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On a Source of Social Capital: Gift Exchange

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ABSTRACT. The concept of social capital helps to explain relations within and between companies but has not crystallized yet. As such, the nature, development, and effects of such relations remain elusive. How is social capital created, how is it put to use, and how is it maintained? Can it decline, and if so, how? We argue that the concept of social capital remains a black box as the mechanisms that constitute it remain underdeveloped *and* that it is a black hole as many empirical phenomena are attributed to its presence. We use and develop the literature on gift exchange to provide a firmer theoretical basis for the concept of social capital.

KEY WORDS: social capital, social relations, gift exchange, trust, inclusion, exclusion

Introduction

Social capital resides in members of a group and in their relations. Social capital has been investigated extensively in business settings as well (for instance, Adler, 2001; Darr, 2003; Dore, 1983; Ferrary, 2003; Tsai and Ghosal, 1998), with application ranging from inter-unit resource exchange (Tsai and Ghosal, 1998; Uzzi, 1997), innovation (Hanssen, 1998; Gabbay and Zuckerman, 1998; Nahapiet and Ghosal, 1998), and the facilitation of entrepreneurship (Chong and Gibbons, 1997; Walker et al., 1997). 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 and Kwon, 2002; Field, 2003; Fine, 2000; Portes and Sensenbrenner, 1993; Woolcock, 1998) demonstrating its relevancy in those contexts. Despite its popularity, social capital has not yet crystallized and conceptually is still hampered by the lack of a common definition regarding the concept and its elements (Adam and 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, how it is maintained, and how it may cease to exist. These processes are not self-evident: the benefits of social capital do not materialize at will and, if it exists, not every individual is likely to benefit to the same extent.

The focus of this article 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 (1950), 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 (Bourdieu, 1977; Larsen and Watson, 2001; Mauss, 1954).

From this literature, social capital emerges as a consequence of exchange relations. How and when such social relationships actually contribute to the establishment of social capital is a contribution that the extensive literature on gift exchange may offer.

In this conceptual article, we argue that socials capital, as a concept, has remained a black box so far 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 however suggests that creation, use, maintenance, and possibly the demise of social capital are to be understood as a corollary of gift exchange (see Uzzi, 1997 for an empirical study).

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 and Singh, 2002; Fine, 2000); Bourdieu (1986), Coleman (1988), and Putnam (1993) are considered to be the founding fathers of the concept of social capital. Their approach and conceptualization of social capital differ substantially mainly resulting from their respective points of departure or perspectives. One of the contentious points 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 and Roncevic, 2003; Adler and 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 (Burt, 1992; Bourdieu, 1986; Coleman, 1988). 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 and 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 (Bourdieu, 1986; Coleman, 1988). 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 depends on 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, a relational, and a cognitive dimension. The structural dimension describes the totality of impersonal configuration of linkages between actors (Nahapiet and Ghosal, 1998; Scott, 1991; Wasserman and 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 and 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 and Kuklinski, 1982) – may however be just an example of the structural dimension of social capital.

Secondly, the relational dimension focuses on the specific content of an individual's ties: how individuals value 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 the aspect of the social infrastructure which represents shared meanings and interpretations. As Foley and Edwards (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 (Cicourel, 1973; Nahapiet and Ghosal, 1998). If one were to take a sociocentric position, one would obviously be more inclined to emphasize this cognitive dimension.

Perhaps drawing on these dimensions, social capital constitutes an aspect of the social structure and is capable of facilitating the actions of individuals within that structure (see Coleman, 1988). 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. In general it may be observed that a substantial amount of research, in difference areas, has been focused on the (mostly perceived as positive) consequences of social capital (e.g., Adler and Kwon, 2002; Field, 2003; Fine, 2000; Jackman and Miller, 1998; Portes and Sensenbrenner, 1993; Woolcock, 1998). Significantly, less has been written about the way social capital is created and maintained, which is at stake in this article.

The literature has so far mainly focused on what effects social capital may have and why the existence of social capital will have a contribution. What has received much less information is how social capital actually comes about. And, as Ullman-Margalit (1978) argues, any explanation is incomplete if the How-question is not addressed in addition to the Why-question (cf. Gambetta, 1988).

Sources of social capital

The literature on social capital, trust, and collaboration identifies a number of sources of cooperation, most of which can be categorized in two categories (e.g., Nooteboom, 2002; Shapiro, 1987). On the one hand, impersonal sources, such as sanctions by an external authority, social norms and values, are discussed (Bradach and Eccles, 1989; Dore, 1983; Granovetter, 1985; Zucker, 1986). Personal sources as a source of social capital and trust are, on the other hand, discussed in this literature as well. In part motivated by self interest, current and ongoing cooperation can bring benefit to the focal actor (Abreu, 1988; Axelrod, 1984; Heide and Miner, 1992; Hill, 1990; Kreps et al., 1982; Parkhe, 1993; Telser, 1980). A focal actor's reputation (Coleman, 1988; Kreps, 1990; Weigelt and Camerer, 1988), and also hostages taken by the focal actor (Williamson, 1985), can be a basis for the focal actor to trust the partner to cooperate. Some others refer to sources of social capital at a supra-individual or impersonal level such as closed networks, shared ideology, culture, and social norms and values without further elaboration (Coleman, 1988; Ferrary, 2003; Field, 2003; Laumann and Pappi, 1976; Portes, 1998; Putnam, 1993; Sandefur and Laumann, 1998). In part both the individual and supra-individual sources of social capital are motivated by altruistic motivations such as relations of affect as well as by routines or individual habits. While impersonal sources of cooperation from the point of view of an individual actor can be regarded as largely given and can only to be altered indirectly, personal sources, arising in specific personalized interactions, can be influenced.

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 as well.

Most of the explanations for the existence of social capital are provided ex post, and so it appears to emerge as if from a black box. The process whereby social capital emerges is not analyzed much. When the process of social capital formation is unclear, what effects can be ascribed to it might not be fully clear as well. In that respect social capital is in some cases a black hole. By suggesting a way in which the creation, maintenance, but also demise of trust and social capital can be understood, we may be able to open the black box. In this article we suggest that gift exchange provides the actor with the means to create and maintain relations of trust where social capital might be said to reside. In the literature the purported effects of a presence of social capital are mostly discussed.

Bourdieu (1986) and Coleman (1988) argue that social capital can form purposefully well as unintentionally. Social capital may well 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 can be 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 (Bourdieu, 1977, 1986). Thus, self-interested and otherwise purposive actors may strategically enter into certain kinds of relationships (Coleman, 1990; Field, 2003; Portes, 1998; Sandefur and Laumann, 1998). Social capital may thus 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 purposeful accumulation of social capital (Coleman, 1988, 1990; Field, 2003; Paldam and Svendsen, 2000; Sandefur and Laumann, 1998). 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).

We 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." The notion of gift in this literature is thus more encompassing than the one understood in ordinary day life.[1] Coleman (1990) cites examples of individuals' intentional creation of obligations by, for instance, performing unsolicited favors and giving gifts to others (see also Uzzi, 1997). These obligations become a basis for future exchange by creating trust between parties (Barber, 1983). Coleman in particular argues that they are a kind of 'entitlement' to future (social) support which can be drawn on in both social and business (professional) settings (Adler and Kwon, 2002; Bourdieu, 1977, 1986; Coleman, 1990). The literature on gifts offers further insights into the processes through which this occurs.

Gift exchange and the constitution of social capital

Boulding (1981) surmises that gift exchange is the quintessential form of exchange. The vast literature on gift exchange points out that gift exchange plays a vital role in the construction of social networks (Cheal, 1988; Gouldner, 1960; Larsen and Watson, 2001); gifts may be used to initiate, maintain, or sever relationships with individuals or groups (Belk, 1979; Cheal, 1988; Darr, 2003; Gouldner, 1960; Larsen and Watson, 2001; Mauss, 1954; Sherry, 1983). 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). By drawing on the well-established research on gifts, one is able to incorporate all the dimensions that are attributed to social capital, as well as clarify how social capital is established and maintained.

In contrast to popular belief, and to what some have argued (Baier, 1986), gifts may be exchanged for both instrumental and more purely altruistic reasons and not just for the latter. 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 (Ekeh, 1974). The literature on gift exchange thus points out that gift exchange may both be a form of *instrumental* behavior often taking place in a context of quasi-enforced reciprocity, but the obligations resulting from gift exchange may also be an *unintentional byproduct* (Blau, 1964; Bourdieu, 1977; Heath, 1976; Homans, 1974; Mauss, 1954). Even though self-interest and instrumental considerations may play a role, gifts presented to people or other agents with the intention of seeking a particular, well-defined return actually are prices or bribes (Rose-Ackerman, 1998; Smart, 1993). The difference between the two is that in case of gifts the exact nature, value, and moment of the counter-gift are purposefully left unspecified. Community-specific rituals signal this (cf. Gambetta, 1988). The rituals signal "expectation of the persistence and fulfillment of the […] social order" (Barber, 1983).

Gift giving may be a strategic, self motivated action meant to create an obligation in the exchange partner to reciprocate (Bourdieu, 1977; Darr, 2003; Humphrey and Hugh-Jones, 1992). As Zucker (1986) argues, creation of trust is *implicit* in the expectation of a counter-gift in gift exchange; it should not become explicit, however (Bourdieu, 1992; Darr, 2003). The generosity and voluntarism observed in gift giving may but need not 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 and Englis, 1996; Levi-Strauss, 1996) – takes into account past and or future outcomes for herself, and is at least partly motivated by the expectation of some return-gift, whether direct (such as power over others) or indirect (such as social approval) (Blau, 1964). It is this expectation of reciprocity and perceived sense of equity over the longer term that makes the exchange mutually beneficial, and therefore its continuance is expected (Cook and 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 unbalanced when viewed at any 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; Uzzi, 1997), 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 as a distinct form of exchange that is characterized by a set of *three principles* that Mauss (1954) has been very adamant about. As part of a community, anybody is obliged to (1) give, (2) receive,[2] and (3) reciprocate (cf. Dore, 1983; Gouldner, 1960; Levi-Strauss, 1996; Malinowski, 1996; Sahlins, 1972; Schwartz, 1996; Simmel, 1996). The imperative nature of this threefold obligation derives from its cultural embeddedness (Sherry, 1983). These obligations are certainly social, in that they are enforced by the community. In addition, they may have moral overtones. 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 and will thus not trust the other. Acceptance of the gift is, to a certain extent, acceptance of the giver and the relationship between the parties (Carrier, 1991; Larsen and Watson, 2001). 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 and the trust inculcated there. 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 (Ferrary, 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, as that 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 (Bourdieu, 1977; Deckop et al., 2003; Ferrary, 2003; Mauss, 1954). The 'objective' value of the counter-gift may be ostensibly lower or higher than 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 be other reasons for the scales being 'objectively' out of balance (Komter, 1996). Material value of gifts exchanged can be compensated for by obvious inculcation of immaterial value – such as time, effort, and creativity – in the counter-gift. The 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. Even at the moment of giving and receiving the (perceived) value of a gift is usually left unspecified, hidden behind rituals have emerged in a specific community – gifts are 'silent' as it were (Bourdieu, 1977; Deckop et al., 2003; Gouldner, 1960; Mauss, 1954). In addition to being 'silent,' gifts or favors are versatile in the sense that form and content can vary extensively (e.g., ranging from more explicit to implicit) depending on the circumstances and broader context. As such interpersonal or intra-organizational exchange in business settings, even in (cultural and organizational) settings (Hofstede, 1991; Rose-Ackerman, 1998) where specific guidelines on gift exchange have been established, is predicted to continue. Although the type of gifts and favors as well as the rituals involved, due to legal and/or normative constraints, can transform over time, the practice of informal personalized exchange has been demonstrated in many organizational settings (Allen, 1977; Agrawal et al., 2003; Beltramini, 1996; Kreiner and Schultz, 1993; Sherry, 1983; Von Hippel, 1987).

Maintenance of social capital

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, it may be attention or heed shown 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 (Khalil, 2004; Zelizer, 1997). The more obviously valuable a first gift is, for instance, and the more explicitly in anticipation of a specific counter-gift, the more the giver is likely to signal to the receiver or givee that the gift is actually a bribe or price.

The alteration from a resource to a gift is realized by observing and keeping in mind the social relationships, the proper occasions, and decorum, and using the signals and rituals that should accompany gift giving as established in a community (Deal and Kennedy, 1982). Relations start with gift giving, as they convey the message that one intends to relate to the other; gift giving conveys that one 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. Uzzi (1997, p. 52) reports how CEOs of one firm will assist others to invest or set up a business, but "never for a stranger." A Social Capital Community can be as small as a group of two persons. Given the possibility to offend the receiver by giving a gift, the original gift with which a relation starts is not likely to be idiosyncratic. The more a first gift signals a specific perception of the receiver and his context, the bigger the chances of offense are as the giver might have misperceived the situation. 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.

Gift exchange serves both *economic* and *social purposes* (Belk, 1979; Cheal, 1988; Larsen and Watson, 2001), and may be mutually supportive (Ferrary, 2003; Smart, 1993).[3] While gift exchange is (necessarily) between individuals, these individuals may be from the same organization (e.g., Flynn, 2003), or from different organizations, where individuals represent organizations (Bouty, 2000; Child and Faulkner, 1998; Ferrary, 2003). 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, destroying, or forestalling a personal relationship (Ferrary, 2003; Offer, 1997). Gifts not only transfer utility but are also social interactions embedded in social structures (Cheal, 1988). The relation 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).

Darr (2003) thus claims that gift exchange and market transactions are 'inextricably intertwined' in contemporary markets (cf. Dolfsma et al., 2005; Granovetter, 1985). 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). 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 connections, but only if one's direct relation allows this (Burt, 1992; Coleman, 1988; Granovetter, 1973). Gift exchange will generally not extent beyond an (emerging) Social Capital Community (cf. Uzzi, 1997).

Social capital's ability to facilitate social action, in the absence of any legal enforcement, depends on individuals' willingness and sense of obligation toward the other. Many emphasize generalized reciprocity, of type III in Figure 1, such as in the example of voluntary blood donations to unknown others, usually related to concepts such as shared ideology, culture, and norms/values (Coleman, 1988; Ferrary, 2003; Field, 2003; Laumann and Pappi, 1976; Portes, 1998; Putnam, 1993; Sandefur and Laumann, 1998). Although generalized reciprocity can be defined as part of social capital, it does represent a less potent form of social capital than type II and especially type I in Figure 1 and could possibly be considered as an enabler (Ekeh, 1974 for an extensive overview of exchange theory). Social capital's ability to facilitate action is most effective if and when it results from gift exchange resulting personal obligations between concrete individuals. Individuals generally are more forthcoming toward friends and acquaintances they entertain strong ties with than strangers or persons they are less connected with in general (Coleman, 1988). Strong ties

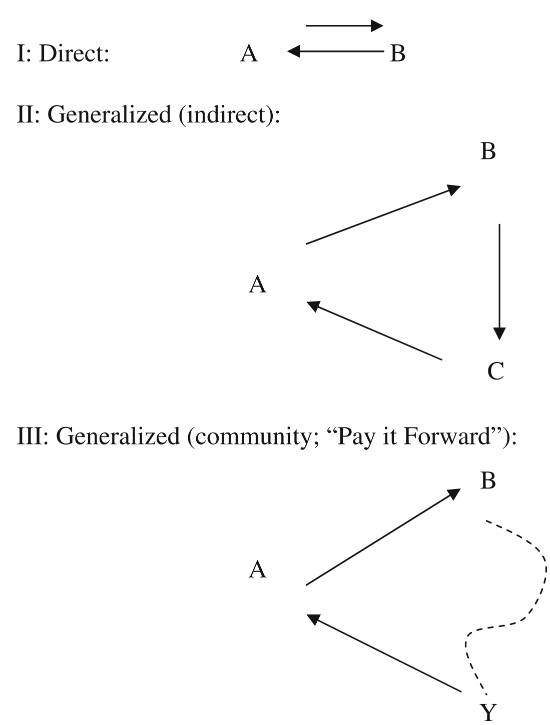

Figure 1. A classification of gift exchange/reciprocity.

generally provide a larger likelihood of reciprocation than weak ties, where reciprocation facilitates actors' access to resources and support (Burt, 1992; Hansen, 1999). Once established, a Social Capital Community decreases the risk of non-reciprocating ('free riding'), and hence actors' preference for dealing with insiders instead of outsiders. Social capital does not exist in absence of a 'thick' social context; in its most potent form, social capital mainly results from concrete interaction (gift exchange) between concrete individuals (type I in Figure 1; Burt, 1992; Ekeh, 1974; Levi-Strauss, 1969, 1996).

Social capital thus needs *maintenance* (Adler and Kwon, 2002). 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 and 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 and Watson, 2001, p. 899). 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. Gift exchange engenders the relationships in which social capital can be said to reside (Bourdieu, 1986; Nahapiet and Ghosal, 1998). The symbolic denial of economic calculation of gift exchanges then serves the requirement of strategic interaction (Bourdieu, 1977).

Gifts: inclusion and exclusion

Social relationships and group boundaries are formed and sustained through the perpetuating exchange cycle of giving and receiving (Ruth et al., 1999). Belk and Coon (1993) 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 out of balance. 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 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 (Bouty, 2000; Von Krogh, 1998).

Belk and Coon (1993) emphasize how gift giving creates a bond of goodwill and social indebtedness between people. Indebtedness perpetuates the exchanges process. A deferred return obligates one individual to another and therefore creates social debt. At the same time, Belk (1979) has described the tension generated and reduced in perpetually unbalanced exchanges as an important dynamic in gift giving. While the giving of large gifts that the receiver may not reciprocate enables one person to gain control over another person, exchanges of small or token gifts permit a recipient to demonstrate trustworthiness in the short run (Blehr, 1974 taken from Sherry, 1983). Many gift exchanges that are meant to maintain social ties or bonds occur within a context of ritualized occasions, such as at birthdays or during Christmas. These ritualized occasions often serve as maintenance rites (Cheal, 1988), keeping the established relationships going (cf. Bourdieu, 1977, 1986). A sequence of reciprocal gift exchanges establishes a transactional relationship between individuals (Sherry, 1983). Relations are, in other words, re-affirmed by regular gift exchange.

Social capital inheres in the ties between individuals and thus takes both parties to be drawn on. A counter-gift, however, cannot be legally enforced and is by its very nature part of the social realm. Individuals can then be (purposefully) *included* as well as *excluded* from a Social Capital Community. Understanding the emergence, maintenance, 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 and Dannreuther, 2003). As Sherry (1983) points out, ''those to whom we give differ from those to whom we do not give.''

As Levi-Strauss (1996) puts it, ''to give is to receive.'' The literature on gifts, as well as empirical findings on gift exchange, shows that those who give more are also the ones who receive more (Komter, 1996). Inclusiveness comes in degrees. 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 above-mentioned, 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, p. 182) 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). Bodemann (1988) point out that powerful people –being in a position where they can confer benefits to others – 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-poor individuals lead to less participation in gift exchange and diminishing opportunities to develop feelings of 'faithfulness and gratitude' (Simmel, 1996). Individuals may however 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 a person may prevent from being offered one. Rejecting a gift publicly offered is an offense for both parties, something to be prevented from happening. Anticipating that a gift may not be accepted, signaling that a (particular kind of) gift will not be deemed appropriate, or that a particular giver if and when considering to offer a gift will not be admitted to a community prevents the gift from being offered in the first place and thus from having to reciprocate later. Such signaling prevents the establishment of a relation or inclusion into a Social Capital Community. Also, an exchange of gifts can go awry. As the gift signals the kind of person the giver is (or 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 or should develop, there is scope for misunderstandings to arise (Boulding, 1981), certainly because of the necessarily 'silent' nature of the gift.

While trust can emerge and grow due to gift exchange, it can thus 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). Uzzi (1997) has put it thus, ''trust can break down after repeated abuse.'' 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 the social capital that existed between parties in the process. Not only will the parties involved then miss out on a potentially lucrative relation, but 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 (Ingram and Robert, 2000). Social capital, as the discussion of gifts suggests, floats around in a community, but exists as well, or perhaps in particular, between concrete individuals and is tangible expression of their social relations (Sherry, 1983). One person may not generally be in a position to profit from the social capital present in the relation between a second and third person. Gifts can thus be a medium through which social boundaries are expressed, frequently invoked in ritual [e.g., Dolfsma and Dannreuther, 2003; Smart, 1993; Schneider, 1981 (from Sherry, 1983)]. 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.' Inappropriate gifts, inappropriately given gifts, or inappropriate givers can lead to exclusion from or can prevent the inclusion into a Social Capital Community. Gifts or return-gifts that are too much out of balance can equally harm the relation.

Using social capital

Gift exchange not only initiates and facilitates the exchange of resources, it also affects 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 used 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. Reciprocity is seen to strengthen the rights of the provider to call upon the receiver and the obligation of the latter to reciprocate 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.'' The need to reciprocate may be seen as an outstanding obligation by the receiver to the giver, which is created between gift exchanging individuals, that according to Coleman (1990) can be considered as credit slips which one can try to put to use when the actor requires its use. These 'credit slips' or obligations then facilitate the mobilization of concomitant benefits and resources inherent in existing relationships. In determining whether the resources could be called upon in practice, Coleman identifies two 'crucial' context specific elements: the 'actual extent of obligations held' and 'the level of trustworthiness of the social environment.'

Burt (1992), however, concludes that trust is an essential characteristic of obligations since we never know a debt is recognized until the trusted person reciprocates. At some point, somehow, failure to reciprocate may well, however, as argued above, entail excommunication. We are not denying that generalized reciprocity matters, but, as, for instance, studies of the development Open Source Software has indicated (Lakhani and Von Hippel, 2003) generalized reciprocity is likely to be circumscribed and less powerful in eliciting the help of others than direct reciprocity (Bourdieu, 1977; Ekeh, 1974; Gouldner, 1960; Levi-Strauss, 1969, 1996; Mauss, 1954; Regan, 1971; Wilke and Lanzetta, 1970). The likelihood for reciprocity to occur is, *ceteris paribus* other relevant characteristics of the relationships involved, expected to the higher in case of direct reciprocity as compared to generalized reciprocity. At the same time, the literature on gifts indicates that, from the perspective of the members of a community, there needs to be some balance in the relationship (Adams, 1965; Blau, 1968; Homans, 1974; Sahlins, 1972; Walster et al., 1976). New members have not contributed to the community to the same extent as established members have and as a result their credit and reputation are limited. A person whose position in a community is not established yet will receive gifts, largely due to the existence of generalized reciprocity in that community, but not to the same extent and of the same kind that more established members do. As a counter-gift cannot be (legally) demanded, it then is a matter crucially of *how* relations in a Social Capital Community are drawn on to elicit a particular counter-gift if and when needed.

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. In a situation of dispersed resources, exchange becomes a necessary condition for resource combination (Moran and Ghosal, 1996; Nahapiet and Ghosal, 1998; Tsai and Ghosal, 1998). Bargaining power of participants will vary according to alternatives sources of supply open to them (e.g., Heath, 1976). The giving of gifts is a way of conferring material benefit on each other (Sherry, 1983). Ostensibly, there is no expectation of equivalent and formal return (Beals, 1970 from Sherry, 1983). According to Mauss, people of a community must give, accept, or receive a gift, and they must reciprocate. Counter-gifts must not be immediate and of the same value as that would turn a gift exchange a market exchange and might turn the gift into a bribe. Again ostensibly, the act of giving takes precedence over the gift itself; acknowledgment 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 (Belk and Coon, 1993; Boulding, 1981).

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. In the process of exchanging gifts, both parties get to know each other and the other's perceptions and frame of reference. It is believed by most exchange theorists that actors will engage in gift 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), Bouty (2000), 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, are expensive, or have many dimensions of quality.

The notion of gift exchange thus 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, used, and destroyed. 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, almost at will, thus turning the concept into a black hole. The phenomena of gift exchange shows that the social and the economic sphere should not necessarily be conceived of as separate spheres – spheres overlap and are interrelated, and motives for gift exchange are both instrumental and (much) less self-interested (Dolfsma et al., 2005). Through gift exchange, one may initiate and maintain relationships, as (mutual) obligations are created in its process. As a corollary of the cycle of giving and reciprocating, trust emerges and cooperation between the (exchange) parties involved are more likely to take root (Gouldner, 1960; Mauss, 1954; Sahlins, 1972; Uehara, 1990). As such, these benefits ascribed to social capital can now be more fully understood.

Gift exchange creates and maintains social capital as a gift requires 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 or favor exchanges lead 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 – make it possible for trust to develop (Adler, 2001; Landry et al., 2001; Tsai and Ghosal, 1998; 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 with a different dynamic. Building a new Social Capital Community, or extending an existing one, requires protracted investments in the form of gift exchange between individuals. Gift exchange only occurs when both parties are willing and able to give, receive, and reciprocate resources in a broad sense of the term, however. If gifts are not returned, if inappropriate gifts are given in an inappropriate manner, or if too much or not enough is given, the relationship created and sustained by gift exchange can break down and people can be excluded from a Social Capital Community. Thus, in time, social capital is created and sustained by gift exchange, but at the same time, once created, social capital facilitates exchange of both gifts and market commodities particularly in uncertain circumstances (Bourdieu, 1986; Nahapiet and Ghosal, 1998).

Notes

[1] Here gifts are equated with *charitable* gifts – a significant economic phenomenon nonetheless (Economist, 2006).

[2] Cf. proverbs ''never look a gift horse in the mouth,'' ''never criticize or express displeasure at a gift.''

[3] Some have argued that gift exchange may be the only type of exchange to create a product such as open source software (Zeitlyn, 2003).

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