis is correct, why does the free market not lead to an atomized society in the Western world? The reason might be that both government and society have offered mechanisms to offset the atomizing effects of the market and to generate new social capital. Government has enacted sophisticated regulations to confine the excessive pursuit of self-interests which may harm consumers. The unfettered free market existed only at the early stage of capitalism; nowadays all market bodies have to comply with regulations, and otherwise, they will face the sanctions from the government and consumers. The regulations make sure that the pursuits of self-interests are within legal framework.

What's more important is that Western societies keep restoring or reestablishing the dense, reciprocal, and personal social ties that were significantly weakened by the free market. One such mechanism is civic engagement (Hays & Kogl, 2007; Putnam, 1993). Putnam (1993) argues that horizontal social networks, such as neighborhood associations, cooperatives, and sports clubs, are especially conducive to the creation of social capital. These civic organizations are important because they enable the atomized individuals to meet regularly with others and develop meaningful social relations. Opportunism, which usually characterizes one-shot interactions, is discouraged in these repeated and frequent interactions. In addition, repeated interactions can also result in familiarity and then lead to trust and reciprocity.

However, Stolle (2003) argues that there are limited empirical evidences to support the assertion that civic engagement could produce social capital. Instead, he highlights political institutions as potential sources of social capital. Contrary to the argument that social capital is a product of civil society, Stolle examines the roles of state and state institutions in generating social capital. Studies show that democracy, a political institution, is conducive to dense social capital because democracies usually encourage robust civil society and are more likely to achieve income equality and gender equality. In addition, citizens are more likely to trust a democratic government due to its transparency. In contrast, authoritarianism and totalitarianism typically erode social capital.

To conclude, government regulations confine the excessive pursuit of self-interests; civic engagement provides an important means to foster reciprocal attitudes and social trust; democratic governments provide opportunities to citizens to participate in public affairs. All these mechanisms help to restore the eroded social relations and trust, and eventually help to regenerate social capital. Social capital serves as the glue to bond atomized individuals

together. This can to a large extent explain why the atomizing effect of the market does not result in an atomized society in the Western world.

THE DECLINE OF SOCIAL CAPITAL IN URBAN CHINA

Similar to many concepts of social sciences, “social capital” cannot be measured in a direct way with some measurement systems. There are a number of studies that tried to measure social capital. For example, Putnam (1995, 2000) contended that social capital in the United States was declining, and the measures that he used were voter turnouts, frequency of church going, labor union membership, participation in PTA, and fraternal organization membership. Sampson, McAdam, MacIndoe, and Weffer-Elizondo (2005) challenged Putnam’s view of the decline of social capital by showing that the number of civic actions involving two or more people did not decrease in Chicago area. They measure the number of civic actions by gathering and coding newspaper reports on protest events. It would be good if these measures also work in the study of social capital in China; however, the contexts in China and the United States are significantly different – even these indirect approaches may not work. In an authoritarian state like China, there are not genuine democratic elections; therefore, voter turnout does not make much sense. The state exerts tight control over civic organizations, fearing that these organizations may challenge the dictatorship. Therefore, memberships in civic organizations keep quite low and the statistics are not available. Statistics on other meaningful measures such as the religious beliefs either do not exist or are not reliable.

How to assess the changes of social capital in urban China without reliable data? First, this chapter builds a theoretical framework that may help to understand how changing social contexts may affect the stock of social capital. Based on relevant literature, the chapter argues that social capital is negatively influenced by unfettered market economy and positively influenced by civic engagement. The situation in urban China is that the atomizing effect of market economy destroyed previous stock of social capital to a large extent, but there are few means of effective civic engagement to reproduce new social capital. Therefore, the decline of social capital is inevitable. Second, though direct data on social capital in China are often unavailable, data on number of civic organizations, population mobility, and other surveys by serious scholars are used to support the argument. The data are still indirect

measures of social capital, but combined with theoretical discussion, it is hoped that they can show the decline of social capital in urban China.

The Market Reform and Atomizing Effect

Despite the increasing economic inequalities between the rich and the poor as well as other side effects, market reform in China has greatly improved the living standards of the great majority of the people. GDP per capita increased from 155 US dollars in 1978 to 4,393 US dollars in 2010 (World Bank, 2010). Moreover, market reform also produced profound influences over Chinese society. One notable result is that the atomizing effect of the market has to a large extent destroyed the dense social ties that once existed in urban China.

The Communist Party imposed the combination of the communist ideology and the planned economy on China after the founding of the People's Republic and established a highly organized society. The Communist Party significantly weakened the influences of traditional culture through continuous political movements; traditional culture was replaced by the communist ideology as an approach to consolidate the communist rule. Individuals should absolutely obey the leadership of Communist Party; or they might face severe sanctions. In addition, the Party gained strong control over individual citizens by making them affiliated to various work units (*danwei*) and by strictly enforcing the household registration system (*hukou*) which aimed to confine population mobility. All citizens had to depend on their work units and eventually on the state to get their salaries, housing, healthcare, and other social welfares. The economic control that the state had over individual citizens gave the state unlimited control over the freedom and lives of citizens (Hayek, 1944/1994). To conclude, the social structure in China was once highly organized before the market reform.

Market reform, to a large extent, destroyed the combination of the communist ideology and the planned economy, resulting in atomized individuals without meaningful social ties. First, market reform weakened state control over individuals by destroying the *danwei* system, resulting in atomized masses of individuals. A large number of state-owned and collectively owned enterprises were privatized or demonopolized in the efforts to improve efficiency. One result was the collapse of the *danwei* system – one the one hand, people in increasing numbers can find jobs in foreign-invested, joint venture, and private-owned enterprises, and on the other hand, social welfares such as healthcare, housing, education were

detached from traditional work unit (*danwei*), and people now have to get these services from market at market or subsidized prices. Therefore, state control over individuals was significantly weakened; the highly organized social structure was destroyed; and people were institutionally disorganized from the state and became individuals in the market. This is good because market gives individuals more life choices and opportunities to improve their lives – market provides numerous opportunities that can be captured by efforts or talent. However, it also means economic insecurity (Rose, 1962) – there is no “iron bowl” anymore; economic downturn could easily make people unemployed. People have to be responsible for the welfare of their families. This makes people to pay most, if not all, of their attention to their own economic welfare.

Second, traditional culture and communist ideology, the two main belief systems that used to bond people together, were both weakened in market reform, resulting in a crisis of faith. Both Chinese and English literature discusses a lot about the crisis of faith in contemporary China (Kwong, 1994; Shi & Jing, 2010). Traditional culture and value system still remain powerful; they nevertheless have been weakened first in the continuous political movement after the founding of the People’s Republic, and then in the market reform. Many of the principles of traditional culture were at odds with market principles, and thus were perceived as out-of-date jargons. In addition, the failure of the communist regime’s first 30 years to develop economy led people to lose faith in communist ideologies; universal corruptions among government officials further reduced the legitimacy and attractiveness of government ideologies. Without traditional culture and the official ideology to bond people together, the result is that most of the people had no beliefs at all. Under this circumstance, the pursuit of self-interests becomes the prevalent values in Chinese society, and the rise of individualism has become a notable phenomenon (Moore, 2005). Market reform justifies the pursuit of personal interests. Most people make every effort to earn money in order to support their families and pursue higher levels of material comforts. This crisis of faith is manifested in various forms, and one noteworthy form is the excessive pursuit of self-interest at the expense of food or product safety. Some notable cases include the death of 13 babies in Fuyang, a city in Anhui province, from fake milk powder in 2004. In 2008, 56,000 infants and young children fell sick due to melamine-contaminated milk powder and four babies died. Melamine, a toxic chemical, was intentionally added to milk powder by unscrupulous producers in order to make it appear better in the tests of protein level.

Third, urbanization disintegrates traditional urban communities where dense social ties once existed. The loss of community in urbanization in the Western world has been discussed intensively (Durkheim, 1893/1947; Fischer, 1975; Tönnies, 1887/1957, Wirth, 1938). Though there are some opposing ideas arguing that urbanism has no special social effects (Gans, 1962), empirical studies show that factors related to modern market economy, such as high residential mobility, have negative influences over community ties (Sampson, 1988). The urbanization in China to a large degree resembled what has happened in the West. On the one hand, factors related to marketization and urbanizations, such as population mobility, make Chinese cities more and more dynamic and diverse. The once solid Household Registration System (*hukou*) has been relaxed in economy liberalization. People begin to search for better job opportunities across the country rather than stay at hometown. Aided by modern transportation and telecommunication, attachment to communities and neighborhoods is considerably weakened. The influx of population from different parts of the country with different customs and dialects makes urban centers increasingly diverse. For example, the floating population (people without Shanghai *hukou*) in Shanghai in 2009 is 8.98 million, constituting 8.98 million of the total population (Shanghai Bureau of Statistics, 2010). In Shenzhen, the population with temporary residence cards reached 6.49 million in 2009, constituting 72.83% of the total population (Shenzhen Bureau of Statistics, 2010). On the other hand, commercially developed neighborhoods have become the dominant form of urban communities after the housing reform. Unlike the public housing neighborhood established by *danwei*, residents living in this new form of community usually come from different parts of the city or even the country with diverse backgrounds. It is very typical that people know little about their neighbors – the traditional deep social ties that existed in *danwei* public housing have significantly eroded. Though a national level or large-scale survey on neighborhood interpersonal relations is lacking, several city-level surveys all indicate that interpersonal relations are becoming superficial and transitory. A study in Beijing in 2006 shows that 29.3% of the respondents have no friends in their neighborhoods, 41.5% of the respondents have never visited their neighbors, and 74.5% of the respondents do not know about their neighbors' personalities (Sun & Lei, 2007). In Jinan, the capital city of Shandong Province, only 16.9% of the respondents often visit their neighbors, 45.6% of the respondents “never” visit their neighbors, and 33.1% of the respondents visit their neighbors “very rarely” (Zheng, 2000). Forrest and Yip (2007) compared neighboring relations in three different types of neighborhood – inner-city neighborhood, *danwei* housing

neighborhood, and commodified housing neighborhood in Guangzhou. Their findings are consistent with conventional literature – residents living in inner-city neighborhoods have the highest level of mutual trust and acquaintance, and those living in commodified neighborhoods have the lowest level. Only 15% of the respondents living in commodified neighborhoods sometimes or often help their neighbors in the past six months prior to the survey, and only 38% of the respondents know most or many of their neighbors; by comparison, the two numbers for people living in inner-city neighborhoods are 33% and 76%.

To conclude, market reform has resulted in atomized masses of individuals without meaningful social ties to link them together. The combination of communist ideology and planned economy which used to organize people was to a large extent destroyed in market reform, leading to atomized messes of individuals. The weakening of traditional culture and official ideology means that no value system can bond people together, making the pursuit of self-interests the prevalent value. Traditional reciprocal and dense social ties among people are replaced by impersonal and instrumental relations in market. All these contributed to the decline of social capital in urban China.

The Stagnation in Producing New Social Capital in Urban China

The discussion above argues that market economy destroys the stock of social capital in urban China. However, if there are some corrective mechanisms to produce new social capital just like what has happened in Western countries, an atomized society is avoidable. Unfortunately, these mechanisms do not function well in the Chinese society mainly due to the unfavorable institutional environment.

The government strictly manages NGOs and other civic organizations by the enacting laws and regulations that greatly reduce opportunities for citizens to engage in community affairs. Before analyzing the institutional environment facing civic engagement, we should note that voluntary associations had a long history in China; various types of civic organizations came into being thousands of years ago (Jia, 2005). Philanthropic organization was a notable example of nongovernmental organizations. Rowe (2002) argued that the first recorded philanthropic organization in China emerged in 1590. Organized philanthropy came into being in Qing dynasty, and these organizations were usually fully nongovernmental. A great variety of civic organizations existed in Chinese society before the Communist

Party's takeover of the country; these organizations included churches, foreign and domestic philanthropic organizations, clubs, art and academic associations, and the like. Of course, the existence of a certain number of voluntary organizations does not represent robust civic engagement, yet at least it shows that without institutional constraints, voluntary organization could come into being and sustain in Chinese society.

However, in order to guarantee the absolute control over the country and eradicate any organizations that may have the potential to challenge its rule, the Communist Party began to strictly control all civic organizations when the communist regime was established in 1949. Some organizations were regarded as "reactionary organizations" or "illegal organizations" and were banned. The rest of the civic organizations were required to register with government agencies (Wang, 2001). Then the Party controlled almost all civic organizations such as arts and academic associations and women's federations, making them into "government-organized nongovernmental organizations" (Spies, 2007). There were not any forms of self-governing civic engagement under the communist regime. Market reform to some extent loosened government's control over society; as a result, some self-governing associations mushroomed temporarily in the 1980s. However, the 1989 democratic movement and the roles that these civic organizations played in the movement led government to strengthen its management over social organizations. The Chinese government has adopted stricter policies to control the establishment and activities of self-governing NGOs in China since then (Ma, 2002). The government formulated three regulations on foundations, social organizations, and foreign chambers of commerce from 1988 to 1992 (Ma, 2006). The 1989 Regulations on the Registration and Management of Social Organizations established the "dual management mechanism" which was strengthened in the 1998 Regulations on the Registration and Management of Social Organizations and became the dominant policy toward NGOs. Under the dual management mechanism, an NGO is obliged to get approval from a professional supervisory agency which should be in the same profession and thus has the expertise to supervise the NGO. Then the NGO is required to register with Ministry of Civil Affairs or local bureaus of civil affairs. However, few professional organizations want to serve as supervisory agency due to the political risks that an NGO may bring, which makes it very difficult for NGOs in China to get full legal status. Other institutional barriers include "minimum membership requirements" – the minimum membership of an NGO should be no less than 50 individuals or 30 legal entities, and "non-competition

requirement” – no new NGO could be established if an NGO with similar goals has existed in a given social area. These regulations make it difficult to establish an NGO in China. In 2009, there were 190 thousand “private non-enterprise unit” – the concept that is most closely to NPOs in the United States – in China (Ministry of Civil Affairs, 2010); by comparison, the United States had 1.4 million NPOs in 2005 (National Center for Charitable Statistics, 2008), and the population of the United States is less than one-fourth of the Chinese population. There are some exceptions, for example, civic environmental NGOs, to a large degree due to their political neutrality, are quite active in protecting environment. Another exception is Homeowners’ Associations which are made up of homeowners to protect their property rights against the infringement of developers and property management companies. However, these two kinds of organizations are far from enough to engage citizens, not to mention the fact that even these two kinds of organizations are still fettered by various factors. The lack of self-governing civic organizations means that there are few opportunities for atomized citizens to interact with one another in a frequent and meaningful way and thus develop dense social ties.

In the second place, democracy, the mechanism to produce social capital as Stolle (2003) argued, is lacking in China. Tocqueville (1835/2000) discussed how Americans formed associations to address collective problems. Through participating in public affairs, individuals had the opportunities to look beyond narrow personal interests and cared more about collective interests – this helped to turn them into citizens and generate social trust and reciprocity in their communities. In China’s case, the government relaxed its control over economic field, yet it is reluctant to loosen political control. Ordinary people have few opportunities to engage in public affairs and train their democratic skills. Elections are only held at grassroots level, for instance, farmers can elect village leaders and urban residents can elect leaders of residents’ committee. Despite these grassroots elections, government still maintains strong control over villages and resident’s committees through party committees in each village and urban neighborhood. In addition, the dependence of villages and residents’ committees on township for financial support also reduces the autonomy of villages and residents’ committees (O’Brian & Han, 2009). The elected leaders are usually busy fulfilling all kinds of duties imposed by township; the participation of ordinary citizens is very limited.

To conclude, corrective mechanisms such as civic engagement and democracy that help to restore social capital in the Western countries cannot

work well in China due to hostile institutional arrangements. In an authoritarian state, citizens have few opportunities to participate in public affairs. When there is no supplemental mechanism to restore the dense social ties destroyed by free market, one result is the paucity of social capital in urban China, which manifested itself in many of the social problems: the loss of social trust, rising crime rate, and the indifferent attitudes that people hold for social evils. A survey in 2010 showed that the overall level of social trust in Shanghai is 65.7 on a 100-point scale, and the score for Beijing is only 59.3, showing a low level of trust (Du, Rao, & Yang, 2011).

CONCLUSION

As a kind of moral resources, social capital is conducive to all types of cooperation among different actors in society by significantly reducing transaction costs. Economic cooperation will lead to growth; cooperation among citizens for civic reasons is also vital for the fostering of civil society as well as the establishment and consolidation of democracy.

China's market reform caused the atomization of individuals as free market did in other Western countries, however, without corresponding corrective mechanisms to generate social capital, market economy has resulted in an atomized society in which social trust is eroded, common values are disintegrated, and people are concerned too much about personal interests. As discussed above, civic engagement might be the most important way to restore the reciprocal and dense social ties among citizens as well as to generate social trust. However, fearing that civic organizations may grow stronger and challenge its rule over China, the Communist Party strictly controls such kind of self-governing organizations and thus obstructs civic engagement.

What will the future of China look like with respect to social capital? It is very difficult, if not impossible, to predict the future. However, some tentative predictions can be made based on the above discussion. First, market economy will produce even wider and deeper influences over the entire Chinese society. With economic development, rural areas will also be deeply influenced by market economy – rural communities might be disintegrated just like the urban communities, and the stock of social capital may be eroded. In urban areas, traditional communities will be replaced by new commercially developed communities at a faster pace, and the relationships between people are likely to become even more transitory, instrumental, and impersonal. Second, civic organizations are emerging and

may play more important roles in the future. As the preceding discussion shows, new civic organizations, such as environmental organizations and homeowners' associations are emerging. Citizens have more opportunities to participate in neighborhood or public affairs, and new social capital may be produced. Third, the unfavorable institutional environment is still the major barrier for civic engagement and the production of new social capital. The basic motivation of the Communist Party is to maintain its authoritarian rule, and thus it can hardly change its attitude toward citizens' participation in public affairs. No rights to vote and political freedoms such as freedom of speech and association can be granted to citizens in the foreseeable future. Citizen participation is highly contingent on how far the Communist Party wants citizen to go. If the Party believes that citizen participation will challenge its rule, then it may act quickly to put down all participation efforts. To conclude, market will keep destroying the stock of social capital mercilessly, but the production of new social capital is likely to be slow and unstable. The paucity of social capital in urban China may be a long-term phenomenon.

REFERENCES

- Bjornskov, C. (2006). The multiple facets of social capital. *European Journal of Political Economy*, 22, 22–40.
- Bourdieu, P. (1986). The forms of capital. In J. Richardson (Ed.), *Handbook of theory and research for the sociology of education* (pp. 241–258). Westport, CT: Greenwood.
- Coleman, J. S. (1990). *Foundations of social theory*. Cambridge, MA: Harvard University Press.
- Du, J., Rao, Y., & Yang, Y. (2011). An analysis of social trust of urban residents: Based on surveys in Beijing, Shanghai and Guangzhou. In J. Wang & Y. Yang (Eds.), *Annual report on social mentality in China*. Beijing: Social Science Academic Press. (In Chinese).
- Durkheim, E. (1893/1947). *The division of labor in society* (G. Simpson, Trans.). Glencoe, IL: The Free Press.
- Durkheim, E. (1897/2006). *On suicide*. New York, NY: Penguin Books.
- Fischer, C. S. (1975). Toward a subcultural theory of urbanism. *American Journal of Sociology*, 80(6), 1319–1341.
- Forrest, R., & Yip, N. M. (2007). Neighborhood and neighboring in contemporary Guangzhou. *Journal of Contemporary China*, 16(50), 47–64.
- Fukuyama, F. (2000). Social capital and civil society. IMF Working Paper No. WP/00/74. Retrieved from <http://www.imf.org/external/pubs/ft/wp/2000/wp0074.pdf>. Accessed on February 21, 2010.
- Gans, H. J. (1962). Urbanism and suburbanism as ways of life: A re-evaluation of definitions. In Rose (Ed.), *Human Behavior and Social Processes* (pp. 625–648). Boston, MA: Houghton-Mifflin.
- Hayek, F. A. (1994). *The road to serfdom*. Chicago, IL: The University of Chicago Press.

- Hays, R., & Kogl, A. (2007). Neighborhood attachment, social capital building, and political participation: A case study of low- and moderate-income residents of Waterloo, Iowa. *Journal of Urban Affairs, 29*(2), 181–205.
- Healy, T., & Cote, S. (2001). *The well-being of nations: The role of human and social capital*. Paris: Organization for Economic Co-operation and Development.
- Hirschman, A. O. (1982). Rival interpretations of market society: Civilizing, destructive or feeble? *Journal of Economic Literature, 20*(4), 1463–1484.
- Hirschman, A. O. (1984). Against parsimony: Three easy ways of complicating some categories of economic discourse. *Bulletin of the American Academy of Arts and Sciences, 37*(8), 11–28.
- Hobbes, T. (2008). *Leviathan*. New York, NY: Pearson Longman.
- Hooghe, M., & Stolle, D. (2003). Introduction: Generating social capital. In M. Hooghe & D. Stolle (Eds.), *Generating social capital: Civil society and institutions in comparative perspective*. New York, NY: Palgrave Macmillan.
- Jia, X. (2005). Civic organizations in history and the analysis of society. *The Journal of Gansu Administration Institute (3)*, 41–46. (In Chinese).
- Kawachi, I., Kennedy, B. P., & Glass, R. (1999). Social capital and self-rated health: A contextual analysis. *American Journal of Public Health, 89*, 1187–1193.
- Kwong, J. (1994). Ideological crisis among China's youths: Values and official ideology. *British Journal of Sociology, 45*(2), 247–264.
- Lin, N. (2001). *Social capital: A theory of social structure and action*. New York, NY: Cambridge University Press.
- Ma, Q. (2002). The governance of NGO in China since 1978: How much autonomy? *Nonprofit and Voluntary Sector Quarterly, 31*(3), 305–328.
- Ma, Q. (2006). *Non-governmental organizations in contemporary China: Paving the way for civil society?* New York, NY: Routledge.
- Maine, H. S. (1986). *Ancient law: Its connection with the early history of society, and its relation to modern ideas*. Tucson, AZ: University of Arizona Press.
- Marx, K. (2001). *Capital: A critique of political economy. Vol. 1, The process of production of capital*. London: Electric Book Co.
- Moore, R. (2005). Individualism and China's millennial youth. *Ethnography, 44*(4), 357–376.
- Ministry of Civil Affairs. (2010). *A statistical report on the development of civil affairs in 2009*. Retrieved from <http://cws.mca.gov.cn/article/tjbg/201006/20100600081422.shtml?2>. Accessed on March 5, 2011. (In Chinese).
- National Center for Charitable Statistics. (2008). *The nonprofit sector in brief*. Retrieved from <http://nccsdataweb.urban.org/kbfiles/797/Almanac2008publicCharities.pdf>. Accessed on March 5, 2011.
- Nisbet, R. (1953). *The quest of community*. New York, NY: Oxford University Press.
- O'Brian, K., & Han, R. (2009). Path to democracy? Assessing village elections in China. *Journal of contemporary China, 18*(60), 359–378.
- Ostrom, E. (1990). *Governing the commons: The evolution of institutions for collective action*. New York, NY: Cambridge University Press.
- Ostrom, E. (2009). What's social capital? In V. Bartkus & J. Davis (Eds.), *Social capital: Reaching out, reaching in*. Northampton, MA: Edward Elgar Publishing.
- Paxton, P. (1999). Is social capital declining in the United States? A multiple indicator assessment. *The American Journal of Sociology, 105*(1), 88–127.
- Putnam, R. (1993). *Making democracy work: Civic traditions in modern Italy*. Princeton, NJ: Princeton University Press.

- Putnam, R. (1995). Bowling alone: America's declining social capital. *Journal of Democracy*, 6, 65–78.
- Putnam, R. (2000). *Bowling alone: The collapse and revival of American community*. New York, NY: Simon & Schuster.
- Rose, A. (1962). Reactions against the mass society. *The Sociological Quarterly*, 3(4), 316–330.
- Rothstein, B., & Uslaner, E. (2005). All for all: Equity, corruption and social trust. *World Politics*, 58(1), 41–72.
- Rowe, W. (2002). Social stability and social change. In W. Peterson (Ed.), *The Cambridge history of China: The Ch'ing dynasty to 1800*. New York, NY: Cambridge University Press.
- Sampson, R. J. (1988). Local friendship ties and community attachment in mass society: A multilevel systemic model. *American Sociological Review*, 53(5), 766–779.
- Sampson, R. J., McAdam, D., MacIndoe, H., & Weffer-Elizondo, S. (2005). Civil society reconsidered: The durable nature and community structure of collective civic action. *American Journal of Sociology*, 111(3), 673–714.
- Shanghai Bureau of Statistics. (2010). *Shanghai Statistical Yearbook 2010*. Retrieved from <http://www.stats-sh.gov.cn/tjnj/nje11.htm?d1=2011tjnj/E0201.htm>. Accessed on March 3, 2011.
- Shenzhen Bureau of Statistics. (2010). *Shenzhen Statistical Yearbook 2010*. Retrieved from <http://www.szjt.com/main/images/2010/12/23/962915473885.xls>. Accessed on March 3, 2011.
- Shi, H., & Jing, X. (2010). On the diachronic process of the faith crisis and countermeasures in China's social transformation era. *Journal of Beijing Jiaotong University (Social Science Edition)*, 9(3), 83–87.
- Smith, A. (1999). *An inquiry into the nature and causes of the wealth of nations*. New York, NY: Modern Library.
- Song, L., & Lin, N. (2009). Social capital and health inequality: Evidence from Taiwan. *Journal of Health and Social Behavior*, 50(June), 149–163.
- Spire, A. J. (2007). *China's un-official civil society: The development of grassroots NGOs in an authoritarian state*. Retrieved from Proquest digital dissertations. (UMI No. 3293387). Available at <http://proquest.umi.com/pqdlink?Ver=1&Exp=03-23-2017&FMT=7&DID=1453195401&RQT=309&attempt=1&cfc=1>
- Stolle, D. (2003). The sources of social capital. In M. Hooghe & D. Stolle (Eds.), *Generating social capital: Civil society and institutions in comparative perspective*. New York, NY: Palgrave Macmillan.
- Sun, L., & Lei, T. (2007). A study on the neighborhood ties of Beijing urban residents in old city zone. *Urban Problems*, 2, 56–59. (In Chinese).
- Tocqueville, A. (1835/2000). *Democracy in America* (H. C. Mansfield & D. Winthrop, Trans.). Chicago, IL: University of Chicago Press.
- Tönnies, F. (1887/1957). *Community and society* (C. Loomis, Trans.). East Lansing, MI: Michigan State University Press.
- Wang, M. (2001). *Research on Chinese NGO: focusing on cases*. Beijing: Tsinghua University Press (In Chinese).
- Wirth, L. (1938). Urbanism as a way of life. *American Journal of Sociology*, 44(1), 1–24.
- Woolcock, M. (1998). Social capital and economic development: Toward a theoretical synthesis and policy framework. *Theory and Society*, 27(2), 151–208.

- World Bank. (2010). *World development indicators and global development finance*. Retrieved from <http://databank.worldbank.org/ddp/home.do?Step=3&id=4>. Accessed on August 25, 2011.
- Zheng, Y. (2000). A survey on community awareness and neighboring relations in urban Jinan. *New Oriental*, 2000(3), 57–60. (In Chinese).
- Zmerli, S., & Newton, K. (2008). Social trust and attitudes toward democracy. *Public Opinion Quarterly*, 72(4), 706–724.