

The Economic and Financial context of Well-being: An Integrated Explanation of the Social Capital

السياق الإقتصادي والمالي للرفاهية: شرح متكامل لرأس المال الإجتماعي

RAFFAR ABDELKADER EL AMIR

رفار عبد القادر الأمير

University of Sidi bel abbes (management of Innovation and Marketing laboratory), (Algeria)
professional e-mail: abdelkader.raffar@univ-sba.dz

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ABSTRACT:

The concept of social capital goes back to Bourdieu's definition, which placed the focus on the existence of "network(s) of more or less institutionalized relationships ... which provides each of its members with the backing of collectively-owned capital".

The purpose of this paper is to investigate the impact of social capital on the link between financial and economic wellbeing and life satisfaction among employees within institutions. The main aim is to analyze the relationship between the various dimensions of social capital and subjective financial and economic wellbeing. this article discusses: What is social capital and how does it impact on the financial and economic well-being? For this extant literature related to the topic from different databases, websites and other available sources were collected. To answer the research questions, a literature review was conducted. The articles were selected from evidence-based scientific databases such as Emerald, Sage Premier, ScienceDirect, Springer Open, and Google Scholar. we searched relevant literature using specific keywords, e.g., "Social Capital," "Subjective Well-Being," "Life Satisfaction,". Twenty-eight scholarly articles were selected by using exclusion and inclusion criteria and screening the relevant articles.

Keywords: Social Capital, Subjective Well-Being, Life Satisfaction.

ملخص:

يعود مفهوم رأس المال الاجتماعي إلى تعريف بورديو، الذي ركز على وجود "شبكة من العلاقات المؤسسية إلى حد ما ... والتي تزود كل فرد من أعضائها بدعم رأس المال الجماعي".

الغرض من هذه الورقة هو التحقق في تأثير رأس المال الاجتماعي على العلاقة بين الرفاهية المالية والاقتصادية والرضا عن الحياة بين الموظفين داخل المؤسسات. الهدف الرئيسي هو تحليل العلاقة بين الأبعاد المختلفة لرأس المال الاجتماعي والرفاهية المالية والاقتصادية الذاتية. حيث يناقش هذا المقال الإشكالية التالية: ما هو رأس المال الاجتماعي وكيف يؤثر على الرفاه المالي والاقتصادي؟ تعتمد الدراسة بشكل أساسي على البيانات الثانوية. للأدبيات المتعلقة بالموضوع من قواعد بيانات مختلفة حيث تم جمع مواقع الويب والمصادر الأخرى المتاحة. وللإجابة على أسئلة البحث تم إجراء مراجعة الأدبيات واختيار المقالات من قواعد البيانات العلمية مثل Emerald و Sage Premier و ScienceDirect و Springer Open و Google Scholar. بحثنا في الأدبيات ذات الصلة باستخدام كلمات رئيسية محددة، على سبيل المثال، "رأس المال الاجتماعي"، "الرفاهية الذاتية"، "الرضا عن الحياة"، حيث تم اختيار ثمانية وعشرون مقالاً علمياً باستخدام معايير الاستبعاد والإدراج. الكلمات المفتاحية: رأس المال الاجتماعي، الرفاهية الذاتية، الرضا عن الحياة.

Introduction:

The study of happiness and subjective wellbeing has since long attracted the attention of psychologists and sociologists, but the interest on the determinants of subjective wellbeing has not reached the economic profession until recent years. This interest was partly motivated by the pioneering work by Easterlin (1974) and has recently given rise to a burgeoning literature, the so-called 'happiness economics' literature, which bases on individuals' self-reported data about happiness or life satisfaction.

The concept of social capital goes back to Bourdieu's definition, which placed the focus on the existence of "network(s) of more or less institutionalized relationships ... which provides each of its members with the backing of collectively-owned capital" (Bourdieu 1986, pp. 248–249). Whereas Bourdieu focused on the existence of social networks, Coleman defined social capital in a functional way, stating that "social capital is defined by its function. It is not a single entity, but a variety of different entities having two characteristics in common: they all consist of some aspect of social structure, and they facilitate certain actions of individuals who are within the structure" (Coleman 1990, p. 302). In a similar vein to Bourdieu's idea of social capital, we find the definition proposed by Putnam (1993, p. 167), who sees social capital as "features of social organization, such as trust, norms, and networks, that can improve the efficiency of society by facilitating coordinated actions". Later, Putnam (2000, p. 19) defines social capital as "... connections among individuals-social networks and the norms of reciprocity and trustworthiness that arise from them". From these definitions, it can be noted that social networks as well as social norms and trust are common elements that arise when defining social capital.

1. Statement of problem:

The concept of social capital goes back to Bourdieu's definition, which placed the focus on the existence of "network(s) of more or less institutionalized relationships ... which provides each of its members with the backing of collectively-owned capital". and from this perspective, the research problem can be formulated as follows:

- what is the relationship between the social capital and the financial and economic well-being?

2. Research questions:

This article focuses to answer the following questions:

- What is the meaning of social capital?
- What are the main types and benefits of the social capital?
- How the meaning of financial and economic well-being?
- What are the Determinants of Subjective Well-Being?

- What is the relationship between the social capital and the financial and economic well-being?

3. Research hypothesis:

- The social capital and institutional trust are the components that show a higher relationship with financial and economic well-being.

4. Research objectives:

This paper focus to:

- analyze the relationship between the various dimensions of social capital and subjective financial and economic wellbeing.
- investigate the impact of social capital on the link between financial and economic wellbeing and life satisfaction among employees within institutions.

5. Methodology:

The study is primarily based upon secondary data as it relies more on the theoretical study. For this extant literature related to the topic from different databases, websites, and other available sources were collected. A systematic review of the collected literature was done in detail.

1. LITERATURE REVIEW:

1.1 Is Social Capital Really 'Capital'?

There is considerable controversy in the literature over the use of the term 'capital' (Smith and Kulynych 2002). Portes (1998) elegantly posited the location of capital in relation to other forms of capital: 'whereas economic capital is in people's bank accounts and human capital is inside their heads, social capital inheres in the structure of their relationships' (Portes 1998, p. 7).

Social capital is different from other forms of capital in that it resides in social relationships whereas other forms of capital can reside in the individual (Robison et al. 2002). Further, social capital cannot be traded by individuals on an open market like other forms of capital, but is instead embedded within a group (Gant et al. 2002). It is clear from the literature that social capital has both similarities and dissimilarities with neocapital theories and is certainly quite dissimilar from classical theory of capital.

To discuss this in more detail it is necessary to further identify the characteristics of 'capital'. Schmid (2000) identified that capital is not immediately used up in production but rather its' services extend over time. The capital stock is subject to investment for future production and depreciation and decay from both use and non-use. Piazza-Georgi (2002) states that capital produces income and encompasses the non-consumable, but depreciating, inputs into the

production process. The author supported Schmid (2000a) stating that capital is a productive resource that is the result of investment (Piazza-Georgi 2002).

Many authors have questioned and even attacked the appropriateness of the term capital in social capital. If social capital is adherence to a norm and not affected by individual action as Fukuyama (1995) suggests, then it is not capital in the above sense. The main difference is that more than one person benefits from social capital (Schmid 2002). Smith and Kulynych (2002) believed that the word capital has a too broad, pervasive and honorific meaning and that the term blurs many distinctions which adversely affects the scholarly inquiry, whatever its implicit or explicit normative concerns. Inkeles (2000, p. 20) suggested that the term capital is too limiting and would rather use the term social or communal resources. The author argued this on the basis of: 'capital being an element of production, in particular the production of goods, but also services. We want not only goods and services but also social support, physical and social security, freedom of expression, opportunities to develop ourselves and a host of these outcomes not captured by the idea of goods and services. Hofferth, Lin, Cook *et al* (2001) disagreed by identifying that social capital shares commonalities with other forms of capital, notably human capital.

1.2 Definition of Social Capital:

The commonalities of most definitions of social capital are that they focus on social relations that have productive benefits. The variety of definitions identified in the literature stem from the highly context specific nature of social capital and the complexity of its conceptualization and operationalization. Social capital does not have a clear, undisputed meaning, for substantive and ideological reasons (Dolfsma and Dannreuther 2003). For this reason, there is no set and commonly agreed upon definition of social capital and the particular definition adopted by a study will depend on the discipline and level of investigation. Not surprisingly considering the different frameworks for looking at social capital there is considerable disagreement and even contradiction in the definitions of social capital (Adler and Kwon 2002). Because of the difficulties in defining social capital, authors tend to discuss the concept, its intellectual origin, its diversity of applications and some of its unresolved issues before adopting a school of thought and adding their own definition (Adam and Roncevic 2003). It has been suggested that a cross disciplinary definition would be less important if scholars were to redefine and appreciate other discipline's definitions.

Grootaert and Van Bastelaer (2002b) supported this view identifying that the main cause of variance in definitions is caused by focusing on the form, source or consequence of social capital. Social capital is multidimensional and must be conceptualized as such to have any explanatory value. Some authors see social capital as an economic term and do not adequately take account of its multi-dimensional and multidisciplinary nature.

Social capital is about the value of social networks, bonding similar people and bridging between diverse people, with norms of reciprocity (Dekker and Uslaner 2001).

Sander (2002, p. 213) stated that 'the folk wisdom that more people get their jobs from whom they know, rather than what they know, turns out to be true'.

Adler and Kwon (2002) identified that the core intuition guiding social capital research is that the goodwill that others have toward us is a valuable resource. As such they define social capital as 'the goodwill available to individuals or groups. Its source lies in the structure and content of the actor's social relations. Its effects flow from the information, influence, and solidarity it makes available to the actor' (Adler and Kwon 2002, p. 23).

Dekker and Uslaner (2001) posited that social capital is fundamentally about how people interact with each other.

1.3 Benefits and Importance of Social Capital:

The importance of social capital theory is apparent from the literature with many empirical studies that purport to show the importance of social capital to a very wide-ranging set of socioeconomic phenomena (Krishna 2001).

Adam and Roncevic (2003, p.177) stated that 'despite problems with its definition as well as its operationalization, and despite its (almost) metaphorical character, social capital has facilitated a series of very important empirical investigations and theoretical debates which have stimulated reconsideration of the significance of human relations, of networks, of organizational forms for the quality of life and of developmental performance'.

The widespread interest in and application of the concept could suggest the theoretical importance of social capital theory. Existing studies have provided ample evidence of its pervasiveness and offered useful impressions of its political, economic and social influence (Fine 2001). Aldridge, Halpern *et al* (2002) cautioned that some of the empirical evidence on the importance of social capital for economic and social outcomes needs to be treated with caution because of the misspecification or ambiguity of equations or models used to estimate its impact. Without a rigorous method for measurement it is unclear how the benefits are ascertained and tested. It is surprising that there is little skepticism in the literature over the validity of the purported benefits of social capital given the uncertainty of measurement techniques identified above.

This is due to two factors: the intrinsic appeal of the concept; and the common misguided faith in measurement methodologies. The majority of benefits described in the literature have not been empirically tested at all but arise through theoretical extrapolation based on other concepts.

1.4 Types of Social Capital:

Attempts to more thoroughly conceptualize social capital have resulted in many authors identifying different types and characteristics, the most common being the distinction of structural and cognitive, and bonding and bridging. Although not always called the same thing, the distinction between bridging and bonding (and often linking as well) is common in the

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literature. Aldridge, Halpern *et al* (2002) identified these main types of social capital. Bonding is horizontal, among equals within a community whereas bridging is vertical between communities (Dolfsma and Dannreuther 2003). Wallis (1998) referred to bonding capital as localized which he defined as being found among people who live in the same or adjacent communities, and bridging capital, which extends to individuals and organizations that are more removed.

Bridging social capital is closely related to thin trust, as opposed to the bonding (splitting) social capital of thick trust.

The other important distinction of social capital, developed by Norman Uphoff and Wijayaratna (2000) spans the range from structural manifestations of social capital to cognitive ones. Structural social capital facilitates mutually beneficial collective action through established roles and social networks supplemented by rules, procedures and precedents. Cognitive social capital, which includes shared norms, values, attitudes, and beliefs, predisposes people towards mutually beneficial collective action. Cognitive and structural forms of social capital are commonly connected and mutually reinforcing (Uphoff and Wijayaratna 2000).

There are numerous other examples in the literature; for example, whether its ties are strong (intensive and repeated) or weak (temporary and contingent); vertical (operating through formal hierarchical structures) or horizontal (in which authority is more decentralized); open (civically engaged and exercising open membership) or closed (protective and exercising closed membership); geographically dispersed or circumscribed; and instrumental (membership as social collateral for individual wants) or principled (membership as bounded solidarity) (Heffron 2000). These varieties of types of social capital require further exploration to establish a widely agreed upon framework, vital for empirical analysis.

1.5 Determinants of Social Capital:

The determinants are numerous and varied and there is both a lack of consensus and a lack of evidence to support the propositions. Several influential studies have suggested that social capital's roots are buried in centuries of cultural evolution. Other investigators suggest that social capital can be created in the short term to support political and economic development. Aldridge, Halpern *et al* (2002) suggested that the main determinants of social capital include: history and culture; whether social structures are flat or hierarchical; the family; education; the built environment; residential mobility; economic inequalities and social class; the strength and characteristics of civil society; and patterns of individual consumption and personal values. Pantoja (1999) identified a different set again, including: family and kinship connections; wider social networks of associational life covers the full range of formal and informal horizontal arrangements; networks; political society; institutional and policy framework which includes the formal rules and norms that regulate public life; and social norms and values. The majority of these claims originate in applied theory and stem from much work done on other concepts such as network analysis, civic society, cultural studies, education, psychology, and many

others. Even where empirical research has been performed, the findings have questionable validity.

1.6 Dimensions of Social Capital:

As previously identified, social capital theory suffers from much criticism for being poorly defined and conceptualized. This problem largely stems from the fact that social capital is multi-dimensional with each dimension contributing to the meaning of social capital although each alone is not able to capture fully the concept in its entirety (Hean et al. 2003). The main dimensions are commonly seen as: (01) Trust (02) Rules and norms governing social action (03) Types of social interaction (04) Network resources (05) Other network characteristics .

Other authors have identified different groups of dimensions, for example Liu and Besser (2003) identified four dimensions of social capital: informal social ties, formal social ties, trust, and norms of collective action.

Piazza-Georgi (2002) posited that Woolcock (1998) was the first to attempt a dissection of the concept of social capital within a unified conceptual framework. She goes on to state that Woolcock does this by defining four dimensions of social capital, in two pairs of opposing concepts: embeddedness and autonomy, and the macro and the micro level.

1.7 Levels of social capital:

Further to dimensional problems, social capital has been located at the level of the individual, the informal social group, the formal organization, the community, the ethnic group and even the nation. There are divergent views in the literature; some authors posit social capital at the individual level, some the community level and others have a more dynamic view.

Kilby (2002) stated that social capital exists within levels or scales as one feels belonging to family, community, profession, country, etc, simultaneously.

Adler and Kwon (2002) supported this stating that social capital's sources lie in the social structure within which the actor is located. Thus, social capital can be thought of as having an individual and an aggregate component. That is, social capital belongs to the group and can be used by the group or individuals within the group (Sander 2002).

Brewer (2003) stated that although social capital was originally conceived as a community wide concept, it should be observable at the individual level.

Baum and Ziersch (2003) disagreed with this, identifying that Bourdieu identified it at the individual level and that Putnam since at the community level. Coleman argued that social capital is not an attribute of individuals but a context-dependent aspect of social structure.

Glaeser, Laibson *et al* (2002) identified that post-Coleman literature has almost universally viewed social capital as a community-level attribute. Social capital and civil society are essentially social and collective property of social systems, not a characteristic of individuals. The key empirical difference between human and social capital is that social capital inheres in relations between individuals and groups, not in individuals.

1.8 Disadvantages of Social Capital:

The same characteristics of social capital that enable beneficial, productive benefits have the potential to cause negative externalities. Potential downsides of social capital include: fostering behavior that worsens rather than improves economic performance; acting as a barrier to social inclusion and social mobility; dividing rather than uniting communities or societies; facilitating rather than reducing crime, education underachievement and health damaging behavior (Aldridge et al. 2002). The same orchestrating mechanisms that reduce transaction costs in market exchange can have negative consequences (Torpe 2003).

The kinds of groupings and associations which can generate social capital always also carry the potential to exclude others (Hunter 2000). Social capital can become a constraint to individuals' actions and choices (Wall et al. 1998).

The importance of the negatives of social capital was first documented by Portes (1996) but now is synonymous with our understanding of social capital theory. A stock of social capital is simultaneously productive and perverse. Simplistically speaking, the makeup of these types determines the structure of the overall social capital present. As this is highly context specific further research is required to understand the causal relationships that determine the realization of productive, or perverse, social capital.

2. Defining subjective well-being:

Subjective well-being refers to how people evaluate their lives. This evaluation may take the form of cognitions when a person makes a conscious evaluative judgment about his or her satisfaction with life as a whole. However, the evaluation of one's life may also be in the form of affect, i.e. as the experience of unpleasant or pleasant emotions in reaction to life. Thus, a person is said to have high SWB if he or she is (a) satisfied with his or her life; and (b) experiences frequent positive emotions such as joy and happiness, and infrequent negative emotions such as sadness and anger (Diener, Sandvik & Pavot, 1991).

2.1 The circumplex model of affect:

How can experiences of positive emotions be further defined? Russell's (1980, 2003) circumplex model proposes that affective states arise from two fundamental neurophysiological systems, one related to a pleasure displeasure continuum and the other to arousal, activation, or alertness. Each emotion can be understood as a linear combination of these two dimensions as varying degrees of both pleasure and activation. Specific emotions arise out of patterns of activation within these two neurophysiological systems, together with interpretations and labeling of these emotional experiences.

For instance, the degree of activation while experiencing positive (pleasurable) emotions varies considerably (Warr, 2007). Feeling calm and content implies a lower level of activation compared to feeling happy, engaged, excited or enthusiastic. Similarly, unpleasant emotions may range from "feeling bored or depressed" to "feeling upset, anxious or tense". The

circumplex model emphasizes that emotions are not discrete and isolated entities but instead are interrelated based on the two neurophysiological systems of pleasure and activation. Corroborating this, researchers have long noted the difficulty that people have in assessing, discerning, and describing their own emotions (Saarni, 1999). This difficulty suggests that individuals recognize emotions as ambiguous and overlapping experiences. Similar to the spectrum of color, emotions seem to lack the discrete borders that would clearly differentiate one emotion from another. Indeed, researchers exploring the subjective experience of emotion have noted that emotions are highly intercorrelated both within and between the persons reporting them (Russell & Carroll, 1999). Using statistical techniques such as multidimensional scaling and factor analysis of subjective reports of emotional words, faces, and experiences, research has repeatedly yielded two-dimensional (2-D) models of affective experience.

2.2 Work-related subjective well-being:

Applying Diener et al.'s (1991) definition of SWB to the workplace, an employee has high work-related SWB if he or she is (a) satisfied with his/her job and (b) experiences frequent positive emotions and infrequent negative emotions. The former refers to job satisfaction as a cognitive evaluation of one's job. The latter refers to positive emotion's employees experience at work indicative of engagement, happiness or satisfaction (as an affective experience). In contrast, employees who experience mainly negative emotions at work may suffer from burnout or workaholism. Further on, employees may either experience high activation levels (workaholism, engagement, happiness) or low activation (satisfaction, burnout) at work. In this section, we discuss positive and negative forms of work-related SWB in more detail and we place them within the circumplex model of affect.

2.2.1 Positive Forms of Work-related SWB:

a- Work engagement

Work engagement is positioned in the upper right quadrant of the circumplex model as it resembles high levels of pleasure and activation. Work engagement is most often defined as "... a positive, fulfilling, work-related state of mind that is characterized by vigor, dedication, and absorption" (Schaufeli & Bakker, 2010). In engagement, fulfillment exists in contrast to the voids of life that leave people feeling empty as in burnout. Vigor is characterized by high levels of energy and mental resilience while working, and persistence even in the face of difficulties. Dedication refers to being strongly involved in one's work, and experiencing a sense of significance and enthusiasm. Absorption is characterized by being fully concentrated and happily engrossed in one's work. Note that there are other perspectives on work engagement in the literature as well (Rich, Lepine, & Crawford, 2010).

In essence, work engagement captures how workers experience their work: as stimulating and energetic and something to which they really want to devote time and effort (the vigor component); as a significant and meaningful pursuit (dedication); and as engrossing and

interesting. Research has revealed that engaged employees are highly energetic, self-efficacious individuals who exercise influence over events that affect their lives (Schaufeli et al., 2001). Because of their positive attitude and high activity level, engaged employees create their own positive feedback, in terms of appreciation, recognition, and success (Bakker, 2009). Engaged employees often indicate that their enthusiasm and energy also appear outside work, for example in sports, creative hobbies, and volunteer work. Engaged employees are no supermen – they do feel tired after a long day of hard work. However, they describe their tiredness as a rather pleasant state because it is associated with positive accomplishments. Finally, engaged employees are not addicted to their work. They enjoy other things outside work and, unlike workaholics, they do not work hard because of a strong and irresistible inner drive, but because for them working is fun (Schaufeli, Taris & Bakker, 2006).

b- Happiness at work:

Several researchers have equated the term SWB with the term happiness. In this chapter, however, we will treat happiness as a positive form of SWB, equating high pleasure and moderate levels of activation. Being happy refers to somewhat higher levels of activation as being satisfied or content and somewhat lower compared to being enthusiastic, or excited.

More than 90% of all people agree with the statement “a happy worker is a productive worker” (Fisher, 2003). Why? One explanation could be that happy individuals are more active, approach-oriented, energetic, interested in their work, sympathetic to their colleagues and persistent in the face of difficulties compared to unhappy employees. Another explanation is that employees’ happiness may generate more job-related resources. For instance, happy employees may act in a pleasant way so that colleagues are more inclined to provide instrumental, social, or emotional support.

Happiness is often operationalized by a single question (e.g., how happy are you? Veenhoven, 1984). It is important to distinguish happiness as a specific emotion from other measures that cover a whole range of positive and negative emotions. One example is the Job Affect Scale (JAS) which includes various emotional states at work (e.g., excited, happy, relaxed, nervous) that are felt by employees during the preceding week. Another popular measure is the positive affect and negative affect scale (PANAS), consisting of 10 positive affect and 10 negative affect items (Watson & Clark, 1992).

c- Job satisfaction:

Job satisfaction is probably the most studied form of work-related SWB at this point in time. Satisfaction as a form of affect, as it reflects a high level of pleasure and a low level of activation. Locke (1969) defined job satisfaction as a “pleasurable emotional state resulting from the appraisal of one’s job” (p.317). Employees who are satisfied with their jobs experience high pleasure, but may have limited energy or aspirations (Grebner, Semmer & Elfering, 2005). For

instance, employees in this low activation high pleasure quadrant may recognize that their job is not ideal, but realize that it could be worse.

2.3 Determinants of Subjective Well-Being:

Given the current literature, it can be expected that both individual characteristics and community level characteristics will have an impact on subjective well-being. These determinants will be briefly reviewed in this section. We start with individual level determinants. D03

2.3.1 Age, Gender and Family Structure

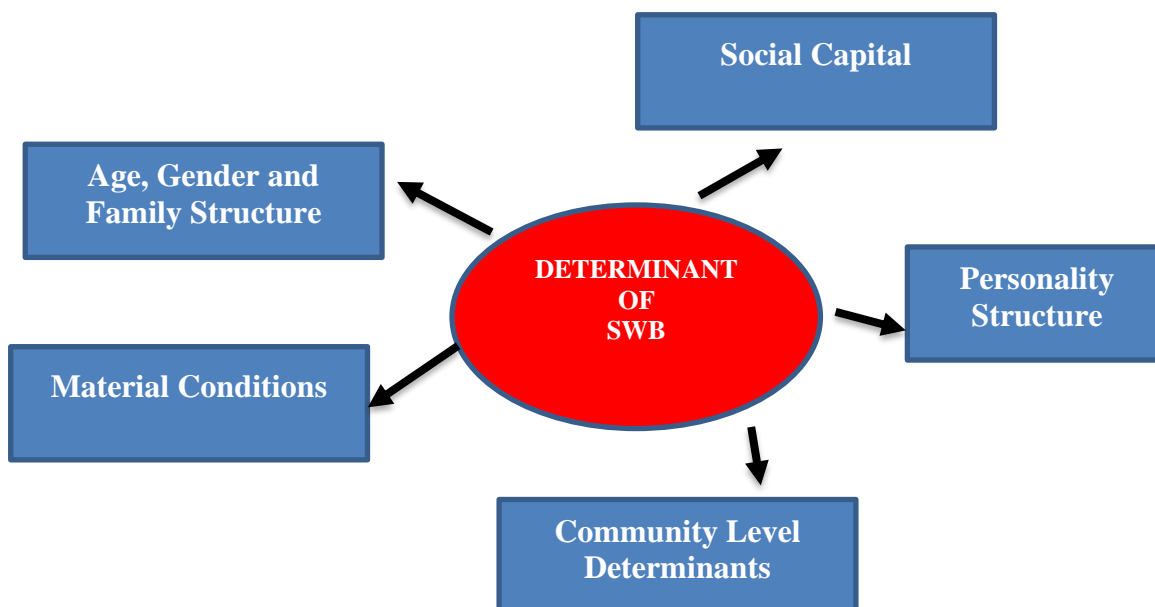
2.3.2 Material Conditions

2.3.3 Social Capital

2.3.4 Personality Structure

2.3.5 Community Level Determinants

Figure01. the determinants of Subjective Well-Being



Prepared by researchers

3. Economic Indicators Versus Well-Being:

Economics now reigns unchallenged in the policy arena, as well as in media coverage of quality-of-life indicators. News magazines and daily newspapers have a section devoted to money, and the Wall Street Journal covers economic issues on a daily basis. Economists hold prominent positions in the capitals of the world. When politicians run for office, they speak at length about what they will do, or have done, for the economy. Television presents frequent reports about

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unemployment, the Dow Jones average, and the national debt. Rarely do the news media report on how depressed, engaged, or satisfied people are. In part, policy and media coverage stems from the fact that economic indicators are rigorous, widely available, and updated frequently, whereas few national measures of well-being exist.

Money, however, is a means to an end, and that end is well-being. But money is an inexact surrogate for well-being, and the more prosperous a society becomes, the more inexact a surrogate income becomes. The measurement of well-being has advanced sufficiently that it is time to grant a privileged place to people's well-being in policy debates, a place at least on a par with monetary concerns. After all, if economic and other policies are important because they will in the end increase well-being, why not assess well-being more directly?

The main argument for using only a surrogate, such as money, is that well-being cannot be measured with the same exactitude as money. However, scientists now have good tools with which to index the wellbeing of societies with considerable precision. Therefore, it is possible to use measurable outcomes to create policies to enhance well-being. Media attention should spotlight how a society is progressing in terms of well-being, and politicians should base their campaigns on their plans for reducing distress, increasing life satisfaction and meaning, enhancing marital and leisure satisfaction, and optimizing engagement at work. Our proposed system of well-being indicators would not supplant economic or other current social indicators, but would supplement and enhance their value by placing them within an overarching framework of well-being, underscoring the shortcomings of economic indicators. Modern economics grew as a handmaiden to the industrial revolution, and together they produced an explosion in the production of goods and services. Since the time of Adam Smith's *Wealth of Nations*, governments have taken an active role in steering economies, for example, by adopting monetary controls, employment and wage laws, trade tariffs, banking and investment laws, antitrust laws, and income taxes. In recent decades, governments have become increasingly involved in the economies of the developed nations, and virtually all nations now have systems for measuring national production and consumption.

In microeconomics (the study of economics at the level of individual areas of activity), the standard assumption is that, other things being equal, more choices mean a higher quality of life because people with choices can select courses of action that maximize their well-being (Schwartz, 2004). Because income correlates with number of choices, greater income is equivalent to higher well-being. This formulation is standard in economics, where income is seen as the essence of well-being, and therefore measures of income are seen as sufficient indices to capture well-being.

At the time of Adam Smith, a concern with economic issues was understandably primary. Meeting simple human needs for food, shelter, and clothing was not assured, and satisfying these needs moved in lockstep with better economics. However, subsequent industrial developments made these goods and services so widely available that in the 21st century, many economically developed nations, such as the United States, Japan, and Sweden, experience an

abundance of goods and services (Easterbrook, 2003). Furthermore, although the industrial revolution led to an explosion of goods and services, it also included elements, such as rising aspirations, that to some degree canceled the benefits to well-being that come with economic growth (Easterlin, 1996).

Because goods and services are plentiful and because simple needs are largely satisfied in modern societies, people today have the luxury of refocusing their attention on the “good life” a life that is enjoyable, meaningful, engaging, and fulfilling and using economic and other policies in its service. Such a refocus is justified because there is evidence that as societies become wealthier, they often experience an increase in mental and social problems and a plateau in life satisfaction. People rank happiness and satisfaction ahead of money as a life goal (Diener & Oishi, in press). The purpose of the production of goods and services and of policies in areas such as education, health, the environment, and welfare are to increase well-being. Therefore, well-being is the common desired outcome, and it follows directly that society should measure this outcome to provide a common metric for evaluating policies. Although economic progress can enhance the quality of life even in industrialized nations, it no longer serves as a strong barometer of well-being because there are substantial discrepancies between economic indices and other measures.

3.1 Social Capital and Life Satisfaction:

Social capital is commonly defined as various types of resources available within social networks and ties. Social capital can also be viewed as tangible assets that exist in a community and in a society (McLean et al. 2002). The term, social capital, is often used in describing the networks of relationships among people who live in a particular society. These networks and ties could further enhance the family and community in which individuals live, helping them to function effectively. These ties and networks can take various forms such as emotional support, functional support, assistance, a sense of belonging/security, job opportunity, trust, or shared values and ideas.

In his early work, Bourdieu (1986) defined social capital as a stock of social resources that accrue to an individual or a group by virtue of possessing a durable network of more or less institutionalized relationships of mutual acquaintance and recognition.

Coleman (1988) focused on more functional aspects of social capital, and defined it as one that facilitates certain actions of members in a network and expected outcomes for groups.

Putnam (2000) also stressed that features of social groups, such as trust, norms, and networks, can improve the efficiency of society by facilitating coordinated actions by means of civic engagement. Putnam (2000) further classified social capital as two types, bonding capital and bridging capital, and this classification has been widely used in social capital literature.

Bonding social capital refers to networks of kin and friends in which people are more homogeneous in terms of their socioeconomic status, while bridging capital refers to networks of people with more a heterogeneous background outside of the family (Putnam 2002).

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Bridging social capital is often measured as the frequency of social contact with people in different socioeconomic positions from oneself and is consequently likely to provide more opportunities for getting better jobs than bonding capital, which is measured as emotional support at an individual level.

Social capital theory states that social resources, such as ties, trust, and positive relationship among networks, could enhance the quality of life of individuals (Lin et al. 2001). When individuals have greater levels of emotional support from children, family, and friends, as well as greater levels of networks or economic resources within community, these characteristics contribute to a higher level of social stock which could influence individuals' quality of life. Close relationships with children, family, and friends could help individuals feel safe and happy through the emotional support developed through frequent contacts and visits. Social capital is not evenly distributed by economic status.

3.2 Financial Well-Being and Life Satisfaction:

Financial well-being, which is a subjectively assessed perception of financial condition, could be an important predictor of overall well-being for individuals across the life span. Financial well-being is defined as having financial security and financial freedom of choice both in the present and the future (Consumer Financial Protection Bureau 2015). This concept captures one's subjective assessment or perception about one's financial condition as a whole, regardless of the actual level of financial position. Financial well-being is also a subjective evaluation of how adequate one's financial resources are and it plays a critical role in individuals' happiness and well-being (vanPraag and Ferreri- Carbonnell 2004). Measures of financial well-being can be seen as a reflection of at least four factors: circumstances, aspirations, comparison with others, and a person's baseline happiness or disposition. Subjective assessment of financial condition also represents one's personal characteristics such as personality, attitudes, knowledge, and skills (Woodyard and Robb 2016).

In the literature, the most common objective measures of financial well-being are income and wealth (Clark et al. 2008). It has been noted that as individuals have more income, they have more positive feelings about their financial condition. Similarly, accumulated wealth could make individuals feel financially secure, and this wealth leads to more positive feelings about their financial situation. Moreover, retired elderly has reported that income sources other than Social Security or benefits from a pension enhanced their quality of life, while accumulated wealth was a critical determinant of retirement well-being among older individuals. When older people experienced financial well-being, such as having a secure feeling about money and freedom of choice in the present and the future, they had life satisfaction, or positive feelings about their lives (Hira et al. 1989).

Financial well-being could be influenced by other factors, such as loans, debt, financial strain, and other economic conditions. For example, higher amounts of debt can increase negative emotions and decrease the level of well-being. Also, financial problems can lead to restrictions

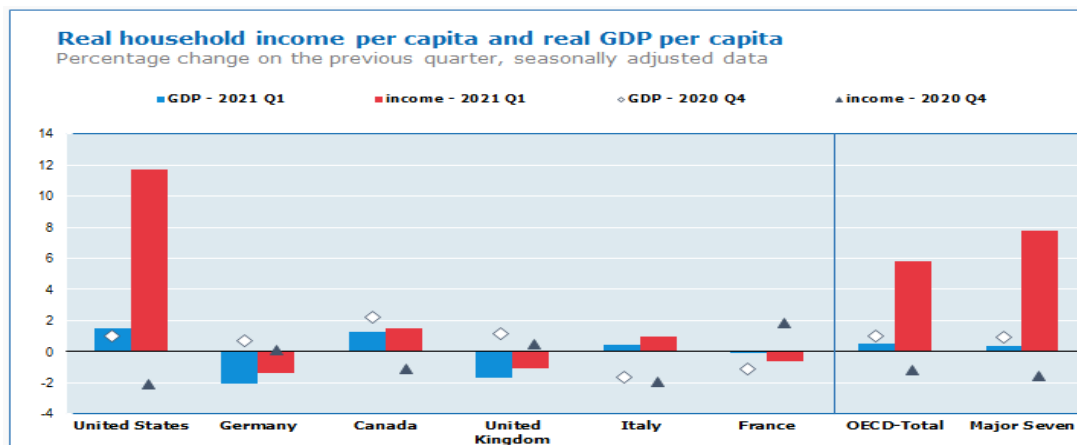
in an individual’s ability to live an independent life, to fulfill needs or wishes to socialize, and to compensate for reduced selfcare capacity. Further, financial well-being could encompass one’s social and economic environments, and being surrounded by family can provide opportunities or limitations for individuals. Recently, economists have explored a third variable in the relationship between income and well-being; social networks, referred to as social ties or connections with friends, co-workers, and even community building, can all be seen as social capital.

3.3 Social capital and economic well-being:

Several features affect prosperity: structural factors such as infrastructure, transportation systems, or population structure; institutional factors like policies or governmental interventions; economic factors like capital, trade volume, or labor force (Acemoglu ,2009) additionally, social features such as individual human capital contribute to aggregate wealth (Barro 2001). Furthermore, social scientists are interested as to whether social relations affect wealth; social capital has proven to be a useful concept in the study of societal well-being (Helliwell 2004).

Putnam (2000) argued in his seminal books that the more vital civil society, the better of the regional economy. He showed that a strong civil society, represented by the number of civic associations, is strongly related to both a prosperous economy and a working democracy.

Figure 02: Growth and economic well-being: first quarter 2021, OECD



Source : <https://www.oecd.org/newsroom/growth-and-economic-well-being-first-quarter-2021-oecd.htm>

5 August 2021 - Real household income per capita, which provides a better picture of people’s economic well-being than GDP, grew by 5.8% in the OECD area as a whole over the first quarter of 2021. The rise, the largest since 2008, is largely due to the United States’ significant increase in real household income, which is a direct result of the government’s recent fiscal support, including transfer payments made to households. This exceptional rise in incomes was much

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higher than the 0.5% increase in GDP per capita recorded in the OECD area during the first quarter of 2021.

The result this quarter continues the divergence between GDP per capita and household income per capita since the onset of the COVID-19 pandemic. From Q4 2019 real household income per capita has increased by 8.2% in the OECD area as a whole, while real GDP per capita has declined by 2.7%.

Figure03: Americans' financial well-being



Source: <https://apps.bea.gov/well-being/>

Another key measure of the economic well-being of a nation is its wealth. Wealth increases economic welfare by supplementing income for large purchases, unemployment, emergencies, retirement, education, and bequests to heirs.

Since 1960, household wealth—measured by net worth (that is, household assets less liabilities)—has risen every year except for in 2002 after the dotcom bust and in 2008 during the Great Recession.

In addition, the ratio of household net worth to disposable personal income (DPI) indicates whether growth in saving, and hence wealth, is keeping up with growth in incomes and households' retirement income requirements.

During the post-WWII era, net worth of households as a percentage of DPI has risen, with net worth over seven times larger than DPI in 2020.

4. Conclusion:

Putnam explained the relationship between civic associations and prosperity with "the magic of social capital" (Putnam 2000, p. 288). Generally speaking, networks of civic associations facilitate communication and coordination; they create an atmosphere of trust, enforce reputation, and can thereby solve dilemmas of collective action. Following rational choice theory, members of civic associations learn to cooperate and collaborate through regular

meetings and durable networks because the opportunity for social control is high, and the incentives to defect are low. The shadows of the future and of the past" are essential incentives that form a foundation for cooperation. Moreover, regular group interactions instill pro-social norms, habits of solidarity, and a feeling of common identity since the needs of the individual are subsumed under collective benefits (Putnam 1993). These are defects of associational activities. Besides the basic function's associations permit such as playing baseball, singing in choral societies, or advocating for the deprived, social engagement makes them more trusting and better citizens. Such indirect of civic associations (more or less) all participants. Moreover, civic associations can directly support local economies, enlarge participants' social networks and encourage networking between economic actors. Civic associations consume goods and services through their daily routine and thereby stimulate the economy. More than anything, they build trust and therefore responsibility in local economies. Even non-participants in some way related to those in the associations' network, could directly or indirectly have access to its resources and contacts, learn social norms it promotes, and experience as well as carry on mutual trust. This is a process of diffusion using a transfer of trust, norms, and resources from the associational network into other parts of society { both private and public; this is a spillover effect of social capital. Putnam (2000, pp. 319-325) generalized this argumentation, and assumed that neighborhood's, states and even nations benefit from their citizens' social capital.

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