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Literature Review on Social Cohesion and Economic Growth

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Abstract

The study provides a deep insight on the relationship between social cohesion and economic growth on the basis of existing literature. The study has categorized the different dimensions of social cohesion on the base of prevailing studies and elaborated their impact on economic growth in an articulated way. We have found after review of literature that, though social cohesion is defined in different dimension and various studies have used diverse indicators to measure the level of social cohesion but there is absence of any comprehensive measure of social cohesion to better understanding the impact of social cohesion on economic growth. So there is need to do more research to analyze the impact of social cohesion on economic growth through a more comprehensive measure which contains all the indicators describe in different definition of social cohesion. The research is helpful for governments to device policy measures to promote social cohesion in the society.

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Introduction

The existing literature on social cohesion is categorized in two parts. The first part is social capital, some researchers have explained the concept of social cohesion through social capital and they have used the level of trust, member's group participation and volunteer activities as a measure of social cohesion. These are direct measures of social cohesion because any increase in these indicators (level of trust, member's group participation and volunteer activities) directly increases the level of social cohesion among the society or vice versa. In addition these measures "performance measures of public and private institutions" is also included in direct measures of social cohesion (Ritzen 2000). While the second part is indirect measures; some researchers have measured the social cohesion through some indirect measures such as ethnic and linguistic fractionalization, gender inequality, elite dominance, incidence of poverty, income inequality (Gini coefficient) and social inequality. These are indirect measures because any increase in these measures will decrease the level of social cohesion indirectly e.g. a high income inequality will create the social conflicts and hatred and thus decreases the level of trust among the members of the society as a result social cohesion will be reduced or vice versa. So these are indirect measures of social cohesion.
We have reviewed both types of studies (direct and indirect).

Figure 1

Social cohesion

Direct measures

(Trust, member's group participation and volunteer activities) Ritzen & Woolcock (2000), Klein (2011), Ferroni et al.(2008)

Indirect measures

Ethnic-linguistic fractionalization, elite dominance gender inequalities, poverty and income equality and social inequality. Easterly et al (2006), Ritzen(2000), Heller(2009).

The literature is divided in four sections. Section 2.2 explains the history and concept of social cohesion. Section 2.3discusses the role of social cohesion on economic growth through different dimensions of social cohesion. Section 2.4 explains the study with reference to Pakistan and section 2.5 has summarized the whole chapter. More empirical research is needed to have a clear understanding on how social cohesion impacts economic growth because there is no comprehensive empirical literature which explains the relationship between social cohesion and economic growth.

History of Social Cohesion

This section is comprised of history and definitions of social cohesion. We have first explained some history of social cohesion and then in section 2.2.1 we have continued the evolution of social cohesion that how it developed step by step. This section explains the different definitions of social cohesion proposed by various researchers. Social cohesion is a characteristic of society which deals with the associations and relations between individuals and groups. The concept of social cohesion started from sociology, sociologist Emile Durkheim (1893) was the first who used the concept of social cohesion in nineteenth century. According to Durkheim there is no clear definition of social cohesion and also there is no direct way to measure social cohesion. According to his view solidarity and shared loyalties are two kinds of social cohesion. Durkheim in 19th century and then an American Talkott Parsons in 1940 were equally worried about social cohesion as most of the sociologists and policymakers today. The concept of social cohesion has gained more importance in all over the world due to increasing income disparities, structural changes, rising expectations of the citizen for high standard of living and for more opportunities. The developing countries are more concerned about social cohesion due to shifting wealth phenomenon from west to east which has been emerged in past 10 years. Various developing countries have achieved remarkable growth especially China and India, thus they laid the foundation of better living standard for their citizens but these transformations also brought huge stress for developing countries government as the middle class of these countries are demanding high standard of living and more opportunities. So these countries though have achieved high growth but they are facing challenges to meet the expectations of their citizens. Despite the fact that developed countries growth is not as satisfactory but they are also facing the same challenges. United States and Canada are facing disputes to access the equal quality education while Europe is facing challenges of welfare programs distribution in different regions and Asia is facing the challenge of wage increase. So all these challenges are raising conflicts and weakening the cohesiveness of the societies (OECD, 2012 *Perspective on global development).* Social cohesion has gained importance in the European Union, in (1992) since the treaty of Maastrich. The objective of treaty was sustained economic growth as a result of social development. The concept of social cohesion has gained importance in EU due to high Unemployment, income inequality, deprivation of rural areas and regional cleavages. In Europe the first use of social cohesion concept in policy making process is to strengthen the regional integration. Now it has been one of the goals of European Union policies to strength social cohesion to promote balanced development in Europe Bellani & Ambrosio (2011).

The concept of social cohesion has also gained much importance in Canada due to increasing immigrants to Canada because it is well established that Canada is 'land of opportunity", so due to increasing migrants Canada is facing problems of ethnic and linguistic heterogeneity which is big challenge for Canadian government to achieve high social cohesion. So social cohesion is introduced in policy debates in Canada in 1990 to highlight some important issues which were ignored by policy debates. And then Maxwell (president and founder of the Canadian Policy Research Network) has defined social cohesion as building shared values, reducing inequalities in wealth and income and to make people engage in similar enterprise (Maxwell 1996). The development of the concept of social cohesion will be continuing in following section

Definitions and Measurement of Social Cohesion

After Durkheim the concept of social cohesion gained excessive popularity but still social cohesion is a concept which is difficult to measure and hard to achieve because in existing literature there are many definitions of social cohesion and thus many measurements according to definitions. There are broad indicators which are associated with social cohesion but there are different opinions about the level of social cohesion. In spite of lack of clarity which is associated with the concept of social cohesion different communities have emphasized on the need of social cohesion. The definition of social cohesion is additive in nature. It includes many societal characteristics which comprise of shared values and goals, common identity and sense of belonging, tolerance and respect for others, trust (interpersonal and institutional), civic cooperation, active civic participation and following law and order. However not all the definitions of social cohesion include all these social behaviors or characteristics in equal measure. Green et al. (2009). For more comprehensive definition and deeper understanding the concept of Social cohesion "Social cohesion Network" assigned this task to "Canadian Policy Research Network" and "Jane Janson"(the professor of political science) to shed light on the concept of social cohesion. Jenson (1998) adopted its working definition based on Maxwell (1996) definition of social cohesion and has identified five dimensions of social cohesion which are belonging, participation, legitimacy, Inclusion and recognition after examining the historical evolution of the concept of cohesion from Durkheim to this age. Thus social cohesion can be defined in five ways which are the sense of belonging and shared values, ability of society to obtain equality in all matters, impede marginality and participation of all the individuals in decision making process it includes democracy, efficient institutions like political parties and government. O'Conner (1998), has also defined social cohesion in three dimensions; Values, Culture and Identity. After Jenson, Bernard (1999) gave the concept of social cohesion. He was critical to the concept of "social cohesion" and explained that it is a "quasi concept," because at one side it is based on analysis of particular situation and on the other hand it contains vagueness, thus able to modify according to different circumstances. So it is hard to exactly determine it because of its vagueness. The Bernard's definition of social cohesion is based on four dimensions (economic, political, socio and cultural).

Another multidimensional approach is developed by Berger-Schmitt and Noll (2000). They stated that concept of social cohesion is based on two dimensional goal of society development which may be related to each other but these goals should be different analytically. The first dimension is related to reduction of disparities, cleavages and inequalities among the society. Social exclusion concept is also included in this concept. The second dimension of social cohesion is based on all those forces which strengthen the social connections and commitment. This dimension also includes the concept of social capital. Hulse and Stone (2007) have also explained three dimensions of social cohesion. The first dimension is that social cohesion is a 'bottom up" phenomenon, it means voluntary involvement in social networks and organizations. Secondly social cohesion refers to the 'top down" phenomenon that means reduction of differences, cleavages and address inequalities at state level. Third is the cultural dimension of social cohesion which is more than sum of first two dimensions. Stanley (2003) presents a report on recent research of the federal government of Canada on social cohesion. He has criticized the ambiguity of the "same values" and expressed that social cohesion does not mean the homogeneity of the social values. He has developed the concept that social cohesion is derived from the equality of the social outcomes (health results, security, economic well being, education and so on). He has proposed the three components of social cohesion, cooperation, diversity and affinity between social cohesion and liberal social values. Similarly Fenger (2012) has also constructed the multidimensional approach of social cohesion and has showed the impact of different local policies on social cohesion. He has explained the four dimensions of social cohesion which are economic, cultural, social and political dimension of social cohesion. The study focuses on the concept of city level social cohesion which is very important and has explained in a very comprehensive way the causal impact of policies on social cohesion and asserted the role of local government policies on social cohesion. Fenger asserts that local government should introduce such policies which promote the social cohesion. Fernando et al. (2006) has also constructed an index of social cohesion by using "National survey on giving and volunteering and participation" (NSGVP) on three dimensions of social cohesion, political, economic, social dimension of social cohesion.

Reesken et al. (2008) have conducted the research to reduce the complexity of the measures of social cohesion. They have followed the approach of Kearns and Forrest (2000). Kearns and Forrest has proposed five dimensions of social cohesion which are common values and lively civic culture, social order, social solidarity, social capital and sense of membership. Data for this study is collected at municipal level and data was collected initially from "The National Institute of Statistics", "The Federal Department of Economy", "The Roman Catholic Church", "The EHSAL" (data from 2001) and "The Study Centre of the Flemish Government". The objective of the study is to find out a dimension of social cohesion that should contain all the five social cohesion variables identify by Kearns and Forrest (2000). He has conducted Confirmatory factor analysis to acknowledge whether social cohesion is a single dimension or multidimensional approach and it is proved that social cohesion is a multi dimension phenomenon. While Chan et al. (2006) has developed a conceptual definition and framework of social cohesion which is meaningful but has not defined well in the literature. He has proposed a definition of social cohesion in which social cohesion is state of affair concerning both horizontal and vertical interactions among members of society and two 'components" objective versus subjective. The horizontal dimension focus on the relationship between groups and members of the society and vertical dimension reflects the relationship between state and its citizens. Among the two components the subjective component relates to the items like trust, sense of belonging, willingness to cooperate and help while objective component refers to the actual cooperation and participation among member of society. His definition can be operationalized to measure the level of social cohesion in different societies. Social cohesion is a concept which is defined in micro social and macro social approach. Dickes et al. (2009) have measured the social cohesion based on the micro data from European value survey 1999 from Luxembourg. The aim of the study is to measure the social cohesion based on the definition of Bernard (1999) "Social cohesion is a quasi concept". The EVS 1999 is selected because it contains large number of objective and subjective items which cover the attitude and behavior related to social cohesion. The study has created 18 operational indicators on the basis of available data and these indicators cover almost all dimensions of Bernerd's definition of social cohesion except the economic sphere (equality/inequality) due to lack of data.

While Manole (2012) considers social cohesion a compound norm which is defined on basis of various approaches. Manole's social cohesion framework is defined in context of micro social and macro social approach. Micro social approach of social cohesion is concerned about level of trust among the community, identity/belonging and inequality among the community. The macro social approach to social cohesion deals with the social inclusion/exclusion, social capital and quality of life. Fenger (2012) also gives the idea that social cohesion is macro level and micro level concept. Macro level concept deals with cohesion among the countries and micro level involves the cohesion within country. Social cohesion is also explained in policy context to indicate certain policy matters. Policy makers consider social cohesion an important measure for the cohesiveness of the society as the more social cohesion leads to less crime rate, less riot, high employment, and high economic growth. There are varieties of policies that influence the level of social cohesion. These includes "social assistance, food bank, national neighbor day, sheltered work place, social field work, race equality strategy, Prime and cultural path finder programmed". Fenger (2012).

Similarly Hulse & stone (2007) have focused on the policy dimension context of social cohesion and has contributed in the current debate of social cohesion by tracing the level of social cohesion in Canada, the US, the UK, Australia, New Zealand and key European institutions. They have described the policy development of social cohesion in the liberal welfare countries and in European countries from 1995-2006. Hulse and stone has stated that the need of social cohesion is felt in liberal welfare countries and in European countries between1999-2006 but European countries have focused more on developing social policy than key welfare countries except Canada. Social cohesion has culture, political, social and economic dimension but policy makers are more concerned about its economic consequences which are unemployment, poverty, exclusion and reducing development disparities. But for efficient working of the system, the two dimensions of social cohesion are more important one is inequalities/social exclusion and the other is social capital/social relations. Social exclusion is opposite of social cohesion and it is caused by the deficiencies in legal and democratic system that encourages civil participation, the labor market, which foster economic integration. Thus after reviewing these above literature on social cohesion we can come to this conclusion that social cohesion is a "multidimensional phenomenon" which is hard to define precisely as in existing literature there is no consensus on any single definition of social cohesion because there are many definitions and many dimensions according to definitions. In Table 2.1we have summarized the above debate of existing literature with reference to dimensions of social cohesion.

Table 1: Literature with reference to Dimension of Social Cohesion

Study	Dimensions of definition of Social cohesion
Maxwell(1996)	building shared values, reducing inequalities in wealth and income and to make people engage in similar enterprise
Jenson (1998)	belonging, participation, legitimacy, Inclusion and recognition
O'Conner (1998)	Values, Culture and Identity
Bernard (1999)	economic, political, socio and cultural
Berger-Schmitt and Noll (2000)	reduction of disparities, cleavages, inequalities and trust
Stanley (2003)	cooperation, diversity and affinity
Chan et al.(2006)	horizontal and vertical interactions among members of society, Subjective components (trust, sense of belonging, willingness to cooperate and help) objective components (actual cooperation and participation among member of society)
Hulse and stone (2007)	voluntary involvement in social networks and organizations, reduction of differences and cleavages and cultural dimension of social cohesion
Reesken et al. (2008)	common values and lively civic culture, social order, social solidarity, social capital and sense of membership
Fenger (2012)	economic, cultural, social and political
Manole (2012)	about level of trust among the community, identity/belonging and inequality, social inclusion/exclusion, social capital and quality of life

RELATIONSHIP BETWEEN SOCIAL COHESION AND ECONOMIC GROWTH

This section has been divided into 2.3.1 and 2.3.2 to examine the impact of social cohesion through different measures gradually. Section 2.3.1 explains the role of social cohesion on economic growth through social divisions (ethnic and linguistic heterogeneity and income inequality etc). Further section 2.3.1.1 is sub-section of 2.3 and it represents that how the national policies influence the level of social divisions (income inequality and ethno-linguistic fractionalization) and then how social division react to social cohesion. Section 2.3.1.2 explains the role of education policies in providing equal education to all society and impact of equal education on social cohesion and economic growth. Section 2.3.2 explains the role of social cohesion on economic growth using trust. Academic as well as policy researchers consider the social cohesion as one of the determinant of economic growth. A high level of social cohesion leads to high economic growth. Social cohesion plays a key role in determining policy choice and other development outcomes. According to World Bank report (1999), social cohesion is important for the development of the societies. As we have observed in section 2.2.1 that in existing literature social cohesion is defined mostly in context of

1) Social cohesion is defined in context of divisions, whether economic and social divisions within the society. These divisions can be by income, caste, political party, ethnicity, demographic values and language Easterly (2006),

2) An alternative way to define social cohesion is in term of building shared values while reducing differences in income and wealth. So in line with this definition social cohesion is measured in term of membership, participation rate in different organizations, declaring trust on people, and tendency of cooperative behavior.

We have categorized the existing literature on the basis of above mentioned dimensions of social cohesion and examined their effect on economic growth subsequently.

I. Impact of Social Cohesion on Economic Growth via Social Divisions

This section has reviewed all those existing literature which have explained the impact of social cohesion on economic growth through social divisions which are Income inequality and ethnic-linguistic heterogeneity. The relationship of these social divisions with social cohesion is explained as follows

a) A decrease in income inequality causes high social cohesion because the societies where wealth is equally distributed people are more able to trust one another and on government, they are more strongly connected and they are willing to cooperate, there is high group membership rate, there will be less social conflicts so economic growth will increase. So here social cohesion will elevate economic growth through decreasing income inequality.

$$\downarrow income\ inequality \ \rightarrow \uparrow (trsut, group\ membership) \rightarrow \uparrow social\ cohesion \ \rightarrow$$
$$less\ conflicts\ and\ riots\ \uparrow\ economic\ growth$$

b) Low ethnic and linguistic fractionalizations represent high social cohesion because people are more likely to trust each other so more social capital causes high social cohesion, thus here social cohesion will boost up economic growth by lowering ethnic and linguistic fractionalizations.

$$\downarrow ethnic - linguistic\ fractionalization \ \rightarrow \uparrow trsut \rightarrow \uparrow social\ cohesion$$
$$\rightarrow\ less\ conflicts\ and\ riots\ \rightarrow \uparrow economic\ growth$$

A major literature on social cohesion is based on “normative conflicts” such as ethnic conflicts Easterly and Levine (1997) have explained the impact of ethnic divisions on growth tragedies of Africa. The paper explains the fact that public policies are important to explain the cross country income differences but it is also important to note that different countries have different public policies due to ethnic differences. Easterly and Levine (1997) measure of fragmentation is "the probability that two randomly drawn individuals from the unit of observation belong to two different groups". By using thirty years data, Easterly explains the direct impact of ethnicity divisions on economic growth and also indirect impact through public policies. His study finds the significant adverse impact of ethnic divisions on public policies which are associated with economic growth but the study discovered that direct effect of ethnic divisions on economic growth are ambiguous. While Easterly (2001), have found that this negative impact of ethnic fractionalization can be mitigated through quality institutions. He had built an institutional quality index and found that negative effect of ethnic diversification can be mitigated by introducing quality institutions such as property rights, efficient govern of the game, effective bureaucracy, and the marginal effects of ethnic diversity are actually zero with high level development of institutes. So the countries that are ethnically diversified they should focus on building quality institutes to achieve peace and economic development. Following Easterly and Levine (1997), growth model Danial (2004) has constructed a new index of ethnic division (Politically Relevant Ethnic Groups) PREG index for 42 African countries and tested the same hypothesis of Easterly and Levine (1997). He has replicated the Easterly and Levine (1997) growth tragedy and found out the significant negative impact of ethnic divisions on economic growth. Though the findings are same but the measure of PREG for ethnic divisions has more strong influence on economic growth theoretically and methodologically. Similarly Alesina and Ferrara (2003), have investigated the impact of ethnic diversity on economic policies and development outcomes. The study has considered good and bad both aspects of ethnic diversification. By using the survey data of the cities in the developed countries and villages in developing countries, their findings indicate the overall negative effect of ethnic diversification on economic growth.

Thus ethnic diversification has negative influence on economic growth. Easterly (2000), has analyzed the impact of middle class consensus on economic development and argued that cross countries growth differences can be best explained by the middle class share of income and ethnic polarization. He has used the proxy of "middle class" for economic equality. After performing empirical analysis he has proved that high middle class share in income with low ethnic fragmentation is associated with high growth, high human capital, improved health, better economic policies, enhanced infrastructure, better political management, low political instability, good democracy and more modernization. Easterly has argued that countries which are facing low middle class share, they follow growth policies and countries with high ethnic polarization introduce the distribution policies to reduce polarization. Similarly Roderik (1998) has also addressed the differences in growth rates experienced by many developing countries after 1970s. The paper explains that during 1960 to 1970 growth rates of all East Asian, Latin America and Middle East was remarkable but after 1970 these countries experienced huge growth collapses. He argues that social conflicts are a major reason of growth failure after mid 1970s. He provided empirical analysis to support his argument that the main reasons of sudden fall in growth in mid 1970s were segmented societies (measured by inequality, ethnic-linguistic fragmentation, gini coefficient for land) and weak conflict management institutions (measured by racial tensions, murder rate, social trust) . While Easterly (2006) gave the idea that social cohesion endogenously determines the quality of institutions and institutions cause the growth. They argued that good institutions are essential for economic growth of any country and the strength of these public institutions depends on social cohesion. The study has explained the different direct and indirect measures of social cohesion which includes the membership rate of organization, civic participation, and measure of trust, income distribution measures, and ethnic heterogeneity. By using the cross country data and data set on institutions compiled by Kaufmann, Kraay, and Mastruzzi (2003), middle class share of income and linguistic homogeneity as a measure of social cohesion they have used the three stages least square (3SLS) to tackle the endogeniety of institutions. The result supports the hypothesis that social cohesion laid the foundation of better institutions and these institutions lead to better economic growth. Following Easterly (2006), Heller (2009), has also analyzed the role of social cohesion in building strong institutions and improving economic growth. The study explains that social dynamics of a country are an important determinant of institutional quality and these institutions quality plays an important role in elevating the economic growth. Heller (2009) has used the ethnic fractionalization, income inequality (Gini) and adult literacy ratio as a measure of social cohesion and concluded that social cohesion is an important indicator of institutional quality and good institutions are essential to improve economic growth in developing countries. Galor (2009) has also examined the impact of inequality on economic development and growth. The study explains that the process of industrialization started a conflict between business class and land owners. Land owners discourage education policies and industrialists encourage education policies. Thus due to inequality in the land distribution it become a serious hurdle in way of human capital and thus economic growth. Similarly he found that gender inequality also causes lower accumulation of human capital and thus lowers growth. Study also explains that the geographical unequal distribution of income creates oppressive institutions and institutions performance effect the economic growth. So he concludes that all type of inequalities disturbs the social and political structure of the economy and therefore causes lower growth. Castello and Rafael (2001) explain the effect of human capital inequality on economic growth. They have given the new measure of human capital inequality by using data on schooling from Barro and Lee's (2001) and constructed the Gini coefficient of inequality on education. The study has used the data set of 108 countries from 1960 to 2000 and indicates that two inequality indicators human capital and income Gini coefficient have low degree of correlation. The empirical result indicates that income inequality is negatively related to economic growth but the result is not robust when regional dummies are added in regression. The research indicates that inequality of human capital is related with low level of investment and low investment causes low growth. Thus inequality of human capital causes low economic growth. Rodriguez (2000) also explains how inequality disturbs the economic performance. By using empirical analysis he concludes that inequality leads to poor economic reforms which have worst impact on growth because polarized societies are less likely to guarantee appropriate economic reforms.

Bellani and Ambrosio (2011) have investigated the relationship between social exclusion and subjective well being. They have used the income as proxy for social well being and concluded by using longitudinal data from European community household panel that deprived and socially excluded individuals are less satisfied with their lives than the rich people. Thus it's the key objective of EU policies to remove social inclusion or deprivation to become knowledge based economy in the world. Similarly Foe (2010) has also examined that poor social cohesion is loss for social and economic well being. He has defined the economic aspects of social cohesion and has divided it into four categories that are reducing transaction cost, collective actions, capital dis-accumulation and productive efficiency. By using the index of social cohesion prepared by ISS and with some institutional indicators, he has found the positive correlation between social cohesion and other aspects of development. He also used this social cohesion index on different case studies which is better indicator for politicians and for social leader that, if they want to increase social cohesion they should focus on collective identities. The research indicates a positive impact of social cohesion on economic growth. Pardo (2005) has analyzed the economic and social cohesion in the European Union. He is also explaining the causes of growth differences in European Union. The analysis explains that the conclusive factors which are worsening regional differences are degree of innovation, the accessibility of regions in term of relative level of transport infrastructure and the knowledge possessed by the labor force. So these factors are important for long run growth to guarantee convergence and economic and social cohesion in the European Union. Further the research also concludes that unequal distribution of resources in different areas is also creating differences so resources should be distributed impartially to ensure economic and social cohesion and convergence in European Union. Ferroni et al. (2008) has analyzed the role of social cohesion on economic growth and institutional development in Latin America. The social cohesion definition in this study is based on two dimensions, the first dimension is social capital that is the level of cooperation among the citizens and the second is the degree of equality in the distribution of opportunities. Ferroni explained that Latin America has low level of trust and high level of inequality and these two are a big hinder in way of development so the need is to achieve equality and cohesion among the society to achieve high economic growth and to decrease poverty. He has constructed an index for social cohesion. The measurement of social cohesion is based on two components, social capital and distribution of opportunities. Social capital dimension is comprised of three indices, compliance with the law, interpersonal trust and trust in public institutions whereas distribution of opportunities focused on five indicators, poverty incidence, and income Gini coefficient, size of the middle class, education gini coefficient and intergenerational mobility. After constructing the index of social cohesion the study has examined the relationship between social cohesion and different development indicators like economic growth, new technologies, effective development policies and a stable and predictable political and policy environment. The research has concluded that social cohesion has positive linkage with all these development indicators thus it is desirable to achieve high level of social cohesion to achieve all development outcomes.

II. **Impact of National Policies on Social Cohesion and Economic Growth**

This section explains the impact of government policies on social cohesion.

$$good\ policies \rightarrow \uparrow economic\ equality \rightarrow \uparrow social\ cohesion \rightarrow \uparrow economic\ growth$$

Good policies are important to increase the social cohesion in the country. If people have trust on public institutions then these institutions can introduce good polices which decrease income differences and cleavages thus increase the social cohesion. Ritzen (2000) has presented a research paper on "social cohesion, public policies and economic growth". The paper focuses on the conceptual structure of development of OECD countries and emphasis the importance of social cohesion for development purpose. The paper addresses the World Bank objectives of "comprehensive development framework" which is concerned about poverty reduction strategy to increase cohesion. It has emphasized the role of good policies in development purpose which comes through good institutions. The research focuses on the need of social cohesion to build good institutions and then these institutions play their role to achieve sustained economic growth because good institutions make such policies that promote equal education which leads to reduce poverty, thus economic growth and development increase as a result of decreasing poverty. Ritzen has used the Gini coefficient and middle class share of income to measure social cohesion in OECD countries and found that cohesiveness of the society is crucial for development. Strong government policies are important to achieve development and social equality Naguib and Smucker (2009). They have analyzed the Malaysia experience to achieve growth and development with social equality. Malaysia had a history of ethnic and racial tensions and population was marginalized by colonialism. The study addresses the long term planned strategies of economic development taking into account the ethnic and racial conflicts of Malysia. Malysia past governments focused on social integration to achieve high growth is now becoming problem in way of economic growth but the current history of Malaysian Government indicates that leadership has to play a crucial role to achieve high growth and development while ensuring social equality. Kramar (2006) has also analyzed the conflict between economic growth and social cohesion within the European Union. The research has examined that the economic gap among the states has decreased but the regional disparities within the states have been increased over the decades. The paper then examined the impact of four EU-Policies on the level of economic growth and social cohesion and it found the contradictory effects of these policies on the level of social cohesion, the policies which promote the social cohesion within a state can decrease the regional cohesion. So the research has found the spatial effects of these four policies on the level of social cohesion. Common agriculture policy (CAP) and research and technological development (RTD) do not support cohesion objective while regional policy and trans-European network (TEN) have decreased regional and national disparities among the Europe. These two policies promote efficient allocation of fund; therefore promote total economic growth and regional cohesion in Europe. But at the same time these two policies assist the problem of interregional and international disparities because the lagging countries who receive the aid they face the disparities or inequalities at national level because they use this grant in urban regions to compete in international market and neglect the rural regions because of inefficient transport facilities and thus inequalities have arose within the state but decreased among the region. So research demonstrates that to decrease disparities within the member state is not the policy task of European Union but the national government should take the responsibility to reduce the disparities within the nation by adapting their transportation system according to the European measures and improve the general condition of their rural areas for balance growth and regional and national cohesion.

Maxwell (1996) has focused on the economic and social policy of Canada. He argued that both policies have different objectives and economic policy of Canada is creating more polarization in Canada and decreasing social cohesion which is essential for economic growth. He has emphasized the importance of coordination among both policies. He concluded that fruits of economic and social development can be enjoyed only if both economic and social policies work hand in hand then together they can produce high social cohesion which is critical for economic development. Similarly, Garcia (2000) has analyzed the Spanish regional policy impact on economic and social cohesion in European Union. The analysis is based on the first and second community support framework (CSF 1989-93 and CSF 1994-99). The research is conducted to find out how the regional politics in Europe contributes to single act of European Union which is social and economic cohesion. To analyze this, the paper first focuses to increase the weight of structural fund (European regional development fund ERDF, European social fund (ESF), and European agricultural fund EAF) in the community budget because these European funds increase the development of weak regions by receiving more fund for development and thus social and economic cohesion will increase as the proportion of structural fund increase in community budget. The study has observed how the concentration of the structural fund to the poor regions has increased their social and economic cohesion by investing on the factors that determine convergence like low infrastructure, human capital, research and development and information technology. After careful scrutinizing these poor regions differences it is observed that though concentration of fund is high in these lagged regions and they have improved their infrastructure but there are still huge differences exist in the level of technology, research and development and training of human capital. So for comprehensive development and convergence these areas should focus on those factors that explain their differences. Development is a goal which can only be achieved under good governance and under good policies. Ritzen & Woolcock (2000) have analyzed the public policy role to enhance social cohesion and impact of social cohesion on economic growth in context to transitional economies. They have selected the 27 transitional countries and Ritzen has followed the same framework of social cohesion while addressing the OECD countries and developing countries. The report explains the importance of social cohesion for policy makers and for citizens to meet the goal of equitable change in the whole society. The emphasis on social cohesion is important because it is helpful to achieve all other development outcomes. Social cohesion in transitional countries is derived on three general concerns, to maintain a measure of equality, to strengthen the trust and to construct transparent institutes. Trust, Gini coefficient and middle class share are used as a measure of social cohesion and it has been observed that the quality of institutions in transitional countries is unfavorable as compare to developing countries. After observing the data of transitional countries it is concluded that higher quality institutes are related with higher growth rate and institutions quality is measured through the level of cohesiveness and high level of institutes are related to low level of inequality in transitional period. Thus social cohesion is important for high level of institutes and high quality institutions lead to high growth.

III. Impact of Education Policies on Social Cohesion and Economic Growth

This section explains the role of education policies in strengthen social cohesion by creating income equality. Education policies are also important to create social cohesion. Because education creates the economic equality and thus social cohesion is improved by equal outcome which in turn improves the economic growth.

$$\textit{education policies} \rightarrow \uparrow \textit{equal education} \rightarrow \uparrow \textit{income equality} \rightarrow \uparrow \textit{social cohesion} \rightarrow \uparrow \textit{economic growth}$$

Gradstein & Justman (2002) has emphasized the economic benefit of education as socializing force. The paper examines the relationship between "education, social cohesion and economic growth" and defines the economic role of education in term of ethnic unity. The research has used the endogenous growth model (Over Lap Generation) in which education has dual role of building human capital and also strengthens social orientation. Empirics' show that decentralized education leads to slower growth and centralized education increases growth pattern, though centralized education is good for robust growth but coercive centralization of schools results in slower growth due to excessive homogenization. According to the empirical analysis contribution of education to growth should also consider the social distance between ethnic groups. So policy makers should consider the social role of education while designing the education structure. Similarly Gylfason and Zoega (2003) have analyzed the impact of education on economic growth and social equality. In this study three measures of education (gross secondary school enrolment, public expenditures on education relative to national income, expected years of schooling for girls) are defined and explained their role with Gini coefficient and economic growth. The sample of 87 countries is selected for the period 1965-1998 and over lapping generations model is used for this study. The findings are that education has positive effect on economics growth not only by increasing human capital, but also by increasing social Capital means by reducing inequalities. According to this findings education increases the economic growth directly by increasing human capital and indirectly by increasing social cohesion. Similarly, Green & Preston (2001) have also explained that education increases the social cohesion through two ways first by directly interaction with people and secondly by decreasing income inequality. The results though do not support the hypothesis that education increases the social cohesion at national level but Green and Preston have explained that education affects the social cohesion significantly but it is outweigh by the other strong cultural and institutional factors at national level. Their study explains the causal relationship between education and social cohesion. Section 2.3.2 has analyzed the impact of social divisions on economic growth through income inequality and ethnic and linguistic fractionalization and we have found that high income inequality and ethnic and linguistic heterogeneity dampen the social cohesion and thus low social cohesion causes low economic growth. We have also analyzed the impact of national and education policies on social cohesion and we come to the consensus that national and education policies reduce the income inequality and thus promote the social cohesion which contributes in increasing economic growth.

IV. Impact of Social Cohesion on Economic Growth via "Trust"

Section 2.3.2 analyses the impact of social cohesion on economic growth through trust as trust is an important indicator of social cohesion and in many empirical studies level of trust is used to measure social cohesion Neira et al (2009) , Horvath (2011). It is obvious from the existing literature that trust is an important determinant of economic growth Zak and Knack (2001), Knack and Keefer (1997). Trust increases the economic growth in two ways

1) Interpersonal trust decreases the transaction cost and thus increases the investment and economic growth.

$$\uparrow \textit{interpersonal trust} \rightarrow \downarrow \textit{transaction cost} \rightarrow \uparrow \textit{investment} \rightarrow \uparrow \textit{economic growth}$$

2) Trust on public institutions improves the performance of public institutions through good policies and thus it has positive impact on economic growth.

$$\uparrow \textit{institutional trust} \rightarrow \uparrow \textit{good policies} \rightarrow \uparrow \textit{social and economic equality} \rightarrow \uparrow \textit{social cohesion} \rightarrow \uparrow \textit{economic growth}$$

It is intuition that poor and low social cohesions have great economic and social cost. Klein (2011) has analyzed the impact of social capital and social cohesion on social well being. He has explained the difference between social capital and social cohesion. Social capital is considered on individual level and it gives monetary return like physical capital. While social cohesion is taken at global level. It is characteristics of the society as a whole not at individual level. Major empirical indicators of social cohesion in this study are marital status, the fact of having children, social contacts, group membership and trust on public and on institutions. The study has used the micro level indicators of social cohesion as it has used the survey data of only one country (Luxembourg). Study has taken the data of Luxembourg in 2008 from European value survey 2008(EVS) and results conclude that social capital investment has positive impact on both income and on social well being and social cohesion has also positive impact on both income and social well being (SWB).

While Roth (2009) Using panel data analysis found the negative impact of trust on economic growth. This result is inconsistent with the existing empirical literature. But the study explains that negative results between trust and economic growth is among those countries that have high initial level of trust and the relationship between trust and economic growth is positive among countries that have low level of initial trust. Thus study concludes that it is initial level of trust which determines whether to invest in policies which promote trust or not. Knack (2003) has investigated the impact of associated membership on general trust and economic performance. The study has used the Olson (1982) and Putnam (1993) findings. Both provide the contradictory views about the impact of association on economic well being. Olson (1982) has emphasized that associated groups in form of special interest group are cost for society because they can be involved in such activities for self interest which is not beneficial for whole society like rent seeking and thus they effect overall well being negatively while Putnam (1993) has favored the membership in horizontal association and said it is source of generalize trust and thus economic well being. This study has taken the data from world value survey from 1980-1989 and has used the primary test conducted in Knack and Keefer (1997). Empirical result of group membership and economic performance and group membership and general trust provides the little support to the finding of Olson (1982) that group membership has harmful impact on economic performance and provided some support to Putnam (1993) that group membership has positive impact on generalize trust but unfavorable against the finding of the Putnam that group membership has spillover impact on economic growth.

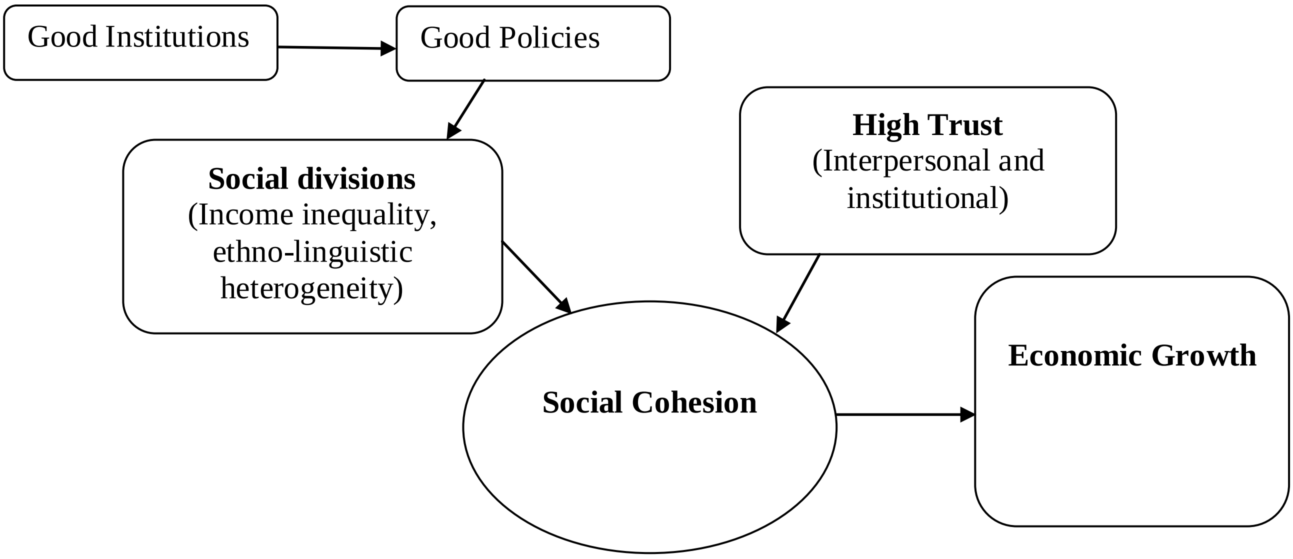
While Zak and Knack (2001) has investigated the impact of trust on economic growth at micro level. They have explained the relationship between trust and economic growth through principal and agent structure. The principal will invest more if he has trust on agent (broker). Thus high level of trust increases the investment and high investment leads to high economic growth. By using cross sectional data the study supports this hypothesis that high level of trust increases the economic growth and trust can influence the economic growth also through some other channels besides investment channel. Knack and Keefer (1997) has also given the evidence by using cross country analysis that social capital has significant contribution in economic growth. By using data on trust and civic norms from World Value Survey (WVS) as a proxy for social capital, the study finds out that Putnam membership of groups has not significant impact on trust or economic performance. The result shows that trust and civic norms are high in countries with equal and high per capita income, which have strong institutions, homogenous population and better education. The relationship of trust and economic growth is high in low income countries where institutions are weak like they have insecure property rights and unreliable contracts. So the finding suggests that countries that have low level of trust, institutions' reforms provide better mechanism for enforcement of contracts or security of property rights. While Beugelsdijk et al. (2004) have examined the robustness of the result between economic growth and trust which is previously driven by Knack and Keefer (1997) and Zak and Knack (2001). They have found that knack and keefer results are limitedly robust while Zak and Knack results are highly robust. They have concluded that the empirical literature which shows the high impact of social capital (Trust) on economic growth is due to data limitation or sample limitation. But they have concluded that inspite of these limitations trust matters for economic growth. Beugelsdijk and Smulders (2009) have analyzed the impact of social capital on economic growth. They have introduced two types of capital 1) Bonding capital 2) Bridging capital. Bounding capital is created by interaction with close friends or family and time which we spend with our close friends and family crowds out the economic growth. The participation in different networks which have different communities is called Bridging capital and this type of social capital creates the trust and this trust protects the members of network from rent-seeking activities. By using data from European Value Survey (EVS) and following the Barro and Sala-e-Martin (1995) empirical model they have found that Bonding capital has negative impact and bridging capital has positive impact on economic growth. Neira et al. (2009) has analyzed the impact of social capital on economic growth. He has found the relationship between human capital and social capital. The study has used the panel data of 14 (OECD) economically developed countries within the time frame of 1980-2000. Two proxies for social cohesion the ***level of trust*** and ***group*** are used and fixed effect model is applied on these two proxies along with variables of human capital and physical capital. The result shows social cohesion has positive impact on economic growth of OECD countries. The study concludes that social capital alone is not the only guaranty for growth but an optimal combination of all types of capital is required for robust growth Horvath (2011) has examined the effect of trust on economic growth. Fernandez et al. (2001a) data set is used to examine the cross-sectional growth determinants and trust indicator is taken from World Value Survey. The data set contains both developed and developing countries. The result shows that trust is an important determinant of long term economic growth. Bayesian model averaging is used to assess the uncertainty of the model and it suggests that trust is top determinant of long term economic growth. The study has also checked the nonlinearity effect of trust on economic growth by adding the squared root in data matrix and found the positive effect of squared root of trust on economic growth while previous studies have found the negative effect of squared root of trust. So this study has also analyzed the nonlinear relationship between trust and economic growth. We conclude section 2.3.2 that trust is an important determinant of economic growth and it has positive impact on social cohesion and also on economic growth which is evident from all empirical literature.

Literature with reference to Pakistan

There is no extensive literature on social cohesion with reference to Pakistan. We have just found the following study which has described the level of social cohesion in Pakistan and its impact on economic growth of Pakistan. Chaudhary and Pervaiz (2010) have find out the impact of social cohesion on economic growth of Pakistan. They have used the middle class share of income, gender inequality, education inequality and poverty as proxy for social cohesion. The study used the time series data from 1972 to 2007 and Vector error correction mechanism to obtain short run dynamics and Johansen's Co-integration approach to analyze the long run relationship between economic growth and social cohesion. The variable middle class share of income indicates the positive while remaining all other proxy variables gender inequality, education inequality and poverty has negative impact on economic growth. So result shows that long run relationship exist between economic growth and social cohesion. We can summarize our existing literature review in the following figure 2.2.

Trust and social fractionalizations are important measures of social cohesion which has been used in most of the existing literature of social cohesion and this figure explains that high social trust and decrease in social divisions causes to increase social cohesion which in turn boost the economic growth and development. While social and economic inequalities can be minimized by good policies through good institutions.

Figure 2



Conclusion

In first part of literature review we have explained the history of social cohesion. Then we have explained the concept of social cohesion which is explained in existing literature and we come to consensus that social cohesion is a multidimensional phenomenon and a "Quasi concept" as many studies have explained this concept in different ways. Then we have observed the impact of social cohesion on economic growth through social divisions and trust in section 2.3 and almost all studies concluded that social cohesion is essential for better economic growth so we have found from existing literature that there is need to build strong cohesive societies to achieve high economic growth. We have reviewed huge existing literature on social cohesion and try to find out the gaps in research. We have found after review of literature that, though social cohesion is defined in different dimension and various studies have used diverse indicators to measure the level of social cohesion but there is absence of any comprehensive measure of social cohesion to better understanding the impact of social cohesion on economic growth. So there is need to do more research to analyze the impact of social cohesion on economic growth through a more comprehensive measure which contains all the indicators describe in different definition of social cohesion. We have summed up our empirical finding in regard to indicators use for social cohesion as explained in table 2.2.Table 2.2:

Summary of Empirical Literate

Study	Variables use to measure social cohesion	Approach(s)	Tim Period of analysis	Main findings
Knack & Keefer (1997)	Trust, civic norms	2SLS	1980 – 1992	• The relationship of trust and economic growth is high in low income countries where institutions are weak like they have insecure property rights and unreliable contracts.
Easterly and Levine (1997)	Ethnicity divisions	Seemingly unrelated regression	1960-1990	• Ethnic divisions are important to explain cross country differences. • Ethnic divisions have strong negative impact on economic growth.
Easterly (2000)	Middle class share, ethnic fragmentation	ML-Binary Probit	1960 – 1988	• High middle class share with low ethno-linguistic fractionalization is associated with high economic growth.

Easterly (2001)	Ethnicity (Social cohesion proxy) property rights, efficient regulation of the game, effective bureaucracy(Institutions)	Pooled OLS, Probit model, IV	1960-1990	• Ethnic divisions are adverse for economic growth but these adverse effects can be mitigated through building strong institutions.
Zak & Knack (2001)	Interpersonal trust	2SLS	1972- 1992	• High level of trust is associated with high economic growth.
Alesina and Ferrara (2003)	Ethnic diversity	SUR Model	1960 – 2000	• Ethnic diversifications have negative influence on economic growth.
Easterly (2006)	Middle class share of income and ethnic heterogeneity	Three stage least square (3SLS)	1960 – 2002	• Social cohesion is critical for better institutions and quality institutions which in turn lead to sustained economic growth.
Neira et al (2009)	Level of trust, groups	Fixed effect Model	1980 – 2000	• The result shows that social cohesion has positive impact on economic growth
Roth (2009)	Interpersonal trust	Fixed effect, Random effect	1980 – 2004	• the study explains that negative results between trust and economic growth is among those countries that have high initial level of trust and the relationship between trust and economic growth is positive among countries that have low level of initial trust
Heller (2009)	Ethnic fractionalization, income inequality (gini) and adult literacy ratio	2SLS	1992 – 1999	• social cohesion is an important indicator of institutional quality and good institutions are essential to improve economic growth in developing countries
Horvath (2011)	Trust	Bayesian model averaging	1960 – 2005	• Trust is top determinant of long term economic growth.
Klein (2011)	social contacts, group membership, trust in other and in institutions marital status and the fact of having children	Exploratory and confirmatory factor analysis	2008	• Social cohesion has a positive influence on income and social well being.

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