

Social Capital or Analytical Liability? Social Networks and African Informal Economies

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1. Introduction

Social networks represent an invaluable concept for the analysis of informal economies and their role in processes of economic change. In the face of contemporary forces of deregulation and globalization, informal forms of economic organization have become so pervasive, and so deeply intertwined with official economies that the old notion of an 'informal sector' or 'informal economy' has been called into question. In industrialized as well as developing societies, informal economic arrangements based on ties of kinship, friendship and community have entered into the heart of contemporary economies through processes of subcontracting, moonlighting, transnational migration, and diminishing state involvement in popular welfare and employment. The growing interpenetration of formal and informal forms of organization have led prominent analysts of contemporary informality such as Keith Hart (2001:155)

and Alejandro Portes (1994:432) to argue that the formal/informal distinction 'has outgrown its usefulness'.

As a result, many leading commentators on the informal economy have abandoned the informality paradigm in favour of a focus on the organizational role of social networks (Cheng & Gereffi 1994, Mingione 1994, Portes 1994, Roberts 1994, Sassen 2002). Rather than representing economic informality in terms of an absence of regulation, social networks portray the informal economy as alternative forms of regulation operating outside the framework of the state. As Roberts explained in his analysis of the role of informality in contemporary restructuring processes:

The issue is not one of regulation *per se* but of the form of regulation. All markets are regulated... so the issue is the balance between formal regulation based, ultimately, on the state, and informal regulation based on personal relation such as those of kinship, friendship or co-ethnicity. Personal relations and the cultures that sustain them may, under certain conditions, prove more efficient in regulating economic activities than do formal structures giving those activities that are regulated socially a competitive edge over formally regulated ones (Roberts 1994:8).

The focus on social networks examines the capacity of social forces to provide a flexible regulatory framework embedded in popular relations of solidarity and trust. Far from acting as obstacles to economic development, social networks are increasingly regarded as a source of 'social capital' capable of enhancing economic efficiency and growth independently of the state.

In Africa, however, the pervasive association of social networks with

development does not seem to have materialized. Despite a long history of economic networks, and a dramatic increase over the past two decades of credit societies, social clubs, trading networks, and informal social welfare arrangements, the expansion of social networks in African societies has been associated more with parochialism, criminality and communal violence than with economic development. The question to be raised here is whether the problem lies in the inadequacies of African social networks, or in the limitations of the way they are conceptualized.

Despite the remarkable popularity of the concept of social networks, critical social scientists have become increasingly suspicious of its analytical value. Some have expressed concerns about the theoretical shortcomings of social networks, which many analysts have found essentialist, undertheorized and ahistorical (DiMaggio 1992, Emirbayer & Goodwin 1994, Friedland & Robertson 1990, Martin & Sunley 2001). Others have raised concerns about the reckless overuse of the network concept which has tended to dull its analytical edge. As the organization theorist Nitin Nohria (1992:3) points out:

Anyone reading through what purports to be network literature will readily perceive the analogy between it and a "terminological jungle in which any newcomer may plant a tree". This indiscriminate proliferation of the network concept threatens to relegate it to the status of an evocative metaphor, applied so loosely that it ceases to mean anything.

Critical Africanists have expressed particular reservations about the distorting

effect of contemporary network approaches on the understanding of African society. The historian Frederick Cooper (2001:206) argues that contemporary concepts of social networks and globalization ‘fail to ask what is actually happening in Africa’. Amidst the fascination with abstract concepts of solidarity and trust, connections and flows, Cooper (2001:189) warns that ‘[c]rucial questions do not get asked: about the limitations of interconnection, about the areas where capital cannot go, and about the specificity of the structures needed to make connections work’.

This paper will argue that, despite their undeniable advantages in tracing informal processes of economic organization, social networks have become a concept that conceals more than it reveals. Contemporary perspectives on social networks have become trapped in a ‘social capitalist’ paradigm that conceptualizes networks as ‘social capital’ to the extent that they promote economic efficiency and accumulation, and tends to portray them as ‘social liabilities’ if they do not. This has had a particularly negative impact on the study of African informal economies, where the ideological assumptions embedded in the network concept have encouraged a growing recourse to primordialist assessments of how African informal economies work.

The objective of this paper is to move beyond the essentially

functionalist concerns of social capitalist perspectives toward a genuinely institutional approach to the role of social networks in African economic development. The paper will begin with an outline of 'social capitalist' perspectives on social networks, emanating largely from the new economic sociology and the new institutional economics, followed by an examination of how these perspectives have been used in the analysis of contemporary African informal economies. Next, it will outline what I dub here 'institutional' perspectives on social networks and consider the contributions these institutional perspectives make to our understanding of the developmental potential of social networks in contemporary Africa.

Before proceeding with the analysis, it is probably best to offer a couple of definitions with regard to the terms 'economic informality' and 'social networks'. Following the definition used by Portes and Castells (1989:12), which has since been adopted by most scholars of informal economic development, economic informality is defined as income-earning activities that take place outside the regulatory framework of the state (See De Soto 1989, Feige 1990, Harding & Jenkins 1989). While no such definitional consensus exists with regard to social networks, the term will be used here to refer to informal organizational arrangements based on social ties, a meaning that

encompasses most existing definitions.

2. Social Capitalist Perspectives

'Social capitalist' perspectives on the role of social networks in economic development represent a blend of concepts from economic sociology, economic anthropology, institutional economics, organization theory and political science. Brought together under the auspices of the 'new economic sociology' and the 'new institutional economics', this range of network approaches have been galvanized into an influential analytical ? dare I say 'theoretical'? ? framework for the analysis of contemporary processes of informal economic change. Often overlapping with the concepts of 'embeddedness' and 'social capital', a key feature of social capitalist perspectives is their emphasis on the ability of social networks to provide a an effective basis for economic development outside the framework of the state.

2.1 Embeddedness, Bridging and Bonding, and Governance Approaches

Social capitalist approaches represent an interdisciplinary tangle of related but often contradictory approaches rather than a coherent theoretical perspective. Perhaps the best known is the embeddedness approach, arising mainly within the new economic sociology, which views social networks more as

a property of groups and communities than of individuals. Proponents of this approach maintain that within tight communal groups, relationships of kinship, friendship and ethnicity can form dense networks of solidarity, cooperation and communal sanctions that reduce the transaction costs of economic activities. These networks can also be used to mobilize a range of specifically economic resources, including credit, cheap labour, training, business contacts and information, further enhancing the competitiveness of communal networks (Granovetter 1995, Portes 1995, Portes & Sensenbrenner 1993, Waldinger 1995, 1996, Waldinger et al. 1990). Embeddedness approaches tend to emphasize the importance of 'strong ties' based on deep bonds of kinship and community, as opposed to more casual linkages or 'weak ties', and on the importance of network closure as a means of creating trust and enforcing cooperative norms through monitoring and communal sanctions. Examining the way in which social relations generate social capital, Coleman (2000:25) maintains that 'closure creates trustworthiness in a social structure'.

A somewhat different approach, associated most strongly with the new institutional economics and agency-oriented sociology, can be called the 'bridging and bonding' approach. Here, the emphasis is on the organizational strengths of dense cross-cutting webs of both 'strong' and 'weak' ties, and on

the ability of social networks to contest social and institutional boundaries rather than to maintain normative closure:

[N]etwork notions seem particularly useful as we concern ourselves with individuals using social roles rather than with roles using individuals, and with the crossing and manipulation rather than the acceptance of institutional boundaries (Hannertz 1980:175).

On the one hand, social networks are seen as sources of popular agency that allow individuals or marginalized groups to circumvent institutional constraints and structures of exclusion within the wider society (Lomnitz 1977, 1988, Long 2001, Mittleman 2001). On the other hand, networks are seen as popular mechanisms that reduce the costs of economic organization by filling gaps in formal institutional arrangements, particularly in contexts of underdevelopment or institutional collapse (North 1990, Stiglitz 2000). In other words, social networks provide a framework for what Ellickson (1991) calls 'order without law' ? referred to more cynically by Sturgess (1997) as 'order for free'.

Bridging and bonding approaches are often preoccupied with questions regarding the relative importance of strong and weak ties. While strong ties are found to provide significant regulatory advantages, weak ties are crucial for bridging social cleavages and providing access to new sources of resources and information. Fukuyama maintains that 'In many cultures, there is something of a tradeoff between the strength of family ties and the strength of non-kinship bonds'. Woolcock (2000) sums up these concerns with his emphasis on

'getting the social relations right', as though effective economic regulation was simply a question of the right balance of strong and weak ties, rather than of the specific institutional content of those ties.

A third variant within social capitalist perspectives on networks involves what may be called 'governance approaches' (Bradach & Eccles 1991, Ouchi 1991, Powell 1991, Powell & Smith-Doerr 1994). Here, networks are viewed, not as informal mechanisms for creating new opportunities or filling gaps in the formal economy, but as a revolutionary form of economic organization. Touted as a 'softer, more multilateral form of governance than markets or hierarchies', social networks are said to constitute a more flexible and efficient form of economic organization under conditions of economic instability (Powell & Smith-Doerr 1994:381-2). Shining examples of the competitive superiority of networks are drawn from analyses of Asian network capitalism and the dynamic small-firm networks of the Third Italy (Best 1990, Hamilton 1996, Pyke & Sengenberger 1992). There is a strong tendency in the social capitalist literature on network governance to downplay the critical role of the state in the success of both Asian and Italian small-firm networks. Instead, it is suggested that relations of trust and cooperation within networks minimize the need for state regulation:

Where economic transactions are embedded in personal relationships the hazards of

opportunism are diminished and the need for elaborate formal governance structures is rendered unnecessary (Bradach and Eccles 1989:108).

In the interdisciplinary flurry generated by the network concept, there has been a tendency to blur the boundaries of these various approaches, taking their obvious divergences as complementary rather than contradictory. This 'mix and match' approach to conceptual development has tended to gloss over the limitations of social networks, particularly in informal economic contexts, and to imply that their developmental strengths are a product of popular and cultural forces operating independently of states.

2.2 The Downside of Social Networks

While social capitalist perspectives tend to celebrate the developmental capacities of social networks, many also recognize that social networks can have a 'downside' (Portes & Landolt 1996). As Dasgupta (2000:390) points out in the World Bank's millennium anthology on social capital, 'Social networks can be a help or a hindrance, it all depends on the uses to which networks are put.' While networks can provide an informal framework for greater economic efficiency, they can also operate as mechanisms of parochialism or collusion that disrupt economic development. In other words, where networks fail to

operate as social capital, they constitute social liabilities.

Granovetter (1995), Portes (1998) and others maintain that, just as economic efficiency can be limited by too little embeddedness in networks of trust and reciprocity, it can also be stifled by 'too much' embeddedness:

So far we see that individuals and groups attempting to assemble firms may face on the one hand the problem of insufficient solidarity among themselves, which produces a failure of trust, and on the other hand the problem of uncontrolled solidarity, which produces excessive non-economic claims on an enterprise (Granovetter 1995:137).

The ability to strike the right balance between the two is seen as a product of culture, which can promote the development of economically efficient networks in some cases, but tend to smother economic initiative in the case of cultures dominated by familistic, cliental or redistributive networks.

From the perspective of globalization, Castells (1997) and Fukuyama (1995b) warn that the economic strengths of social networks are disrupted by the inability of some social groups to form weak ties across social cleavages, leading to the formation of closed parochial networks. Instead of promoting economic development, closed community networks are associated with parochialism, fragmentation and communal violence.

In addition to the problems of parochialism, a second area of concern relates to the propensity of networks to promote 'secrecy and concealment' or 'conspiracies against the public' which undermine respect for law and order.

New institutionalist analyses of mafias (Gambetta 1993, Hill 2002, Varese 2001) and of chaotic transitions to market economies, especially in Eastern Europe (Feige & Ott 1999, Goldman & Weitzman 1997, Nee 1998, Rose 2000) have found that instead of acting as informal frameworks of economic efficiency, social networks can act as vehicles of corruption and opportunism.

Richard Rose (2002:8) cautions against the tendency:

...to assume that informal social capital and formal organizations interact in ways that have positive outcomes. Robert Putnam argues that informal networks are the building blocks creating informal institutions that make democracy work. But the counter-argument is that informal networks can be "anti-modern", insofar as they are used to corrupt formal organizations, [as in] the role of the Mafia in Southern Italy or Russia.

It is argued that in some areas, such as Eastern Europe and Central Asia, market-friendly informal norms and institutions either failed to develop, or were destroyed by authoritarian or dysfunctional states. In such circumstances, social networks are associated with the development of 'bandit capitalism' rather than economic efficiency.

3. Social Capitalist Perspectives on African Social Networks

While social capitalist perspectives recognize that social networks do not always promote economic development, negative outcomes tend to be attributed to the influence of dysfunctional cultural values. This 'cultural turn' in economic analysis has exerted a particularly negative impact on the study of African informal organization, where network analyses are increasingly

characterized by essentialism and cultural determinism, rather than by attention to social and historical processes. In the application of social capitalist perspectives to the study of African social networks, three broad perspectives have emerged to explain the weak developmental performance of African social networks. The first argues that African social networks constitute social capital, but are still at an early stage of development; the second maintains that African societies lack the ability to develop economically effective networks; and the third contends that Africans are culturally predisposed to the formation of economically perverse networks.

Ardent social capitalists have argued that in Africa, social networks have been more effective than states in leading African economies into the 21st century (Gregoire & Labazee 1993, Hyden 1990, MacGaffey 1991, MacGaffey & Windsperger 1990, Tripp 1997, World Bank 1989). Attention is repeatedly drawn to the vast ethnic trading networks and dynamic informal sectors of African economies, which provide livelihoods, housing, goods and services in the face of crumbling official economies. While Western state-led development frameworks appear to have failed in Africa, indigenous economic networks, based on ties of kinship, ethnicity, community and religion, are said to offer a more inclusive and efficient form of economic organization.

Derisory analyses of the 'economy of affection' are jettisoned in favour of an emphasis on the ability of African social ties to provide institutional resources for a more effective restructuring of contemporary African economies (Tripp 1997:11-12; MacGaffey 1991). Far from constituting pre-capitalist vestiges, informal African economic networks are shown to represent competitive indigenous structures with an 'aptitude for development in a global macro-economic environment' (Gregoire and Labazee 1993:15). African social networks are portrayed, not as obstacles to development, but as forces for 'liberalization from below' (World Bank 1989; Hyden 1990), 'regional integration from below' (Adotevi 1997; Egg and Igue 1993) and even 'globalization from below' (Egg & Herrera 1998). The comparatively poor performance of contemporary African economies is attributed to African networks being at an earlier stage of development than those of other societies, and to the constraints posed by corrupt or overbearing African states (Nadvi & Schmitz 1994, Pedersen 1996, Tripp 1997). Policy prescriptions favour greater liberalization in order to allow African social networks to flourish.

A second perspective maintains that Africans are unable to form effective social networks. Some commentators suggest that Africans lack

networks, either because of an inability to form them, or because of the historical destruction of African social networks by colonialism and rapid urbanization (Granovetter 1995, Nadvi & Schmitz 1994, Ngau & Keino 1996, Randall 1999, Rasmussen 1992, Waldinger 1995). According to Fukuyama (1995a:94), the collapse of traditional social networks in Africa has been compounded by an inability to form new networks outside ascriptive boundaries:

It would appear that in many contemporary African cities, older political structures and family ties have broken down with rapid urbanization but have not been replaced by strong voluntary associations outside of kinship. Needless to say, this kind of atomized society does not provide fertile ground for economic activity, supporting neither large organizations nor family businesses.

Others argue that Africans form the *wrong types* of networks, owing to the redistributive and parochial character of African social institutions (Barr 1999, Callaghy 1988, 1994, Fafchamps 1996, Fafchamps & Minten 1999, 2000, Lyon 2000, Van Donge 1995). It is claimed that the primordial networks and redistributive values characteristic of African informal economies may facilitate engagement in trade and survival activities, but tend to undermine productive investment, contract enforcement and innovation necessary for productive development to occur. Brautigam (2003:452) suggests that the prominence of ethnicity in African business organization also limits the ability of Africans to form ties across ethnic boundaries, entrenching parochialism and

limiting engagement in the global economy:

...research on indigenous business networks in sub-Saharan Africa suggest that they are less likely than European or Asian networks (in Africa) to provide the kind of credit, information, and examples that can launch an entrepreneur into manufacturing.... Researchers also suggest that indigenous African business networks are segregated by ethnicity as well as by social-economic status, and that African businesses seem less likely to be linked to other groups outside the region that could provide important models, ideas and resources'.

A third and more extreme position contends that Africans are culturally predisposed to the formation of perverse networks based on clientism and corruption which actively undermine rational economic institutions (Bayart et al. 1999, Chabal & Daloz 1999, Lemarchand 1988, Olivier de Sardan 1999, Reno 1995, 1998, 2000, Roitman 1993). In place of images of ethnic entrepreneurship, African social networks are likened to mafias and drug-trafficking cartels. These 'criminalization' perspectives, most widely associated with the work of Jean-Francois Bayart (1999, 2000, Bayart et al. 1999) and Chabal and Deloz (1999), maintain that African social networks are embedded in 'cultural repertoires' of clientism, trickery, corruption, witchcraft, and the absence of public morality:

The rise in Africa of activities officially classed as criminal is aided by the existence of moral and political codes of behaviour, especially those of ethnicity, kinship and even religion, and of cultural representations, notably of the invisible, of trickery as a social value, of certain prestigious styles of life...(Bayart et al. 1999:15, see also Gore & Pratten 2003, Olivier de Sardan 1999, Simone 2001a, b).

Far from promoting economic development, Bayart (1999:34) declares that
'...the 'social capital' of Africa appears to display a marked affinity with the

spirit of criminality'.

Using highly selective historical analysis, 'criminalization' approaches maintain that the dysfunctional character of African networks is the product of an institutional history of 'violent modes of accumulation' based on slaving, pillage, colonial domination, and ethnic conflict (Bayart 1999, Reno 1995, 2000, Roitman 1993). Predatory states rather than popular forces are seen as the driving force behind African social networks, which serve to destroy public institutions and promote disorder in the interest of rent-seeking and illicit gain. Far from promoting the process of economic restructuring, African networks are held responsible for the failure of structural adjustment reforms in Africa, and seen as a threat to the process of globalization (Bayart 2000, Boone 1994, Lemarchand 1988, Lewis 1994, Reno 1998).

These three perspectives constitute highly essentialist analyses of how African informal economies work. In a combination of social capitalist assumptions and cultural stereotypes, all African networks are assumed to display a single economic logic, based either on popular entrepreneurship, parochial solidarities, or mafia-like collusion. In an article on social networks and economic restructuring in South Africa, Gillian Hart (1998:334) condemns the essentialism of contemporary network analyses, which renders them

incapable of grasping the 'enormous diversity, complexity and fluidity of social institutions in 'third world'...settings'. She argues that:

...diverse local trajectories also display unexpected twists and turns that defy notions of embeddedness and path dependency, but are a central element of conflicting efforts to bring about social change or maintain the status quo (*Ibid.*:341).

Instead, African social networks are either celebrated as social capital to the extent that they appear to promote stability and economic growth, or denounced as social liabilities if they fail to do so. The possibility that variations in ethnicity, class, gender and regional history may produce varied network outcomes within African societies, or that regulatory failures may derive from the chaotic *formal* institutional context of liberalization and state decline, rather than from the intrinsic deficiencies of African cultural institutions, are never entertained. What is lost in the process is the fine-grained analysis of informal institutions that the concept of social networks was originally intended to promote.

4. Institutional Perspectives on Social Networks

Given the essentialism and cultural determinism of contemporary networks perspectives, the question is whether the concept of social networks can be salvaged as a tool for analysing African informal economies. The answer lies in the emergence of more institutionally-sensitive perspectives that reconnect

social networks with issues of history, power and institutional process. Critical network research in organization theory and political economy has been particularly useful in advancing network thinking from a functionalist problematic of 'social capital' and 'social liabilities', to an institutional problematic that focuses on how the regulatory capacities of networks are shaped by the institutional practices embedded in particular networks and the nature of their linkages with the wider society and the state ? a problematic usefully represented by Grabher and Stark (1997b) as 'legacies, linkages and localities'.

The notion of 'legacies' focuses attention on the institutional practices embedded in particular networks. As Grabher and Stark point out, the negative economic performance of informal networks in post-socialist societies is associated with the fact that they have been shaped, not by the artisanal traditions and cooperative societies associated with the Third Italy, but by the unproductive and opportunistic practices of the second economy and the *nomenklatura* (Grabher & Stark 1997a, Sik 1994). From this perspective, broad cultural traits are less important than the specific institutional content of particular networks, whether they emerged from artisanal, agricultural or criminal groups, whether they are organized around commercial, redistributive

or subversive values.

The focus on 'linkages' highlights the way in which social networks are deployed in the process of social change. It encourages analyses to move beyond questions of connectivity and path dependence to a more dynamic assessment of the diversity of network strategies used to restructure networks in response to changing circumstances. While there is a persistent tendency even among institutional perspectives to theorize the restructuring of networks in terms of changing patterns of strong and weak ties (Amin and Hausner 1997:12; Deyo et al. 2001:222; Grabher and Stark 1997a:10 ff), more perceptive approaches analyse network change in terms of the specific social character of ties rather than their strength or weakness (Blokland & Savage 2001, Gold 2001, Salaff et al. 1999). By focusing on shifts among ties of class, gender, ethnicity, religious sect or political affiliation, the understanding of network change moves beyond vague notions of strong and weak ties to a consideration of 'how the dramatic changes to such networks...can create new processes of social exclusion and class formation' (Blockland and Savage 2001:225). Others have stressed the importance of examining changing power relations within social ties, arguing that networks are as much about power as they are about solidarity:

Networks do not necessarily fuse the self-interest of different actors into a harmonious and

egalitarian whole; they may be characterised by inequalities of power, strategic coalitions, dissembling and opportunistic collaboration.... Even where [business] groups are associated with kinship networks, as many are, these are likely to be characterised by power asymmetries as well as a sense of moral obligation. What appears to indicate trust may be largely a consequence of domination or lack of alternatives, or simple mutual dependency.... (Sayer 2001:699)

Finally, the notion of 'localities' focuses attention on how the organizational capacities of networks are shaped by the way in which they are embedded in the wider institutional context. This highlights the question of whether particular networks develop within a supportive institutional framework ? what Evans (1996) refers to as 'synergy' ? or in a context of state neglect or institutional chaos. As Evans (1996:1129) points out, the state can shape networks in a variety of ways, either by supporting them, by neglecting them, or by hijacking them for its own purposes:

For "normal" Third World states that lack the kind of powerful, autonomous bureaucracies that enabled East Asian industrializers to create synergistic ties with entrepreneurial groups, clientelistic capture is the natural consequence of tight public-private ties involving elites.

Whatever the situation, networks are not defined by their autonomy from states, but are critically shaped by the nature of their relationship with the state at the local as well as the national level. In addition to playing an important role in the effectiveness of particular networks, the state also plays a critical role in ensuring the wider institutional cohesion of the range of networks operating within a given context (Amin and Hausner 1997). In

contexts of formal institutional collapse characteristic of many parts of Eastern Europe and Central Asia, the proliferation of cross-cutting social networks is less likely to produce informal regulatory efficiency than ‘...a cacophony of orientations, perceptions, goals and world-views that confounds even minimal cohesiveness’ (Grabher and Stark 1997:11). Instead of ‘network governance’, institutional outcomes resemble a situation of organizational chaos and uncertainty that can only be described as ‘ungovernance’ (Leandre 2001).

The institutional problematic of ‘legacies, linkages and localities’ offers a useful theoretical alternative to social capitalist perspectives on social networks. The propensity of social networks to support or block economic growth is analysed as a product of the specific institutional legacies embedded in them, and the way that such networks are in turn embedded in the wider social and institutional environment of a given locality. This perspective moves beyond the essentialism of social capitalist approaches by focusing on the specificities of how particular types of networks operate. Rather than viewing networks as abstract models, Amin and Thrift (2000) emphasize the need to ‘avoid the common practice of seeing network organization as something novel. The challenge instead is to unravel networks’ specific processes and structures’.

5. Institutional Perspectives on African Informal Economies

Where does this alternative network approach take us with regard to the analysis of African informal economies? There currently exists a growing body of critical empirical literature on African social networks and economic development, some of which dates back several decades to the work of Meillassoux (1971), Cohen (1969) and Mitchell (1969), while the most recent takes up contemporary issues of social networks and African economic restructuring. Unfortunately, this critical network literature has been unable to generate a coherent theoretical perspective from which to grasp the implications of social networks for African economic development, or to mount a decisive challenge to social capitalist perspectives on African informal economies. Instead, one is left with a welter of insightful, but conflicting analyses of the economic potential of African social networks. The institutional problematic of 'legacies, linkages and localities' outlined above offers a sharper theoretical lens through which to view the institutional dynamics of African social networks for a more balanced assessment of the developmental strengths and weaknesses of informal processes of economic change.

5.1 The Institutional Legacies of African Social Networks

The focus on institutional legacies makes it possible to investigate the economic capacities of African social networks through an analysis of the specific practices and forms of social organization embedded in them. How do the social relations embedded in transnational trading networks differ from those of petty survival networks? Under what conditions do African institutions of kinship and ethnicity support the development of market-oriented values and institutions, and under what conditions do they impede such development? These questions have been addressed in detailed research on the institutional content of West African trading networks, which identified the positive role of communal embeddedness in economic development over a generation before Mark Granovetter's (1985) famous article on the subject. Studies of the pre-colonial trading networks of the Hausa, Juula, Aro and other West African groups show how trading groups used relations of kinship, ethnicity, religion, patron-clientage and even secret societies in the development of efficient, market-oriented values and institutions (Cohen 1969, Curtin 1975, Dike & Ekejiuba 1990, Lovejoy 1980, Northrup 1978).

Historical research reveals that, in similar fashion to the dynamics outlined in Evers (Evers 1992) 'trader's dilemma' (and Weber's 'Protestant ethic'), African trading groups used conversion to Islam and the adoption of

distinctive ethnic identities to disembed themselves from the redistributive values of the wider communities in which they lived. These same social mechanisms were used to create bonds of solidarity within trading networks, and to incorporate new members across clan and ethnic boundaries. This dynamic is detailed in Lovejoy's incisive study of pre-colonial Hausa trading networks, which demonstrates that ethnicity was neither primordial nor divisive, but represented a critical mechanism of both bridging and bonding:

Like other commercial diasporas, the dispersed Hausa settlements eased cross-cultural exchange. ...commercial diasporas acted as a kind of 'bridge' across the labyrinth of West Africa. ...[However] members of the dispersed Hausa communities were seldom directly related to the Hausa merchants. The people of the diaspora were far more heterogeneous in their origins.... People who were incorporated into the scattered Hausa settlements included [ancestrally non-Hausa] individuals who initially came from Nupe, Borno, Agadez, Adar and even more distant places.... They had settled in the trade towns to take advantage of expanding commercial opportunities and had subsequently developed a sense of community which was based on Islam, the use of the Hausa language, intermarriage within the community and with other diaspora settlements, and common residence. The resulting group identification, based first and foremost on similar commercial undertakings, was fundamental to the operation of Asante-Central Sudan trade (Lovejoy 1980:31-2).

A similar pattern of commercially-oriented differentiation and incorporation has been found in Igbo economic networks ? non-Islamic networks that have used hometown-based identities, popular associations and common allegiances to oracular religions and later Christianity to develop effective trading and production networks. These and other studies show that ethnic and religious trading networks served as a matrix for the development of a range of market-oriented institutions, including accounting and credit systems, brokerage,

storage and transport arrangements (Austen 1987, Baier 1980, Hopkins 1973, Northrup 1978).

The complex processes of embedding and disembedding accomplished through the interweaving of kinship, ethnic and religious ties demonstrate that African long distance trading networks possessed the institutional resources to strike a balance between ‘too much’ and ‘too little’ embeddedness. Despite the allegations of Bayart and others, the institutional and economic history of these groups demonstrates that their economic success is grounded in their commercial rather than their criminal acumen.

However, historical research demonstrates that the institutional capacities of African long-distance trading networks were not merely a product of cultural factors. Supportive linkages with pre-colonial states and theocratic institutions played a critical role in the development of successful commercial networks through the provision of security along trade routes, dispute regulation in key markets, and government assistance to large merchants and key trading groups (Christelow 1987, Hopkins 1973, Lovejoy 1982). With the coming of colonialism, and the destruction of pre-colonial political systems, these African commercial networks were ‘informalized’ ? that is, cut off from participation in the formal economy. However, as research has shown, these

networks, and the commercial institutions embedded in them, have persisted into the present, forming a critical infrastructure for the rapid development of informal economies since the 1970s (Grégoire 1992, Lambert 1989, Meagher 2003).

Not all African networks have the institutional capacity to promote economic activity. A very different pattern of institutional legacies is traced in the Manchester School research on southern African social networks in the late colonial and post-independence periods (Boswell 1969, Epstein 1969, Mayer 1961, 1964, Peace 1979, Trouwborst 1973, Wheeldon 1969). Contributors to Mitchell's (1969) book on social networks in urban Africa show how the prevailing context of economic insecurity and social marginalization experienced by colonial and post-colonial Africans encouraged the formation, not of corporate trading networks, but of 'broad multiplex networks' organized around individual needs rather than around common commercial values. In contrast to corporate networks, 'personal' networks were found to generate unstable organizational arrangements in which ties of kinship, ethnicity and religion were cobbled together to meet immediate needs. The cross-cutting ties of personal networks tended to fragment social organization, and enforce redistributive communal values at the expense of accumulation and economic

development.

The distinctive institutional legacies of corporate trading networks and popular survival networks continues to affect outcomes in contemporary African informal economies. Freidberg's (1996, 1997) work on market gardening networks in Burkina Faso, and research by Lourenco-Lindell (2002, 2004) on informal economic networks in Guinea Bissau show that 'networks of accumulation' and 'networks of survival' are defined by very different institutional histories, shaped in the case of successful networks by Islamization and links with pre-colonial trading groups and in the case of survival networks by desperation and non-commercial histories. Examining the secret of success behind informal vegetable wholesalers, Freidberg (1996:151-53) points out that:

...the wholesalers, unlike many men and women selling in contemporary African market places, have not taken up trade as an emergency, temporary or sideline means of "income generation".... They see themselves as professionals, and many clearly identify with an occupational tradition of commerce... with its own locally-defined identity, rules and customs.

Attention to these specific 'rules and customs', and the historical processes that shape them, reveals that African social networks are not defined by a single institutional or cultural logic. Contrary to social liability perspectives, research on corporate trading networks shows that African societies are capable of forming economically effective social networks. Under

supportive economic and political conditions, ethnic and religious networks served to bridge cultural divides and foster the development of market-oriented economic institutions. Contrary to the claims of ardent social capitalists, however, research on survival networks shows that conditions of poverty and marginalization are not conducive to the development of growth-enhancing informal networks, allowing redistributive logics to overwhelm efforts at accumulation.

5.2 Linkages and the Restructuring of African Networks

Social networks are shaped, not only by their institutional legacies, but by their ability to respond to change. Contrary to the assumptions of social capitalist analyses, African social networks have not persisted unchanged over time, but have been dramatically restructured by the economic and political upheavals of colonialism, independence, and structural adjustment. In African informal economies a number of different restructuring strategies are evident, including exit, diversification and globalization.

Exit strategies involve the development of new ties that serve to disembed actors from existing communal allegiances and obligations. Since the colonial period, this has tended to involve conversion to evangelical or fundamentalist religious movements in order to seize new economic

opportunities and evade the redistributive pressures of home communities. Norman Long (1968) noted the propensity of Zambian commercial farmers to convert to Jehovah's Witness in order to escape the constraints of their village communities, Harries-Jones (1969) found that Seventh-Day Adventists used their conversion to exempt themselves from Zambian homeboy networks, and Parkin (1972) detailed the tendency of Tanzanian commercial coconut farmers to convert to Islam in order to sever their institutional obligations to their home communities. More recently, conversion to evangelical Christian sects has become prominent among struggling members of the Igbo business community in an effort to disembed themselves from the heavy redistributive demands of hometown networks (Meagher 2004).

Similar patterns have been observed in Muslim African societies, where membership in specific Islamic brotherhoods or fundamentalist movements is used to promote or defend accumulation in the face of redistributive social pressures. The expansion of groundnut production during the colonial period was associated in Nigeria with the influx of Kano traders into the Tijaniyya brotherhood, and in Senegal with the rise of the Mouride brotherhood, which stressed an ethic of manual labour and overriding loyalty to one's sheikh (Babou 2002, Christelow 1987, Lovejoy 1980, Malcolmson 1996). More

recently the pressures of structural adjustment have encouraged the conversion among the struggling middle classes of Nigeria and Niger to a range of fundamentalist Islamic movements including Izala and Nasfat, which encourage frugality and discourage ceremonial expenditure (Labazee 1995).

While exit strategies have been used to consolidate efforts at accumulation, more insecure economic actors in African societies tend to diversify their social networks in the hope of maximizing access to assistance. This involves the maintenance of existing kinship and community networks, as well the formation of new networks by joining associations, credit societies, religious groups and social clubs. Optimistic commentators suggest that network diversification encourages a useful 'bricolage' of institutional forms, creating novel organizational alternatives to cope with failing formal institutions (Cleaver 2001, Guyer & Hansen 2001, Lund 1999, 2001). However, the same authors note that emerging arrangements may be sub-optimal, and may even increase regulatory uncertainty and social instability.

Challenging the virtues of 'bricolage', Sara Berry (1993) maintains that the diversification of social networks is detrimental to economic development. Far from providing novel institutional solutions, Berry argues that social networks confuse rather than redefine institutional behaviour, promoting

opportunism, uncertainty, and unproductive resource use -- tendencies which are exacerbated by the intense economic pressures of contemporary economic restructuring:

Recent instability has also reinforced long-term trends toward the proliferation of social networks and people's membership in them. Fluid, noncorporate networks have permitted such diversification, but clearly people cannot sustain regular, active participation in an indefinite number of networks. Accordingly, as social networks proliferate, people tend to shift their attention and energy from one group or institution to another, depending on immediate needs. The result is a high degree of mobility of people and resources, but little tendency for institutions to develop into stable frameworks for collective action, resource management or the consolidation of capital and knowledge (Berry 1993:271).

A further strategy for restructuring networks involves globalization, which has been prominent among informal long-distance trading networks and hometown networks (Gibbon 2001, Meagher 2003). Parochial stereotypes have tended to blind social capitalist analyses to the penetration of global networks into African informal organization, in rural as well as urban society. In response to market liberalization and mounting economic pressures within African societies, trends toward globalization have been observed among African trading networks, such as the Hausa, Igbo and Mouride networks, as well as among independent informal traders (Babou 2002, Gregoire & Labazee 1993, Hashim & Meagher 1999, MacGaffey & Bazenguissa-Ganga 2000). Gibbon (2001) and Mohan and Zack-Williams (Mohan & Zack-Williams 2002) have highlighted the globalization of African kinship and hometown networks, accompanied by a dramatic increase in informal global flows of remittances

into African countries. While many Western academics are concerned about the penetration of criminality into the global system, the empirical evidence suggests that the globalization of African commercial networks has more to do with electronics, used clothing and remittances than with drugs and conflict diamonds.

As some commentators point out, however, the focus on strategies for restructuring networks should not blind analyses to the fact that many Africans are unable to exit, diversify or globalize their social networks. Studies from a range of African countries have noted that the socially disadvantaged, including youth, women, and the poor, lack the resources, contacts and social power to diversify their networks or even to defend their rights and interests within them (Freidberg 1997, 2001, Lourenco-Lindell 2002, Mayoux 2001, Meagher 1997, 2000, 2001a). The narrow and poorly maintained networks of the socially disadvantaged, and their subordinate positions within them, transform the networks of those most in need of support into mechanisms of social exclusion rather than access, and economic decline and dependence rather than dynamism.

5.3 Informal Economic Networks and African Localities

The restructuring of networks does not take place within a vacuum, but is

critically shaped by the locality in which networks operate ? that is, by the character of the formal regulatory and political environment. What role has the state played in the development of African informal economies? In Africa, there is little evidence of the kind of synergistic support that has underpinned the development of economically dynamic networks in East Asia and the Third Italy (Cheng & Gereffi 1994, Deyo et al. 2001, Weiss 1988, Zeitlin 1992). Instead, African informal economic networks have developed in a regulatory context characterized by state neglect and political opportunism.

Grey-Johnson (1992) and Amselle (2002) have drawn attention to the negative impact of state neglect on the organizational capacities of African social networks. Far from providing strategic institutional support for the development of economically productive networks, as was done in Italy and East Asia, African states, under orders from international donors and economic restructuring programmes, have not only left African social networks to 'fend for themselves', but have off-loaded onto them many of its own economic obligations for social welfare provision. This has resulted in the economic overburdening of social networks, and their increasing fragmentation along ethnic and community lines:

By disengaging itself from civil society and calling upon the 'private sector' to take care of itself, the State ? or what is left of it ? encourages the burgeoning of a whole series of associations, non-governmental organizations and other structures charged with doing the job in its place, and these structures are often based on community forms. ...Does this

mean we are now witnessing a retribalization of contemporary societies? If one imagines a globalization that necessarily leads to the reduction of the state's sphere of intervention, the answer is yes. If, on the contrary, it is , rather, assumed that some intrinsic essence of individual societies is destined to return them to their state of nature, the answer is no. ...Just as African ethnicities are the product of a history, ...the new tribes of [Africa] are the product of a history in which the disengagement of the state has played a decisive role (Amselle 2002:227-8).

To make matters worse, research on social networks and civil society in Kenya (Gibbon 1995, Kagwanja 2003, Kanyinga 1995), Nigeria (Meagher 2004), and Zimbabwe (Kamete 2001) indicates that context of economic deprivation, institutional deterioration and communal dependence faced by popular networks makes them vulnerable to hijacking by political elites, turning networks from social capital into 'political capital'. Instead of promoting economic development and political accountability, African popular networks become pawns in struggles between political elites, turning them into instruments of political opportunism, social fragmentation and violent conflict.

While social capitalists attribute these negative developments to dysfunctional cultural institutions and a propensity to criminality, a more measured explanation is that African social networks are beginning to crack under the strain of institutional and economic responsibilities beyond their capacity. Recent studies point to the erosion and collapse of some African economic networks under the pressures of liberalization and state withdrawal ? the collapse of associations and credit societies, and the erosion of trust, credit

and apprenticeship systems in trading and manufacturing networks across Africa (Hashim & Meagher 1999, MacGaffey & Bazenguissa-Ganga 2000, Meagher 2001b, 2004, Quarles van Ufford 1999). References to witchcraft, increasing opportunism, social fragmentation and violent conflict are signs of extreme social stress rather than cultural backwardness, and raise as many questions about the viability of informalization strategies in Africa as about the analytical value of the social capitalist paradigm.

6. Conclusion

The question posed at the beginning of this paper was whether social networks are useful for the study of African informal economies. The answer put forward in the course of the analysis is yes, but only if we move beyond the social capitalist paradigm to a more institutional perspective on the economic capacities of social networks. The broad institutional approach set out here demonstrates a number of advantages over more conventional network approaches. The first is the capacity to move beyond the essentialism and cultural determinism of conventional social capitalist analyses, which have been particularly injurious to the understanding of contemporary African informal economies. Images of networks as conduits of resources and economic trust have encouraged a recourse to primordialism in the study of African social

networks in an effort to explain their economic failures. Institutional perspectives favour a more nuanced and contextual analysis that traces the way in which networks have been shaped, not simply by cultural identity, but by history, power relations and relations with the state. Applied to the study of African informal economies, this approach has uncovered both developmental and dysfunctional economic dynamics.

A second advantage is that institutional approaches capture the dimensions of both continuity and change in social networks, while social capitalist approaches tend to portray networks in terms of one or the other: bonds or bridges (Narayan 1999), fragments or flows (Castells 1997), fix or flux (Geschiere & Meyer 1998). This permits an understanding of African informal economies that captures both the institutional legacies of the past, and the social realignments and globalizing dynamics of contemporary Africa.

Finally, by reconnecting the analysis of social networks with the role of the state, institutional approaches permit a precise institutional examination of the developmental implications of contemporary informality, even in a world of market liberalization and regulatory bricolage. Rather than blaming African cultures for the developmental failures of liberalization policies, institutional perspectives on social networks make it possible to distinguish between the

inadequacies of cultural institutions and the failure of the state to pull its weight in the process of institutional development ? a failure that owes as much to the requirements of neo-liberal restructuring programmes as it does to the shortcomings of African states. This provides a much needed theoretical vantage point from which to examine both the contemporary literature on African informal economies, and, more importantly, the contemporary African realities of remarkable informal dynamism, crippling state neglect, and increasingly destructive manifestations of institutional stress.

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