of superfluous government spending and taxes, and a policy of sound money were all destined to improve the condition of the workers" (110). Nevertheless, the deeper relationship between natural law and economics is not fully resolved in this important book.

Third and finally, one cannot avoid thinking that Chafuen is reading the Late Scholastics through somewhat ideological lenses. In particular, the chapter that compares Late-Scholastic economics with classical liberals and the Austrian school of economics gives the impression that the author's main goal is to prove that Christian ethics could be compatible with free-market principles. Even if the conclusion is correct and that some (but not all) of the Late Scholastics were forerunners of such a position, it would not be difficult to criticize the book for a one-sided perspective.

The new edition improves on the first on this score, the addition of the doctrine of extreme need helping in this regard. Still, *Faith and Liberty* is more likely to make secularist right-wingers sympathetic to the Church and the Christian faith than to convert leftist Christians to right-wing economics. Of course, this might have been the author's intention.

These limitations are understandable and, to some extent, unavoidable in a compact book like this. Moreover, Chafuen provides plenty of references to more extensive and detailed studies on the subject. *Faith and Liberty* is, despite its limitations, an important work that tells an illuminating story about the history of economics and challenges widespread misconceptions regarding scholasticism and the history of economic thought. It will also help, it is hoped, to discard the Weberian myth of the Protestant ethic and the spirit of a free economy.

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Social Capital and Economic Development: Well-Being in Developing Countries

Jonathan Isham, Thomas Kelly, and Sunder Ramaswamy (Editors)

Cheltenham, United Kingdom: Edward Elgar, 2002 (234 pages)

These three economists from Middlebury College in Vermont have one major and several minor points to make in their treatment of *social capital* in economic development. The major point, outlined in the four thematic chapters, is that social capital is an important factor in economic development and should, thus, be an important part of the development economist's analysis—and the development policy-maker's designs. The several minor points relate to the measurability of social capital and examples of its usefulness in case studies. The book, which emerged from a set of conference papers, presents a convincing argument. The minor points will remain of interest only to specialists. The major point is of particular interest to economists who are interested in the cultural, social, and ethical aspects of economic development.

To say that *Social Capital and Economic Development* is convincing is to hit immediately upon the key issue. Detractors argue that the concept of social capital is so broad and so obvious that it is hard to argue against it and that there is no need to argue at all, because the concept is immeasurable and the term too elastic to be of use in economic analysis. The several case studies show that social capital can, in fact, be measured, even if those measurements necessarily remain less precise than measurements of physical capital. As to the concept itself, the authors seek to demonstrate that things that are obvious are not always included in economic analysis.

"Intuitively, the basic idea of 'social capital' is that one's family, friends, and associates constitute an important asset, one that can be called upon in a crisis, enjoyed for its own sake or leveraged for material gain," writes Michael Woolcock, providing a definition. It is, of course, intuitive that having a robust set of friendships will be helpful in time of crisis is enjoyable in its own right and can be leveraged for material gain. Amway and Avon are, more or less, built on this fact, but is it useful for development economics?

Some heavy-hitters are quoted as being dubious. Nobel laureate Kenneth Arrow thinks that social capital stocks (relationships) are built up for non-economic reasons and so are not suited to standard economic analysis. Robert Solow finds that a stock of social capital is so unlike physical capital (social capital depreciates with *lack* of use; physical capital depreciates *with* use) that the term *capital* should not be used at all.

The argument of the book is that social capital is today what human capital was a generation ago. An illustrative, key word-search of the EconLit database backs up this claim; while in 1990 there were only a handful of papers in economics journals on social capital, by 2000 there were over 150. In 1990, human capital had just over 100 references; by 2000 there were nearly 700. Is social capital, a decade hence, to be as common in the development literature as human capital is today?

It is quite possible. Many of the objections to the use of social capital were voiced about human capital a generation ago. Clearly, it was obvious that a well-educated person had greater economic resources than a poorly educated one, and somehow this ought to have been reflected in a country's economic assets, even as bridges, roads, and power plants were. Nevertheless, it was only after a long time that human capital became recognized as a key factor in development, first in theory and then in practice. The widespread introduction of education and micro-credit initiatives, for example, followed in the wake of the "discovery" of human capital.

Social capital is analogous. Strong positive relations within and between social groups can significantly lower transactions costs and lead to quicker innovation in response to new, unmet needs. Social networks generate externalities, so that it is possible to benefit from them without belonging oneself. Paul Streeten acknowledges that if there is social capital, there is also "antisocial capital" that increases transactions costs and generates negative externalities.

The value of social capital has already been popularized in recent years by Francis Fukuyama (*Trust: The Social Virtues and the Creation of Prosperity*) and Robert

Putnam (*Bowling Alone*). Indeed, those works give a better feel for what social capital is and how it makes a positive contribution to economic development.

This volume attempts the more prosaic but necessary task of defining how to use social capital in economic analysis. As a result, it will strike the non-academic as much labor to demonstrate an obvious point. Nevertheless, such labor is necessary for the concept of social capital to earn its economic credentials. This book would well serve an introductory course on development economics, to ensure that students do not lose sight of the value of families, friendships, culture, civic society, and social virtues for the well-being of peoples. Often, such things get left out because they do not fit into the working model. The essays in this volume seek to make room in the model.

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