



Building Social Capital Through Informal Dispute Resolution Centers

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“Social capital is like a ratchet that is more easily turned in one direction than another; it can be dissipated by the actions of governments much more readily than those governments can build it up again. *Now that the question of ideology and institutions has been settled, the preservation and accumulation of social capital will occupy center stage.*”

-Francis Fukuyama, *The Trust*, p.362

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I. Introduction

Current efforts to build social-capital tend to neglect the critical need and prerequisite of building a common value system based upon the ethic of human-oneness. This paper argues that (1) if donor agencies wish to promote social capital, they should make this ethic integral to their programs; and (2) the creation of informal dispute resolution centers (IDRC) within civil societies is an appropriate and highly promising strategy. “The moral of the story is that if we do not pay attention to social capital, we will destroy it, all the while patting ourselves patting themselves on the back for helping people out.”¹

II. Social Capital Requires a Common Value System

Social capital is “the ability of people to work together for common purposes in groups and organizations.”² This capacity arises from the prevalence of trust in a society or in certain parts of it. Trust, in turn, depends on the existence of commonly shared value system -- norms, ethical values, and institutional structures that amount to the glue holding the group together.³ This includes, in particular, the principle of generalized reciprocity -- the “golden rule.”⁴

So defined, social capital differs from other forms of human capital in a fundamental way: it requires multilateral effort and cooperation, and institutional support, to build and sustain. In contrast, traditional human capital can be accumulated through an individual’s unilateral actions – such as one’s acquisition of education and training. However, social capital can neither be created nor hoarded through such individual action – it is “inherently communal,” existing “only to the extent that it is shared.”⁵

Social Capital is Vital for Economic Performance

Social capital is critical to numerous forms of social cooperation – including economic. Virtually all economic-activity in the contemporary world is carried out not by individuals but by networks of cooperating people – thus depending on social capital. Further, the magnitude and quality of social capital determine the general type of organizations that a society forms, and, consequently, the nature of its industrial

¹ Flora and Flora (2000)

² Coleman (1990), p.10

³ Serageldin (1996), p.45

⁴ Putnam (2001), p.134

⁵ Morfit (2002), p.3

economy. Societies with social capital limited to the family-scale (e.g., China, Italy, and France) tend to have economies dominated by family-run businesses, specializing in small-scale industries such as apparel, design, machine tools, and furniture.⁶ In contrast, societies with broader levels of social capital (i.e., Japan, Germany, and the United States) have managed to build complex, professionally managed organizations. Consequently, the latter societies have been able specialized in complex manufacturing activities and highly capital-intensive industries, including automobiles, semiconductors, and aerospace.

When societies with lower-levels of social capital form larger or more complex organizations, the process incurs substantial external costs. Generally speaking, the relative lack of trust within such societies prevents the organic, or spontaneous, formation of such organizations. Consequently, such societies must orchestrate the formation of such organizations, typically through direct creation by the state, or the introduction of foreign direct investment or partnership with foreign partners. Both of these options, however, incur substantial external costs. While the former tends to be particularly time-consuming and inefficient, the latter runs the risk of delaying investment in local infrastructure and education and creates the possibility of cultural resentment.⁷ Additionally, in a climate of distrust, the transaction costs of monitoring and enforcing commitments⁸ increase substantially – because contracts, property, and commercial law must be scrupulously drafted.

Social Capital is Vital for Stable Democracies

Social capital provides the reserve of cooperation that enables a democracy to function properly. It enables the different members of a society to organize into political groups and meaningfully articulate their interests and views. One can better appreciate how critical social capital is to a functioning democracy by imagining the alternative: “...a mass of unorganized, isolated individuals, able to make their own views and preferences known only at election time. Their weakness and atomization would not permit them to express their views properly, even when those views were held by a majority, and would be an open invitation to despotism and demagogy.”⁹

Even a cursory glimpse at democracies throughout the world illustrates this relationship between a well-functioning democracy and social capital. Low-social capital nations, such as Italy, suffer from pervasive corruption of its public officials and ineffective public administration. In fact, there is a direct relationship between social atomization and corruption as one moves from the North and Center of the country to the South.¹⁰

III. Social Capital: Inherent Relativity & Perennial Need to Expand Horizontal and Vertical Relativity of Social Capital

Trust exists along a continuum of possible scales: individuals, family, kin, ethnic group, civic network, nation, or supra-national organization. With respect to “value,”

⁶ Baker (1979), p.131; see also: Landes (1949), pp.45-61

⁷ See Fukuyama (1995), p.339 (referencing experiences in Malaysia, Thailand, and Singapore)

⁸ Arrow (1974), p.23

⁹ Fukuyama (1995), p.357

¹⁰ Putnam (1993), pp.156-158; see also: Harrison (1992)

“magnitude,” or “quality,” the social capital of a given group is a relative phenomenon – depending on the standard of evaluation that is used. Thus, depending on perspective, a given form of social capital may seem either small (*limiting*) or large (*enabling*).

The *horizontal relativity* of social capital is evident when a given social group is compared to another, contemporaneous group. For instance, social trust in China and Italy resides, predominantly, in family groups – indicating a relative dearth of social capital when compared to Japan and Germany, which exhibit higher degrees of trust exist amongst their civil societies.¹¹ However, China and Italy demonstrate relatively high social capital when compared to Russia or inner-city U.S., where family groups are often fragmented, and society consists of atomized, alienated individuals.

Similarly, the *vertical relativity* of social capital is apparent when a single social group is viewed through a historical lens. The value and utility of any particular form of social capital change drastically over time, due to temporal changes in social environments. For instance, by modern standards, tribal groups are generally viewed as underdeveloped forms of social capital, *limiting* overall peace and prosperity, because of their tendency to limit their members’ ability to associate and form bonds of trust with the society at large. However, at prior points in history, these same forms of social capital were progressive and useful. At a time when one couldn’t travel beyond a 20-mile radius on foot, tribes were likely the most appropriate scale for the development of bonds of social trust – *enabling* net peace and prosperity. Since the means for the formation of a city-state or nation did not yet exist, trust beyond the tribe was not only impracticable, but perhaps dangerous. Distrust of those outside the tribe likely protected tribal members from ill-intentioned outsiders who had no incentive to cooperate. Thus, from a utilitarian perspective, tribal groups maximized the possibilities for peace by maximizing people’s ability to manage their political, economic, and civil lives.

The Perennial Need for Social Capital to Expand

Changing historical circumstances have continuously redefined the utility of each form of social capital. Advances in sciences and technology have pushed previously separate groups together, upsetting their functional capacities. Consider, for instance, the shift in the utility of tribal groups as, over the years, they began to encounter one another more frequently. So long as they could avoid interaction, continued distrust was a feasible option, as explained above. However, as populations grew and technologies advanced, interactions became increasingly frequent. Eventually, the degree of proximity and intermingling deemed it in the best interest of all to identify as one unit worthy of mutual trust and cooperation. This expansion of cooperation and trust was not only desirable, but necessary for survival – as the following examples illustrate.

¹¹ Morfit (2002), p.1

Periodic necessity, therefore, has been the motive-force underlying the historical expansion of social capital from family to tribe, tribe to city-state, and city-state to nation. In the face of mounting historical changes, social groups are not faced with the mere choice of “expand or maintain,” but “expand or decline.” Historical records, such as the one cited above, illustrate that at such juncture points, the only way for a smaller-scale social group to preserve its legitimate integrity and distinctness has been to broaden its overall identity by authentically participating in a larger, meta-group. In the face of changing social conditions, therefore, stubborn or ideological refusal to expand would pose a serious threat to the group’s vitality and longevity.

The Mechanics of Social Capital Expansion

If expansion of social capital is a matter of periodic necessity, why have the historical transitions been met with such resistance, tumult, and violence? Trust and cooperation cannot simply be “willed” into existence amongst disparate groups. Trust requires common adherence to a set of values and ethical norms — a difficult feat amongst differing, if not conflicting, groups. Establishment of a common value system requires the time-consuming process of redeveloping and widening the social order until it reaches a point at which it is capable of meeting the political, economic, cultural needs of the novel social entity. Groups must interact for a long-enough time period that they begin to genuinely view the other as members of the same overall group. Legal codes and social structures need develop in order to encode and maintain this new notion of society. Likewise, a common culture needs to develop in order to convey this knowledge to subsequent generations.

Beyond these inherent challenges, the process is often impeded by the actions of group leaders -- whether monarchs, elected officials, or chieftains. France, for instance, had a dense network of civil associations reflecting a high degree of social trust at the end of the Middle-Ages, but the capacity was destroyed in sixteenth century by the monarch.¹³ The British Crown, in contrast, did not destroy Britain’s network of civil associations. These associations continued to grow throughout the nation – resulting in its relatively high degree of social capital today.

In the face of such challenges, how have such orders been, ultimately, established? Systems theory and the thermodynamic principles of physics explain that systems left to themselves move away from integration of elements, and tend towards dissociation and fragmentation (entropy). However, a system that is subject to the influence of an external energy source can undergo radical change amounting to an increase in order and integration of new elements or members.

With respect to social capital systems, history recognizes a number of the “outside sources” that have transformed human society by broadening and integrating social orders – individuals such as Krishna, Buddha, Moses, Jesus, and Muhammad.¹⁴ Regardless of whether they are viewed as social revolutionaries or divine messengers, the historical record confirms that they were, indeed, the “outside influences” responsible for

¹³ Agulhon and Bodiguel (1981); see also: Tocqueville, *The Old Regime and the French Revolution* (1955), p.51

¹⁴ For instance, Muhammad and Jesus have been recognized as the first and third most influential individuals in human history, respectively. Hart (1992).

the periodic transformation of human society. These individuals not only renounced their current social orders and accepted subsequent persecution, but also authored the blueprints that proved to ultimately transform their societies. These blueprints delineated (1) the purpose, or central ethic, for the new value system, and (2) the means, or institutional and legal framework, by which the ethic could be realized.

IV. Globalization: the Current Call for Social Capital to Expand Crisis: Global Integration Has Outpaced A Common Value System

Amongst the historical calls for social capital to expand, the period of the last century and a half has been unprecedented in scale. The scientific and technological advancements in communications (e.g., the telegraph, telephone, television, internet) and transportation (e.g., steamboat, train, car, airplane) are unparalleled by any other era in human history. The consequence has been an exponentially greater interaction amongst previously separate groups and a greater general access to informational and monetary capital – causing physical space to have effectively shrunk and time to have effectively accelerated, as indicated by its subdivision into progressively smaller units of measurement in modern life.

This global integration, however, has far outpaced the development of a common value system requisite for the preservation of social capital. Consequently, globalization has upset the equilibrium of almost every conceivable scale of social capital: family, tribe, ethno-religious, and, for the first time, nation-state. Still lacking a common moral or institutional foundation, these groups have had little choice but to clash upon being pushed together -- due to prejudice, radical differences in worldviews, and competition for control and access to natural resources. Modern tools of warfare have enabled in large-scale domination of one people by another, and nuclear technology has posed a threat to overall international security. Economic globalization and the integration of markets have enabled great disparities of wealth amongst the global division of labor, creating extremes of poverty and economic insecurity for masses of peoples.¹⁵ In short, social groups have been disintegrating, either because of direct politico-economic disruption¹⁶ or because they are no longer equipped to meet the rapidly changing needs of its constituents – resulting in voluntary abandonment on the part of their members.

Of these disturbances, the most novel is that of the nation-state, which finds itself increasingly inept and unequipped to respond to the pressures of globalization.¹⁷ Though it has been the organizing principle of the international order of the last 200 years, it has, increasingly, become either too small to respond to the growing list of supra-national problems (eg: environmental pollution, stock-market crashes, terrorist threats), or too

¹⁵ World Bank (1994), pp. 162 - 163

¹⁶ E.g.: The disruption of U.S. rural communities due to economic pressure on farmers, broken families due to an increasing vacuum in community and extended-family support, identity conflicts resulting in disruption of ethnic and religious groups and dramatic increase in numbers of refugees

¹⁷ Guehenno (1996)

large to deal with the list of subtle, smaller-scale issues affecting the community and local citizenry.¹⁸

Numerous sociological studies have explained the consequences in terms of social capital: the growing doubt, alienation, and distrust characteristic of “postmodernism,” and the increase in institutional corruption. Such symptoms are appearing throughout all sorts of societies, which is not surprising, since globalization is an inherently global phenomenon. Robert Putnam’s research, for instance, suggests that the United States is now depleting a great fund of social capital that was previously accumulated – as indicated by the breakdown of the family, rise of divorce, and rise of single parent families since late 1960’s. Furthering this breakdown of trust is the increase in corruption and scandal in the public sector: sexual abuse amidst the Catholic Church, Enron’s undermining of trust in the stock market, corporate accounting, and retirement security. Perhaps most alarming of all is that the very safety-net of trust seems to be shredding away -- as indicated by the corruption of the very agencies responsible for ensuring public integrity, such as Arthur Andersen.¹⁹

Social scientists agree that the dangers of social capital disintegration are severe. It not only undermines economic prosperity, but poses an even greater and more immediate threat to democratic stability.²⁰

Opportunity: Social Capital Can Now Expand to An Unprecedented Scale

If the material integration of the world is eroding all scales of social capital because a common value system is lacking, then what should the essence of such a value system be? We can glean the answer from the very nature of the current disintegration. Such a system must facilitate the increasing interaction and interdependence of radically different peoples (ie: indigenous tribe and oil company, Israeli and Palestinian, capitalist + laborer, etc.). Deceptively simple though it may sound, the central ethic of such a system must be *membership to the overall group based on the sole criteria of humanity* – rather than ethnicity, race, or nationality.

Numerous bodies of research indicate that this ethic, the oneness of humanity, is critical to the preservation and expansion of social capital. Economic historians Nathan Rosenberg and L.E. Birdzell, for instance, note that, “the need for a form of enterprise which could command trust and loyalty on some basis other than kinship was only one facet of a broader need: the rising world of trade needed a moral system. It needed a morality to support reliance on its complex apparatus of representation and promise...”²¹

Paleontologist Richard Leaky, commenting on the implication of the oneness of humanity for the development of human society, has stated the following: “[w]e are one species, one people. Every individual on this earth is a member of ‘homo sapiens sapiens,’ and the geographical variations we see among peoples are simply biological nuances on the basic theme. The human capacity for culture permits its elaboration in widely different and colorful ways. The often very deep differences between those cultures

¹⁸ Fukuyama (1995), p.143

¹⁹ Scott (2002)

²⁰ Fukuyama (1995), p.30

²¹ Rosenberg and Birdzell, (1986), p.114

should not be seen as divisions between people. Instead, cultures should be interpreted for what they really are: the ultimate declaration of belonging to the human species."²²

Is it naïve to believe that such a value system could ever be formed? At earlier points in history, when virtually *any* type of consistent association on a global level was unfeasible, such a notion would have been ridiculous. However, globalization is a double-edged sword: the flipside of its threat to social capital is that for the first time in human history the possibility exists for building trust amongst people from all different backgrounds and identity groups. The very fact that humans now regularly associate on a global scale -- albeit turbulently -- indicates that such association is possible.²³ When else did the systems of communications and travel exist to enable any form of relationship across the world -- whether trust or distrust? In this age, global conflicts and global social capital are both feasible for the same reason: we have the actual means -- both physical and informational -- to achieve them.

The historical record is encouraging. Despite the seeming impossibility of such shifts in consciousness, they have occurred time and again throughout human societies -- such as the forging of the Chinese city-states into a single China, the merging of the 50 U.S. states into one nation, or contemporary forging of the current European nations into a single European Community.

Indeed, despite current identity-clashes, there is substantial evidence that the foundation for a "human-oneness" moral system already exists amongst different cultural traditions. Of note is that, at the 1993 Parliament of the World's Religions in Chicago, an assembly of the world's religious and spiritual leaders declared that it is, indeed, possible for the world's religions to find much common ground. The declaration, entitled "Towards a Global Ethic," states: "We affirm that a common set of core values is found in the teachings of the religions, and that these form the basis of a global ethic... There already exist ancient guidelines for human behavior which are found in the teachings of the religions of the world and which are the condition for a sustainable world order."²⁴

²² Leakey and Lewin (1977)

²³ Putnam (2000)

²⁴ The Golden Rule, the teaching that we should treat others as we ourselves would wish to be treated, is an ethic variously repeated in all the great religions:

Buddhism: "Hurt not others in ways that you yourself would find hurtful." Udana-Varqa, 5:18.

Zoroastrianism: "That nature only is good when it shall not do unto another whatever is not good for its own self." Dadistan-i Dinik, 94:5.

Judaism: "What is hateful to you, do not to your fellow men. That is the entire Law, all the rest is commentary." The Talmud, Shabbat, 31a.

Hinduism: "This is the sum of all true righteousness: deal with others as thou wouldst thyself be dealt by. Do nothing to thy neighbour which thou wouldst not have him do to thee after." The Mahabharata.

Christianity: "As ye would that men should do to you, do ye also to them likewise." Luke 6:31.

Islam: "No one of you is a believer until he desires for his brother that which he desires for himself." Sunnah.

Taoism: The good man "ought to pity the malignant tendencies of others; to regard their gains as if they were his own, and their losses in the same way." The Thai-Shang.

Confucianism: "Surely it is the maxim of loving-kindness: Do not unto others that you would not have them do unto you." Analects, XV, 23

Bahá'í Faith: "He should not wish for others that which he doth not wish for himself, nor promise that which he doth not fulfill." Gleanings.

However, as we have alluded to earlier, the development of such a value system will be time-consuming -- given the degree of interaction that needs to occur to foster it, and the development of appropriate social and cultural institutions needed to maintain and encode it. This process will be particularly challenging amongst groups who have already been in conflict with one another -- "the great irony of trust is that in order to rebuild it, one must take risks with the person who broke it."²⁵

Despite these difficulties, the alternative is prohibitively bleak. Though it may be a part of our nature to feel reluctant to broaden our sense of identity, are we willing to accept the further weakening of our families, communities, and nations? As explained earlier, when the perennial call comes for social capital to expand, the choice is not expand or maintain, but expand or perish -- particularly in this age of nuclear capability.

V. Building Social Capital Means Conflict-Resolution

Ineffectiveness of Current Attempts: A House With No Foundation

Unfortunately, many current attempts to build social capital have further destroyed it. Many current studies and projects are methodologically flawed because they neglect the critical requirement of a common value system in building social capital. Thus, when observing groups that are tightly-knit yet exclusive with respect to outsiders, these studies conclude, ironically, that the exclusivity is due to the "excessive" social capital.²⁶ Not only does such a conclusion logically bar any attempt to build social capital within the group and threatens to destroy social capital, but it betrays an ignorance of the fact that exclusivity between groups is a result of the absence of a common value system, not "excessive social capital." On the contrary, high degrees of trust within a smaller-scale group reflect a positive potential capacity for larger scale trust -- should a common value system be developed.

On the other hand, projects and studies that are sensitive to the need for promoting a common value system tend to have peripheral results. One set of these focuses on technical/material services, such as urban renewal, agricultural development, or the like.²⁷ While these projects are a necessary part of an overall socio-economic development strategy, they are not the most effective means of building trust. Though some participants may, fortuitously, develop bonds of trust with one another, such projects do not actively further knowledge of *how* to interact and understand different people.

Another set focuses on education initiatives through schools, family, and media. Though this, too, is a critical component of an overall approach, presumes that an understanding of human-oneness *already* exists which the education initiative purports to be passing on. Such an ethic, however, has yet to be truly developed in most instances. It is difficult to teach about human-oneness unless it exists within the given group or

²⁵ Scott (2002)

²⁶ Durlauf (1999), p.2, see also: Flora and Flora (2000)

²⁷ Zagreb NGO: Center for Civil Society: centers for civic cooperation in 2 muslim-croat communities. 1) Livno Combines community development/comm. Empowerment/public dialogue approach: building road, heating high school, provide English and computer classes to multiethnic group of croats and muslims, convening educational community round tables on a variety of democracy-related topics. Convening educational community round tables on a variety of topics. Developed 3 new NGO's. Successfully has secured its own financial and material support since April 1997.

community. Such an approach amounts to an attempt to build the “house” of social capital by starting with the walls or roof – without the foundation.

Laying the Proper Foundation: Conflict Resolution

If we are to adhere to the thermodynamic principle of physics that nothing can exist in a vacuum, then we must ask ourselves the following question: *what is replacing the lost social capital?* As the numerous forms of social groups unravel, the debris that is left behind can be summed up under the common rubric: *conflict*. Indeed, conflict resolution is an optimal approach by which to build the foundation of social capital. Successful and direct initiatives at building social capital are, necessarily, conflict resolution initiatives, just as successful conflict resolution initiatives build social capital – for the following two reasons.

1. Social Capital is Inversely Related to Conflict

Much of conventional conflict resolution analysis fails to recognize that conflict is a function of social capital. Common methodologies tend to view conflict as independent of social capital – as an abnormal [if not completely avoidable] state, resulting from a discrete number of “root-causes.” Resolution, therefore, is defined as eliminating these causes in order to alleviate the conflict -- oftentimes by limiting the solution to the particular grievances articulated by the disaffected groups, without considering the extent to which the groups have a common normative framework. This approach has not had the best track record, as numerous case studies demonstrate.²⁸

It stands to reason that the existence of commonly held norms – social capital – will, by definition, affect the ability of the group to use such norms as authority in disputes. Conflict-resolution methodologies, then, ought to widen the scope of conflict-analysis to incorporate the inverse relationship between social capital and conflict. This approach understands conflict to be a relatively normal background-state, existing on a continuous spectrum – the magnitude/eruption of which depends on the quality of the group’s social capital. Resolution, therefore, seeks to address the overall social capital of the group, rather than attempting to identify a discrete (and usually nebulous) root cause. The power of this approach is its ability to analyse a broader range of elements within a given system, resulting in a stronger prescriptive and diagnostic capacity.

Numerous examples illustrate the inverse relationship between social capital and conflict. The baseline level of conflict in societies with historically lower degrees of social capital have been more prone to manifest *violently*, while societies with greater degrees of social capital have been better able to avoid violence: “[t]he eastern European countries that appear to have the greatest chances for success as democracies are Hungary, Poland, and the Czech Republic, which retained nascent civil societies throughout the communist period... There is no lack of divisive ethnic conflicts in these places, whether over competing Polish and Lithuanian claims to Vilnius, or Hungarian irredenta vis a vis neighbors. *But they have not flared up into violent conflicts yet because the economy has been sufficiently vigorous to provide an alternative source of social*

²⁸ [eg: Kosovo Albanians. USAID/other donors had Albanians, tried to address grievances through direct responses. Create alb university. → Bosnia: Dayton accords followed root causes model and assumed that realities of ethnic identity had to be accepted --> protected separate representation; 3 languages recognized despite minimal substantive differences between them].

identity and belonging.”²⁹ This sheds further light on why conflict resolution efforts that have focused on “root causes” rather than social capital have tended to fail in these societies.

2. Conflict Mutually-Influences Social Capital

Not only is conflict a function of social capital, but, if protracted, it perpetuates a vicious cycle by further eroding social capital and trust.³⁰ The most obvious erosion of trust is amongst the disputants themselves, whose un-resolution alienates them from one another and whose trust further diminishes if the conflict escalates and passes on through successive generations. More importantly, the persistence of the dispute erodes, in the eyes of the community, the credibility of available conflict resolution mechanisms (courts, families, etc). Not only does this create a sense of civic disenchantment, but also a reluctance on the part of members to engage in a wide array of cooperative activities that distinguish a community of trust, for fear of the possible occurrence of conflict. Faced with such a choice, distrust and alienation appear to be better options than becoming party to a conflict that the given social structure has shown itself incapable of resolving. Further, unresolved disputes are likely to escalate and accelerate the degree of social capital erosion, leading, in extreme cases, to violence: “[v]iolent conflict is likely to occur between groups who have little social capital in common; it occurs between those who are like us and those who are different from us in some fundamental way. With few ways of bridging the gap, violence is readily seen as the only viable option.”³¹

In contrast, successful resolution of disputes is critical to the preservation, let alone expansion, of trust within social groups. Studies have shown that the foremost desire of parties to civil disputes is simply for a third party to hear them out³² – thus, dispute resolution that caters to this desire is likely to build social capital. In more extreme cases that focus on clear-cut issues of injustice, successful resolution is even more critically important to the maintenance of trust – since an entire subgroup runs the risk of disenfranchisement.

VI. IDRCs: the Needed Forum for Conflict Resolution

The Limitations of the Formal Justice System: “Forum doesn’t fit the fight”

Though conflict resolution is a fertile arena in which to lay the foundation of social capital, the formal justice system is not the only vehicle for doing so. The formal justice system was neither designed nor intended to resolve the kind of informal, grassroots-level disputes that distinguish the current social capital crisis. Designed in the 19th and early 20th century, it was designed to hear a relatively narrow range of disputes, property, criminal cases, and statutes. Only the civil legal systems end up deciding less than 50 percent of the cases filed. In studies, AAA Study of Arbitration, Surveys of Litigants, and DPK Consulting’s experience in the countries such as Pakistan, Palestine, Kosovo, Ecuador, Argentina, Honduras, we have found that only 50 percent of cases filed reach judicial intervention. How those counts dispose of the remaining cases becomes a project goal in installing case management systems

²⁹ Fukuyama (1995), p.361

³⁰ Colletta and Cullen (2000)

³¹ Morfit (2002), p.4

³² DATA

even if the traditional mechanisms were in place, globalization has spawned an entirely new breed of conflicts that the traditional mechanisms would probably be unable to resolve (ie: land disputes between indigenous groups and oil companies, marriages between two people from very different cultures).

Why not remedy this by increasing the size of the formal justice system so that it can resolve this wider range of disputes? Such a strategy is impracticable for several reasons. First, it would be prohibitively time-consuming and expensive, since the number of "informal" disputes is (exponentially) greater than the "formal" ones that the judicial system is accustomed to hearing. More importantly, most of the "informal" disputes simply do not lend themselves to "formal" resolution -- that is, they are more successfully resolved through informal interactions of the disputants than through procedural hearings and third-party decision. For the majority of such disputes, informal resolution is more likely to further a process of humanization amongst the disputants -- thus promoting the human-oneness ethic necessary for social capital expansion.

The Imperative: Establishment of *Informal* Dispute Resolution Centers

The imperative, then, is to rebuild the dispute resolution capacity in the local, informal sector -- the locus in which the majority of human interaction exists, where the W% deadweight loss occurs, and where social capital can be created/destroyed.³³ This does not imply a strict reversion to the traditional social structures of the past, because many of the current conflicts, as explained above, defy the expertise of these traditional mechanisms. The implication, rather, is the development of novel mechanisms that can effectively resolve the conflicts of an interconnected and intermixed world.³⁴

IDRCs respond directly to this need and have been lauded for their effectiveness in converting conflict into social capital. "The creation of dispute resolution centers where neighbors can become familiar with each other and build bridges of understanding that cross cultural and economic barriers represent a foundation for social capital."³⁵ "Dialogue groups can be a powerful tool for peace-building and civil society development."³⁶ In contrast to the formal system, participants have been "more satisfied with it [ADR] and see it as more fair and open."³⁷ IDRCs have enabled parties to conflicts to maintain "good relations" with one another and to remain active member of the community.³⁸ While there have been varying results regarding the monetary costs of IDRC programs,³⁹ even those that have been costly have heralded IDRC's ability to build social capital, reporting that it can satisfy objectives other than cost through "increasing disputants' satisfaction with outcomes."⁴⁰

³³ Krishna (2000), p.72

³⁴ Several examples illustrate this possibility. For instance, India embraced lok adalat village-level people's courts in the 1980s, where trained mediators sought to resolve common problems that in an earlier period may have gone to the panchayat, a council of village or caste elders. See World Bank (2000) p.2

³⁵ Weinstein (2001) p.253

³⁶ Mott (date), p.31

³⁷ World Bank (2000)

³⁸ Conflict Management Group (2001)

³⁹ E.g., World Bank (2000) (findings of Conflict Management Group and Professor Deborah Hensler)

⁴⁰ Conflict Management Group (2001), p.6

Beyond these reports of general satisfaction, IDRC's have also been shown to increase participants' proclivity for spontaneous sociability through community involvement and activism -- a direct indicator of social capital accumulation. Despite objections of some that ADR may deplete the 'activist energy' that ought to be channeled towards broader legal reform, "introducing ADR mechanisms may lead to greater activism amongst the disenfranchised for access to the formal legal system. Thus even external ADR programs may eventually stimulate reform in the formal courts."⁴¹ Not only have IDRCs directly affected the formal system, but also legislatures.⁴²

A USAID conflict resolution program built substantial social capital in Kumonakov, Macedonia. A combination of multi-ethnic, municipal-budget hearings along with local-government coalitions brought together ethnic Albanian and Slavic and they interacted building trust. Though the city teetered precariously on the brink of violent conflict, it did not erupt into it even when Albanian paramilitary groups cut off water to city and threatened it with bombardment from mountains. This project also helped to build a constituency for a multi-ethnic government.⁴³

In Bangladesh, a broad NGO led community mediation program builds on foundation of traditional "shalish" community mediation, but improves it so that it provides greater access to justice for women than either the formal court system or the traditional system. Supported by USAID and Asia Foundation mediates over 5,000 disputes a year and boasts high satisfaction and high settlement rates.

In Sri Lanka, a large scale community-based mediation and conciliation program has reduced court delay and achieved high levels of compliance and satisfaction and provides wider justice to the economically disadvantaged. Established by government and aid agencies in 1990, it is comprised of 218 mediation boards which mediate between 250,000-300,000 cases a year at the village level. Mediators are usually respected members of the community chosen at the local level but approved by a national commission.

In a number of U.S. highschoools in D.C. and Boston, conflict resolution curricula have enabled children to manage their conflicts and build bonds of trust. Conventional peer mediation training has been proven to positively influence children's management of school and home conflicts in elementary schools.⁴⁴ And middle school students who received both conflict resolution training and peer mediation training have shown a significant increase in their use of integrative negotiation behavior.⁴⁵

Conflict resolution "summer camps" for teenagers from Israel/Palestine, Cyprus, and the Balkans have contributed to substantial trust building amongst their participants.

⁴¹ Fairman (2000)

⁴² One example is the work of the Foundation for Inter-Ethnic Relations, which addresses ethnic conflicts in Eastern Europe. A conference it organized for examination of ethnic relations in Latvia led to an amendment to the Latvian constitution that made all children in Latvia under the age of 16 Latvian citizens, regardless of ethnicity. Similarly, it initiated a program on textbook development in Crimea-Ukraine which helped to address educational disparities amongst the Tartar ethnic group. (Mott (date) p.16)

⁴³ Morfit (2002), p.12

⁴⁴ Johnson et. al. (1995); see also Johnson et. al. (1996)

⁴⁵ Dudley et. al. (1996) pp.2038-2052

The Transcaucas National Peace Foundation Women's Dialogue has built trust along conflict lines by cross-cutting identities through solidarity around common womanhood.⁴⁶

In Russia, "the relative success of [Partners Russia] initiatives in the university system also demonstrates that even in a society which is often described as being resistant to new collaborative dispute resolution procedures, there are promising entry points for long-term social interventions." In addition, the National Peace Foundation's program on conflictology has cultivated a cadre of Russian conflict management trainers who intervene in interpersonal, community, organizational, and public environmental disputes.⁴⁷

Similarly, in the Ukraine, a society which has traditionally been skeptical towards third-party dispute resolution, a network of trained mediators and volunteers in four cities have effectively mediated labor disputes including major mining strikes. The program is funded partly by USAID as part of its broader objective of facilitating the country's transition to a market economy.

In South Africa, the trust-building success of the Industrial Mediation Services of South Africa (IMSSA) has begun to serve as a model for the government's new Commission for Conciliation, Mediation, and Arbitration. An NGO resolving industrial labor disputes, IMSSA made significant accomplishments important before the transition to a post-apartheid government, when it enjoyed particular legitimacy as a result of its independence from the legal system and government.

Conflict Management Group (CMG) informal "brainstorming" workshops with the Republic of Georgia and the self-declared independent region of South Osetia "had a positive impact on the peace process, largely because negotiators developed personal relationships, and new skills for resolving conflict." The workshops helped to build trust through listening exercises, perception analysis, identification of joint interests, and the development of common visions. Ultimately the workshops resulted in a draft political settlement.

Overall, IDRCs exist in numerous forms -- ranging from community dispute resolution centers to court-annexed ADR programs:

Figure 1: Spectrum of IDRC's

INFORMAL SECTOR		FORMAL SECTOR	
Access to justice		Access to justice systems	
Community Dispute Resolution	School-Peer Mediation	Houses of Justice El Salvador/Columbia	Court Annexed ADR Program
Indigenous Community Centers	Peace and Conflict Centers	Labor Disputes	Executive Branch Programs
	Issue Based ADR Centers	Chamber of Comm Dispute Res Ctrs	Municipal Govt. Ombudsman
		Professional Assns	

⁴⁶ Mott (date), p.15

⁴⁷ Mott (date), p.22

VII. Methodology For Establishing IDRC's

"[T]here is not yet any clear framework for...developing resources that will help build capacities to manage social conflict more effectively."⁴⁸

Initiatives to establish IDRCs for building social capital have the common aim of furthering the ethic of human groupness/oneness through local institutions – however, there is no universal formula to be applied. Project initiators and donor agencies must tailor their strategies to the particulars of the given group, recognizing that different societies have varying degrees of social capital and particular cultural constraints—resulting in substantially different needs with respect to the type of IDRC. A cursory view at the comparative history of social capital development across societies illustrates the broad range of possibilities for building social capital. Civic trust in Japan, for instance, arose from the particular nature of its family structure and feudal system, while that of Germany arose from the strong tradition of communal organizations and guilds, and that of the United States, from its sectarian Protestant culture.⁴⁹

1. Phase One: Meeting The Prerequisites

The two most critical prerequisites for IDRC projects are as follows:

1. The dispute lends itself to informal resolution
 - It is not about protecting individual or group rights, establish legal standards, or power imbalance between the parties (though Judge Shakur notes that in mediation a judge can compensate, to some extent, for power disparities between parties, whereas in court the rules of evidence and procedure restrict the judge's freedom to empower the weaker party⁵⁰). [though, "in cases where social norms are the root of the discriminatory treatment, ADR cannot completely level the playing field, but it provides an option for disputants who otherwise find no redress at all." (footnote Rick Messick).]
 - Both parties must *want* to resolve the dispute. This is not always the case, such as a situation in which a company may express interest in an IDRC simply in order to deter individuals from filing formal complaints.
 - If using a mediator, both parties must be willing to concede to the mediator, since the mediator can not compel compliance.
2. The overall aim is to build trust and cooperation, not just to save time or money.

⁴⁸ Morfit (2002), p.13

⁴⁹ Bendix (1967), pp.266-273

⁵⁰ World Bank (2000)

2. Phase Two: Assessment of Groups' Social Capital

If the IDRC initiative meets the prerequisites, the particular needs of the group(s) in question must be assessed. All societies have varying degrees of social capital, but the critical question is whether or not it is channeled towards peaceful means. Indeed, more relevant than the question of, "*How Much?*" is the question, "*What makes the social capital of some societies effective in channeling conflict, while the social capital of other societies is not?*"⁵¹

Framing the analysis as such reflects the recognition that social capital is a relative phenomena, and that "the same strong ties which are needed for people to act together can also exclude non-members, such as the poor."⁵² The Taliban, for instance, utilized Afghanistan's social capital (kinship networks, clans, ethnic loyalties, as well as fatwa and syaria) to maintain its rule. Also, the caste system in India excludes certain castes even as it creates bonds of trust. Similarly, not all voluntary, civil society organizations are an asset in democratic systems. Some groups are inherently exclusory (such as the KKK) and, therefore, undermine net social capital.

Thus, existing social capital can be evaluated in three dimensions:

i. What Type of Relational Capital Exists?

- What are the common beliefs and notions about identity?
- Practically speaking: what is the predominant social form in which trust and cooperation reside? (Family, tribe, ethnic, religious, other?)
- Factors to consider: literacy, social and cultural norms, geography

ii. What Type of Institutional Capital Exists?

- To what degree are social institutions able to preserve and maintain group trust?
- Practically speaking: what are the explicit rules and procedures? Who is authorized to make decisions? Do the institutions have an inherent ability to evolve or are they inherently bound to precedent (ie: professional organizations vs. Roman Catholic Church)?⁵³
- Factors to consider: costs of legal representation, internal costs (bribery; inefficiency)

iii. Contextualization -- Is the Social Capital Enabling or Limiting?

- Does the form of social organization, on the whole, limit or promote net peace and prosperity – and to what degree has this changed over time?
- Practically speaking: how is the social capital shared? Which groups have access, and which are excluded, from the social goods? How has this pattern changed over time, due to historical changes in the group's environment?

⁵¹ Morfit (2002) p.3

⁵² Portes and Landolt (1996)

⁵³ Morfit (2002)

3. Phase Three: IDRC Strategy Selection

Proper diagnosis and strategy identification is critical if donor agencies and project initiators wish to avoid the pitfall of searching blindly for solitary civil society organizations, and supporting them on an ad-hoc basis – and, in some cases, unwittingly damaging existing pools of social capital due to ignorance of existing capital. Instead, it enables them to identify the already-existing pockets of social capital in a society, and then to assist in their preservation, focus on the full texture of civic life, and “broaden the range of mechanisms and organizations for managing conflict, making them more adaptable and inclusive.”⁵⁴

The evaluation of the above three measures dictates the overall strategy for implementing appropriate IDRC initiatives, as illustrated in the following chart:⁵⁵

		Relational Capital	
Institutional Capital	Strong	1. High Social Capital <i>Strategy: Extend Scope of Activities</i>	3. Strong organization <i>Strategy: Build Bonds of Trust</i>
	Weak	2. Traditional / Associative <i>Strategy: Introduce Rules, Procedures, and Skills</i>	4. Anomic, Atomistic <i>Strategy: Assist in Developing Structures and Norms</i>

To illustrate, groups that exist in quadrant 1 include: **W**. Quadrant 2 groups include: **X**. Quadrant 3 groups include: **Y**. Quadrant 4 groups include: **Z**. In many respects, Quadrant 4 groups are in the most dire situation – since they are deficient in social capital across the board, lacking even strong families – let alone stable associations beyond the family.

Implicit in the chart is the notion that effective strategies should identify the pools of social capital that already exist, and work to redirect or expand them – rather than eliminating them altogether. For example, a cooperative credit system may function more smoothly among women who already have relationships and a history of networking together to reach common goals.⁵⁶

Thus, establishment of IDRC’s according to this approach is true to the notion of “ADR” as *appropriate* dispute resolution, because it recognizes the wide spectrum of social capital inherent in different groups, actively diagnoses the nature of the conflict, and offers a uniquely tailored response for each case. It offers the flexibility of adjusting the resolution-forum so that it fits the dispute. In contrast, formal structures, or cookie-cutter approaches to dispute resolution, require the conflict to fit its own structure, rules, and procedures.

Within any given group-quadrant, a wide spectrum of possible IDRC initiatives exists. Studies indicate that some of the most successful IDRC initiatives have been

⁵⁴ Morfit (2002), p.9

⁵⁵ Dasgupta and Serageldin (2000)

⁵⁶ Grootaert (1998)

multilevel and diverse (programs at community, regional, and national levels and diversity of approaches were most successful).⁵⁷ These successful projects have tended to invest in social capital both directly and indirectly, through participatory project design and implementation and cross-sectoral partnerships.

With respect to project duration, numerous possibilities likewise exist. Not all efforts need to have the goal of sustainability.⁵⁸ Numerous project-types, in fact, are more appropriately short-term. (eg: ethnic crisis response fund for immediate intervention possibility).

In choosing the specific form for the IDRC program, donors or initiators should consult with stakeholders -- potential users and managers of the program -- or others who might potentially be in a position to interfere. At the same time, consultation should not be so broad-based as to allow capture of the program by hostile parties.⁵⁹

5. Phase Five: Implementation and Maintenance of IDRC Projects

The following elements pertain to the implementation, or internal workings, of the IDRC initiative:

1. Proper Management:

- ADR without case-flow-management can make court delay even worse. In Tanzania, the initial introduction of ADR led to more delay, creating another level of procedure; ADR events were adjourned on the court calendar just like other procedures. In Ghana, ADR was instituted after strong data collection that pinpointed the sources of delay in that court system.⁶⁰

2. Monitoring, Oversight, and Retraining:

- Monitoring and evaluation efforts should solicit feedback from the users themselves – a requirement that many existing programs have yet to meet.⁶¹

3. Relative Parity in the Power of Potential Users:

- If the BATNA (“best alternative to a negotiated agreement”) is widely uneven for the two sides, the more powerful party may seek to resolve the conflict outside the ADR framework. But in certain cases, the sanction of community norms can bring even relatively powerful actors to cooperate in a community ADR context.⁶²

The following elements pertain to fostering external support for the IDRC initiative:

4. Adequate Human Resources:

- A potential supply of trained or trainable mediators must be available

5. Sustainable Funding:

⁵⁷ Mott (date)

⁵⁸ Mott (date)

⁵⁹ Conflict Management Group (2001)

⁶⁰ World Bank (2000)

⁶¹ Conflict Management Group (2001)

⁶² Conflict Management Group (2001)

- While ADR programs may be cheap on the community level, national efforts will require greater resource commitment
6. Partnerships:
- "Partnerships must be inclusive and straddle the main categories of development actors – governments, private sector, civil society, and aid agencies."⁶³
 - International partners can play a valuable role in establishing and sustaining programs – especially with regards to expertise, resources, credibility, inspiration, and as a safety to local partners.⁶⁴
 - The relationship to the partner is critical: it should avoid autocracy and should involve transparency with financial funds.

The following elements pertain to overall social climates for IDRC initiatives:

7. Adequate Legal Foundations:
- Legal foundations may or may not require that ADR decisions have legal sanction. Certain IDRC resolutions will require legal standing, particularly if they are close to the highly legalized sectors of the economy (such as the commercial sector).
8. Political Support:
- Optimally, the IDRC initiative will receive support from the stakeholders who will be designing, using, and holding accountable the program.
9. Support of Cultural and Institutional Norms:
- Education, consultation, and outreach to potential users may be required to overcome discomfort based on societal norms.⁶⁵
10. Promote social capital research and learning.
- Results can be shared with other groups endeavoring to implement IDRC initiatives. Examples of such forums include The World Bank's "Social Capital Thematic Group" and the "Social Capital Initiative."

VIII. Conclusion

"In the absence of 'modern; habits of mind, the most theoretically correct IMF stabilization plan will have little effect."⁶⁶

The relative novelty of globalization means that the currently clashing groups must be the pioneers of such a value system – which can then be reinforced through education. In our current state of global social capital disintegration, the common value system needed must: (1) promote an ethic of identity based on "human-ness," (2) have roots in local as well as supra-national organizations (recognition that centralized authority can't deal with the informational requirements of an increasingly complex world).

Trust is the natural result of:

⁶³ The Partnerships Group, *Partnership for Development: Proposed Actions for the World Bank*, 1998

⁶⁴ Mott (date)

⁶⁵ Conflict Management Group (2001)

⁶⁶ Klitgaard (1990)

- Changing the relationship between citizen-citizen and citizen-state, so that the host of problems created at the local / global levels can be addressed; saving the lost %50+
- Nurturing conflict resolution skills-training (personal and policy between govt and citizen)
- empower the civil society with skills to resolve own conflicts]

Whether directly or indirectly, the above strategy will further the institutional foundation for new human ethic (IDRC's increase activism/people power which is critical for the development of new institutions), which may, in turn, influence the supra-national level, the locus where the macro effects of local-social-capital health are manifest -- (currently in the form of the plethora of above-mentioned supra-national challenges).

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