THE MANY SIDES OF SOCIAL CAPITAL: HOW SOCIAL CAPITAL IS RELATED TO ENTREPRENEURSHIP?

by

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Abstract

It is common knowledge that 10 percent of the population controls about 70 percent of the wealth in the United States. Disparity in the level of entrepreneurship between dominant groups in society and minorities is considered a cause of this wealth inequality. Therefore, what causes some groups and communities to be more entrepreneurial than others, is an important question. Prior works that focused solely on individual characteristics have been found to be inadequate. As more consideration is given to the problem, social capital emerged as a bright spot in the entrepreneurship literature. Therefore, this paper explores social capital as a community factor that could stimulate or retard entrepreneurship. It explores two previously unexplored questions about the relationship between social capital and entrepreneurship. The first is - how the level of different social capital dimensions in a community relates to entrepreneurship? The second is - does marginal members of a community receive the same entrepreneurial benefits from the social capital within a community as dominant members? It finds that social capital is generally, positively related to entrepreneurship. However, in some conditions, it could exaggerate disparity in entrepreneurship between dominant and marginal groups. The possibility that social capital could widen the gap between groups that achieve entrepreneurial success and those that do not, was previously ignored. Instead, social capital has been presented as a silver bullet. Little consideration was previously given to whether there is another side to social capital. The findings show that depending on the conditions, social capital could be a cause or a cure. Therefore, this paper makes a significant contribution by exploring conditions under which social capital retards entrepreneurship for marginal groups. It also adds to what is already known about social capital’s positive relationship with entrepreneurship. It was pursued by analyzing archival data, collected via the 2000 Social Capital Community Benchmark Survey (SCCBS) and the Public Use Microdata Sample (PUMS) from the 2000 Census data. By merging these datasets, the relationship between social capital dimensions and entrepreneurship were examined.