

Wal-Mart and Social Capital

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Stephan J. Goetz, Anil Rupasingha

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Extract

Economists increasingly recognize that markets exist within social and cultural contexts, and that these contexts affect how resources are allocated to competing ends. The social economics literature views individuals as both affected by and affecting the environment in which they live (e.g., Barrett 2005; Durlauf and Young 2001). Contributors to this literature recognize that utility and happiness are relative concepts that depend on levels achieved by peers (Layard 2005), and acknowledge that both utility and happiness can increase with levels of social interaction (Kahneman and Krueger 2006). Further, “because social organization is typically characterized by multiple equilibria, small changes in economic conditions can lead to dramatic changes in the behavior of and membership in [social] groups and networks” (Barrett 2005, p. 10).

A far-reaching economic change is the recent rise of big-box retailing, led by Wal-Mart Corp. (Fishman 2006). While the chain's adverse impact on mom-and-pop type retail outlets has been well-documented (Stone 1997; Irvin and Clark 2006), the second-round effects of such store closings on local social capital or civic capacity have not been studied. For example, economic developers lament the fact that community civic capacity declines when locally-owned banks go out of business or are taken over by national corporations. Yet systematic evaluation of this phenomenon has remained elusive, because of the difficulty of measuring local social capital.

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