
Update No. 28 – June 14, 2002

Social Cohesion as a Tool for Policy Analysis

Résumés

Wydick, Bruce. 1999. “Can Social Cohesion be Harnessed to Repair Market Failures?” *The Economic Journal*, Vol. 109, No. 457: 463-475.

Instead of lending directly to individual borrowers, many credit institutions in developing countries have chosen to lend to self-selected groups of entrepreneurs, who are jointly liable for a single loan. This method of credit delivery has become known as “group lending,” and it has rapidly gained the attention of economists as one of the most innovative and promising means of making credit available to those without access to the formal financial market. The success of group lending in developing countries has been attributed to the ability of the institution to mitigate asymmetric information problems in credit markets. Previous research has offered a number of explanations for this phenomenon: social ties between borrowing group members, internal group pressure to repay loans, and peer monitoring. This research presents empirical tests on borrowing group data from Guatemala, which indicate that peer monitoring significantly affects borrowing group performance through stimulating intra-group insurance. Group pressure is found to have a small effect in deterring moral hazard, while the effect of social ties among members is statistically insignificant.

Beck, Wolfgang A. 2001. “Social Cohesion: The European Union Searching for a New Frame of Reference.” Amsterdam, European Foundation on Social Quality. Discussed in the *European Journal of Social Quality*, Vol. 3, No. 1 & 2: 151-160.

This is a report exploring the role of social cohesion in European policies. As Beck reminds us, with the enlargement of the European Union soon to occur, there is a strong argument for focussing our minds on the major question of how to live together. What will bind Europeans together in their daily life and help them to develop truly human relationships? Beck argues that new analytical tools need to be developed in order to explore the heuristic meaning of the concept of social cohesion. He highlights three contextual aspects that are relevant for the study of social cohesion. First, life and consumption patterns in our societies are now placed in a new

international context characterized, for instance, by the end of a bipolar world. Second, in most analysis thus far, institutions play a dominant role in addressing social cohesion, or the lack of it, and many scholars focus on their role in building up social cohesion as a basic resource. Third, due to the process of differentiation, the system of values seems to erode.

In terms of conceptual coherence, Beck observes that social cohesion not only is susceptible to many interpretations, it is also a highly complex theoretical concept with a long scientific tradition. Beck argues that there is not only one debate about cohesion. In all European institutions and relevant organizations, the question of cohesion is placed high on the agenda in varying ways. In his study, Beck refers only to the European Commission and the European Council. His main question concerns the contextual coherence of the so-called EU cohesion policy and its conceptual coherence. The EU cohesion policy is presented as a meta-policy objective based on the proposition of social cohesion as a productive factor. But for Beck, this is a functionalist policy framework, which does nothing to help the development of a European identity. As he observes, the consensus about values and the formation of collective identities are central issues with regard to the social cohesion concept.

Brown, Leslie. 2001. "Social Auditing and Community Cohesion: The Co-operative Way." Report to the Co-operatives Secretariat and Canadian Heritage.

<http://www.msvu.ca/research/projects/Lbrown.pdf>

As reflected in the popular press and academic analyses, many people in Canada feel alienated from decision and authority centres, and there is widespread concern among citizens and their political leaders that social cohesion has been weakened. This paper is a report of research on social auditing, credit unions and social cohesion. The paper addresses the role credit unions play in strengthening social cohesion in the communities in which they are located. Rooted in the tradition of Canadian analysts of the social economy and of civil society, the report shows that co-operatives can be seen as "natural" (though not the only) structures through which to build community. As one part of the social economy, and as organizations which usually have some connection to a particular geographic place, co-operatives are well placed to address the needs of communities. Co-operatives can contribute both indirectly and directly. They can engage people in meaningful decision-making and in activities, programs and policies that strengthen social cohesion at the community level. They can also contribute to capacity building. This research studies credit unions which have been using a tool called "social auditing" to try to better balance and integrate their social and economic mandates, and to work towards understanding community impact.

A key goal of the report is to assess and make suggestions for strengthening social audit methodology as a valuable tool for credit unions and co-operatives. The report concludes that credit unions do contribute to community building and democracy in communities in ways that favour the development of strong and cohesive communities. Social audits offer evidence of positive community impacts. Social auditing addresses contemporary concerns about accountability and transparency, and is particularly compatible with organizations in the co-operative sector. Co-operative philosophy and structures attest to the fact that co-operatives are different from conventional businesses in a number of ways. While concerned to be effective in business terms, the co-operative difference is rooted in four facts: 1) they are democratic organizations; 2) they do not have as a prime mandate providing a return on investment to shareholders; 3) they are usually tied to community as place, as well as other forms of

community; and 4) they have social goals – a social bottom line that includes concern for community.

What's New?

The special issue of Nexus' European counterpart, "Social Cohesion: Developments" is now available. "Developments" is a quarterly newsletter produced by the Council of Europe. This latest issue deals with the theme of employment.

http://www.coe.int/T/E/social_cohesion/Analysis_and_Research/Newsletters/PDF/Special%20Issue%20NB02%20-%20Employment.pdf