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Jordan Hamzawi—international relations and Japanese

Microsavings: Barriers to Saving Learned from an Experiment in Uganda

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Stephanie Dowdle—political science; Austin Beck—economics with
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Charisma: Approaching a Blighted Concept through a New Lens

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The Dragon's Scapegoat: China's Dual Approach to its Japan Policy

by Jordan Hamzawi

Overview of China's Government

China has one of the most effective authoritarian regimes in history. The CCP's authoritarian control over the populace, particularly in the 1950s, '60s, and '70s, has allowed it to guide public opinion and to remove whatever seems threatening to the stability of the regime (Riley 2012, 63). However, what sets China's authoritarian rule apart from others is what Reilly, author of the book *Strong Society, Smart State: The Rise of Public Opinion in China's Japan Policy*, identifies as "responsive authoritarianism" (12). The CCP has retained power where other authoritarian regimes have failed largely because it has carefully managed public discourse among the it placescitizens. When it comes to China's Japan policy, three elements of responsive authoritarianism are of particular importance: control over the media, the public's role in foreign policy, and government manipulation of anti-Japanese rhetoric.

Control of the Media

The lynchpin of any authoritarian regime's stability is control over public discourse. During the Mao era, the CCP had little trouble in keeping a tight grip on access to media outlets, restricting and regulating every minutia of information given to the public (Hassid 416). As a result, "the vast majority of the Chinese did not even have the ability to be suspicious of the CCP's political system, because they didn't know in the outside world a different . . . life even existed" (416). It was not until Deng Xiaoping initiated reforms for a more open China that control of the media slipped away from total government oversight. Furthermore, economic opportunity awaited a more liberalized country, and a commercialized news media would usher in unrealized revenue. Deng and the CCP recognized that technological advances

would inevitably break the information barrier in China with or without their blessing, so they chose to manage the transition on their terms. F,However, despite these reforms, the CCP has continued to maintain its heavy-handed control over media, only granting greater media privileges when alternatives have failed. Firing or jailing journalists, banning publications, and running large government-run conglomerates within the media remains far from irregular within the PRC (417). Slight reforms aside, given the CCP's absolute domination of the media in China, the Chinese people only hear what the government tells them, with some exceptions.

The Public's Role in Foreign Policy

In spite of the CCP's media monopoly, China's responsive authoritarianism has given the public a larger voice in n increasingforeign policy decisions. Though the CCP continues to thwart protests against its legitimacy, it has encouraged or even staged protests in favor of policies that align with its interests. This allows the Chinese people to feel incorporated in the PRC's affairs as well as provide citizens a conduit to vent frustration without challenging the government's authority. However, public demonstrations have occurred largely within the framework established by the CCP and those few that have strayed from what the regime has deemed "protestable" (such as Tiananmen Square) were quashed (Riley, 55–80). As a result, many scholars in the past have considered public opinion in China as little more than one of many tangential influences on policymakers; protests and public opinion are tools for the government rather than an external force on the government. That being said, recent scholarship reveals quite the opposite. Over the past few decades, public opinion has exerted increasingly higher levels of influence on China's foreign policy, even restricting the CCP's ability to carry out its preferred objectives, especially with China's Japan policy (83). As Riley succinctly puts it, "in short, recent scholarship on China-Japan relations and domestic sources of Chinese foreign policy suggests that public opinion *does matter* for Chinese foreign policy" (17).

Manipulating Japanese Rhetoric

The above factors of media control and public opinion converge on government-sponsored rhetoric. In the case of Japan, this has fluctuated between positive messages about Sino-Japanese relations and biting anti-Japanese rhetoric. The crux of this issue is whether or not the public follow and believe the rhetoric provided by the government. During the Mao and early Deng eras, it appears that public opinion stayed mostly in line with government rhetoric, particularly on foreign policy issues (Whiting and Xin 1990/1991, 108–12). Furthermore, the CCP focused on primarily positive media to encourage support for lucrative economic ties with Japan. However, as China entered the 1980s and '90s, the government changed its tune. Hoping to maximize domestic support for new liberalization programs, the CCP began approving anti-Japanese propaganda, which led to an explosion of anti-Japanese

demonstrations. As the government moved away from its ideological roots, these protests provided the CCP with a method for transitioning the party's focus from ideology to nationalism at the expense of loosening public oversight. Along with the greater freedom afforded by responsive authoritarianism adopted to maintain CCP legitimacy, there is also greater susceptibility to a dissenting public.

The PRC's responsive authoritarianism reveals the logic of the CCPs dual approach to its Japan policy. While pursuing pragmatic negotiations and treaties with the Japanese government, it attempted, at first successfully, to manipulate the public by enjoining greater Sino-Japanese cooperation and then promoting nationalistic anti-Japanese sentiment for political gain. These seemingly opposing policies are logical within the framework of an authoritarian regime attempting to increase its standing abroad while seeking to bolster legitimacy at home.

One Side of the Dual Approach: Government-to-Government Relations

Though countless anti-Japanese protests and historical animosity would point to the contrary, China and Japan have had relatively good relations throughout the post-World War II period. Whenever Chinese burn cars or denounce Japan over some perceived offense, historians and political scholars have often cited a century of imperialism and war atrocities as evidence of an impossibly high hurdle for Chinese-Japanese reconciliation (Zhao 2005, 76–9). However, such claims only emerge during crises and fail to explain longer periods of harmonious, mutually beneficial cooperation. The real question here is why, after years of war, are decent Sino-Japanese relations even possible, and how does the Chinese government manage public opinion so as not to derail this important bilateral relationship? The government-to-government side of China's dual foreign policy approach allows China to engage in pragmatic diplomacy while moving beyond the past; the anger, frustration, and passion that comes from historical conflicts is neatly tucked away in the government-to-citizen side. Hence, the CCP can displace all the anti-Japanese sentiment of the people while securing the support of the regime through nationalism, and simultaneously engage in friendly, pragmatic official relations with Japan.

Beginning with the end of the U.S. occupation of Japan in 1952, Beijing and Tokyo immediately went about establishing unofficial channels through which the governments worked together (Johnson 1986, 403–5). Though the countries were enveloped in opposing sides of the Cold War during the 1950s, Japan and China focused more on improving economic ties than worrying over security issues. Delegates from both countries attended the 1955 Bandung conference and emphasized a mutual desire for peaceful coexistence. Recognizing the potential disaster a weak China would face with economic isolation from Japan, the CCP embraced its pragmatic Japan policy, pushing aside the still fresh memories of Japan's World War II atrocities.

Despite the desire on the part of both countries for improved relations, China viewed Japan's movement deeper into the U.S. security sphere as a mounting threat to Chinese interests; China feared more than anything else Japanese remilitarization. Furthermore, though Japan and China were following a "separation of politics and economics," China demanded for the first time that Japanese firms accept three political principles: no support of hostile policies toward Beijing, no two-China policy, and no prevention of diplomatic relations between China and Japan (Johnson, 405, Iriye 1990, 632). Although this cooled Sino-Japanese relations for a time, the economic incentives from increased trade kept the door open for diplomacy. By 1965, trade between China and Japan increased over 350 percent with a further 40 percent increase by 1969 (633). The most intriguing aspect of this data is that much of this growth overlapped with the peak of the Cultural Revolution, the most radical period in PRC history. Despite domestic radicalism and turmoil, China preserved economic relations with its nemesis of only a few decades ago.

Once the countries normalized relations in 1972 and signed the Treaty of Peace and Friendship in 1978, Sino-Japanese relations were at an all-time high. Top officials from both countries visited each other, trade exploded, and Tokyo worked with Beijing on the PRC's modernization efforts. Japanese officials visiting the Yasukuni shrine in the 1980s and history textbooks that euphemized many of Japan's war atrocities were met with resentment from Beijing officials, but the scale of official opposition remained relatively calm (Rilley, 58). The CCP would publicly make statements defending Chinese nationalism but officially pursue pragmatic policies with Japan behind the scenes. The dual approach was largely successful since public information and involvement in foreign affairs was really still almost nonexistent.

As the public became more involved in foreign policy, the CCP adopted a more critical stance with Japan. What were originally offenses worked out through diplomatic channels became the subject of large anti-Japanese protests in the 1980s and 1990s. Since the emergence of a public highly attuned to the actions of Japan and extremely sensitive to nationalistic issues, the government has had to tread carefully to appease both its public and Japan. A kink had formed in the dual approach: how can should the government manage Sino-Japanese relations and deal with increasing public outcries over perceived Japanese offenses?

As relations began to sour between Japan and China, accompanied by increasing numbers of anti-Japanese protests in the 2000s, the government began a full-scale media effort to moderate its citizens and ease building tensions. While this initially showed promise, the reemergence of the Diaoyu/Senkaku islands dispute seems to have neutralized Beijing's efforts to reign in its public. As Rilley succinctly concludes:

These efforts at moderation were undermined by Beijing's legacy of using historical disputes for diplomatic leverage and domestic legitimacy . . . instead of trying to explain or justify this contradiction to the public, Chinese leaders simply ignored

it. It was as if they believed they could continue the approach of the Mao and Zhou era: telling the Chinese public one thing while foreign policy moved in the opposite direction. This was a mistake" (59).

China's dual approach had served the country's international interests well until the 1980s. Regardless of domestic conditions, China, as a responsive authoritarian regime, used the tools available to follow pragmatic policies that would have otherwise been extremely difficult with an informed public. For the first few decades, the Chinese people only knew what the government told them, and even as news became more accessible, the CCP continued to manipulate it to suit its needs. Today, the Chinese public is an informed public and a far more salient force than they were in the 1950s and '60s. The government's response to the increasing critical rhetoric of Japan has only complicated foreign policy as it tries to continue its increasingly untenable dual approach.

The Other Side: Government-to-Citizen Relations

If one solely considers international relations, it would appear that not much animosity existed between China and Japan in the aftermath of World War II. However, even before the communists gained power in 1949, officials began sowing the seeds that would grow into the rampant anti-Japanese rhetoric and protests that plagued Sino-Japanese relations today. Along with the West, Japan was one of the CCP's scapegoats as the party worked to win popular support, culminating in its seizure of leading up to taking power in 1949. The Communist Party in China never actually consolidated power through Marxist-Lenin ideology; rather, the CCP secured its position by asserting that it could best defend China's national integrity and interests (Zhao, 77–82). Nationalism was the key, and nationalism continues to place a wedge in Sino-Japanese relations.

Thus, China developed the second aspect of its dual Japan policy: gain political legitimacy through manipulation of the abundant anti-Japanese sentiment that was developed over the course of World War II. This approach initially required little effort on the part of the CCP as Chinese citizens were already profoundly anti-Japanese. Since the government held incredible control over the media and censored almost all dissenting political opinions, one of the few topics on which the Chinese people could safely vent their anger was Japan. The Nagasaki flag incident in 1958, where two Japanese youths took down a Chinese flag in a department store is one example. Mao Zedong claimed this incident as a pretext for cutting off trade relations with Japan, an action that reinforced anti-Japanese sentiment with the Chinese public. Once the conflict was diplomatically smoothed over, the CCP returned to its pragmatic policy in building relations with Japan without informing the Chinese people the issue had been resolved.

As economic and diplomatic ties with Japan became all the more important after the Sino-Soviet split, Beijing attempted to systematically muffle the anti-Japanese

sentiment that had developed since the 1930s. In addition to strict caution regarding media publications on Japan, the rampant radicalism of the Cultural Revolution distracted the public's attention and ushered in a period of temporary amnesia over Japan's recent aggression.

This wistful forgetfulness continued well into the 1970s where "Beijing's attempt to create an illusion of Sino-Japanese friendship . . . without first settling the historical account was largely successful" (Riley, 59). The CCP's rhetoric in both the international and domestic spheres came together as the pragmatism of Beijing's foreign policy aligned with the promises of liberalization under Deng Xiaoping. The Chinese people remained in the dark over potentially inflammatory Japanese actions such as textbook revisions and the Yasukuni Shrine controversy. As younger generations grew up ignorant of Japan's war atrocities, the CCP's dual approach seemed successful; the party enjoyed all the benefits of pragmatic relations with Japan without upsetting the Chinese public.

However, China's dual approach began to unravel in the early 1980s when the CCP allowed propaganda against a new revision of Japanese textbooks that presented Japan as a victim in World War II (Bukh 2007, 690). This tiny spark ignited underlying though dormant anti-Japanese nationalism as student protests unexpectedly erupted in the summer of 1985. More conservative forces overtook the liberalization movement within the CCP as massive propaganda campaigns undertaken by the party-led media embraced the public's fierce display of nationalism. The *People's Daily*, for instance, ran as its headline "The Distortion of the History of Japan's Aggression on China Shall Not Be Allowed" (Riley, 64). However, once the protests began to harm official relations between China and Japan, the government quickly backed away from its initial support. Newspapers' tones mellowed and encouraged Chinese citizens to recognize the efforts of the government in forging relations with Japan. The change in tone was met with contempt as students challenged the CCP's claim that it was defending China's national honor. The government responded with redoubled efforts to suppress the growing number of protests but capitulated to the public sentiment somewhat by increasing its critical rhetoric toward Japan. For the first time, China's dual approach restricted the CCP's policy goals rather than enhanced them. What initially seemed a wonderful opportunity for increasing loyalty to the regime resulted in hurried backpedaling to contain protests that were undoing diplomatic ties the government had worked tirelessly to establish.

The situation only worsened in the 1990s as Beijing felt continual pressure from an assertive public to stay tough on Japan over national injustices. Simultaneously, Chinese officials were keenly aware of the need to patch relations with a country so close and so economically vital to China. The dual approach caught the government in the pincer of hypocrisy. The anti-Japanese sentiment that the government either willfully ignored or outwardly endorsed prevented Beijing from fully implementing

its desired policies. At the same time, the government could not just forgo the economic and diplomatic ties with Japan it had worked so hard to build. Riley describes the situation:

The contradictions between these two approaches—a willingness to deemphasize the wartime past for strategic and economic reasons and the temptation to use history for diplomatic leverage and domestic legitimacy—have repeatedly provided an opening for public pressure to emerge and influence China's relations with Japan (63).

Regardless of this impediment, China and Japan continued to preserve good relations, albeit the tone of relations had changed significantly (Whiting, 120–23). However, as the Diaoyu/Senkaku islands dispute develops, it will become difficult for China to continue its dual policy without severe backlash from the Chinese public, Japan, or both.

The Erosion of the Dual Approach: The Case of the Diaoyu/Senkaku Islands

The Chinese protester quoted at the beginning of this paper was one of many participants in widespread anti-Japanese protests over the Diaoyu/Senkaku islands. Although no more than a group of uninhabitable rocks, these islands have sparked a record number of protests, property damage, and radical anti-Japanese sentiment from the Chinese public. Despite vigorous efforts on the part of the Chinese government to reduce tensions and improve the public image toward Japan, anti-Japanese sentiment frequently erupts. Japan itself is beginning to break from its pacifism and tilt toward more aggressive nationalistic elements, and the Chinese government's continued adherence to its dual policy may no longer be tenable.

The Diaoyu/Senkaku island dispute began during the first Sino-Japanese War when Japan claimed the islands in 1895 as Japanese territory. From that point forward, Japan administered the islands until its defeat in World War II when the U.S. took over administration of the Okinawa island chain and the Diaoyu/Senkaku islands until 1972. When the U.S. proposed to return the Diaoyu/Senkaku islands to Japan in 1971, Beijing (and Taiwan) objected, claiming that the islands were originally Chinese territory.

However, Japan and China were working toward normalization and China's dual approach during the 1970s favored ignoring historical and territorial disputes with Japan in favor of pragmatic interests. Normalization and the Treaty of Peace and Friendship went forward while the Chinese winked both times at resolving the dispute. At the same time, the government prevented public awareness of the issue, preferring to paint Sino-Japanese relations as harmonious and without incident. Both China and Japan sidestepped the issue and let it fade into the background while focusing on more pressing diplomatic and economic matters.

In the 1990s, China altered the domestic side of its dual approach to gain nationalistic support and the Chinese public took to the streets. Protests over textbooks, Yasukuni Shrine visits, and war atrocities emerged first, but the Diaoyu/Senkaku island dispute followed shortly thereafter. Beijing vacillated between supporting and suppressing protesters, stuck between its pragmatist Japan policy and its claim to be the defender of Chinese nationalism. The time of total control over public opinion and foreign affairs had vanished, and China's responsive authoritarianism required it to heed its people or suffer domestic turmoil.

The dispute escalated in 2006 when activists from Hong Kong attempted to land on the islands only to be chased off by the Japanese Coast Guard. Various "skirmishes" with fishing boats since then have created a game of chicken on the high seas where China and Japan assert their claims by these and other indirect confrontations. Recent data suggest anti-Japanese sentiment is now even greater than it was in the 1940s (Riley, 122). Historically, Beijing has preferred pragmatic solutions to territorial disputes, often compromising with its neighbors to finalize boundaries (Maxwell 2006, 3873–875). Although the Chinese government may prefer a pragmatic resolution to this dispute as well, the volatility of the protests over the islands has pushed China to assume a more unyielding, defiant attitude.

The intensity of popular protests over the Diaoyu/Senkaku islands is becoming exponentially problematic for the Chinese government. With each policy it follows, the Chinese government is walking the line between an irascible public and a stiffening Japan. The dual approach of manipulating the public in one way while pushing foreign policy another has all but broken down.

Implications for China's Japan Policy

Today, China's government is more responsive to public opinion than ever (Riley, 129). The depth of anti-Japanese sentiment, which has been manipulated for so many years, has proven too powerful for the government to fully control. Still, Beijing continues to act as though it can simultaneously appease public opinion while implementing foreign policy that contradicts statements to the public, continually adhering to the dual approach. The venerated Japanese Sinologist Ishikawa Tadao explains this phenomenon:

The Chinese insist on basing their foreign policy on some abstract governing principle; when this principle no longer coheres with reality, or fails to advance then-current Chinese interests, the Chinese try to maintain the principle anyway, while looking for face-saving formulas within which actually to do business. (Johnson, 407)

The CCP fueled current mass anti-Japanese sentiment through its past practices of nationalistic propaganda and pursuit of pragmatic foreign policy while burying historical and territorial issues. Formative leaders like Mao Zedong and Deng Xiaoping

looked for leverage over the people within historical Japanese abuses while working out diplomatic and economic deals devoid of nationalistic elements. As the Chinese public gained greater access to the media and started asserting nationalism within foreign policy, this dual approach became a time bomb. Should the Chinese government continue to follow its principles, sooner or later it will face a scenario where it must choose which side to support at the expense of the other. As tensions continue unabated, the Diaoyu/Senkaku islands may become the trigger that sets off the bomb.

If China wishes to continue a positive, working relationship with Japan, it must reassess its approach to foreign policy. Officials in Beijing cannot appease public sentiment and secretly work out pragmatic deals with Japan as it has done in the past. The Chinese government currently faces two problems as a result of its dual approach: widespread anti-Japanese sentiment and a diplomatically hardening, more nationalistic Japan. In order to reduce Chinese nationalistic resentment toward Japan, Beijing must pursue negotiations to resolve previous historical issues when working with Japan instead of tabling them in favor of moving forward on economic issues. But this inevitably causes strains in Sino-Japanese relations. Although the Diaoyu/Senkaku island dispute may be too volatile an issue for the time being, smaller issues like textbooks could receive greater attention. Once China and Japan have reached an agreement, China should use its near-monopoly of the media to publicize that agreement as a final resolution to whatever historical dispute has been resolved. At the same time, Beijing must increase its efforts to promote peaceful demonstrations and reduce the level of violence in anti-Japanese protests, then make these efforts known to Japan. This will send a message to Japanese officials that the Chinese government is determined to preserve positive relations. Regardless of what actions the CCP decides to take, the dual approach to its Japan policy is no longer a viable option. The government must remodel its foreign policy principles to reflect the new state of affairs within its borders.

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Microsavings: Barriers to Saving Learned from an Experiment in Uganda

by Brady Grayson, Stephanie Dowdle, Austin Beck, and Kimia Khatami

Introduction

Uganda, the pearl of Africa, has one of the fastest growing economies in the sub-Saharan Africa region. As reported by the World Bank, in 2011, Uganda had a 6.6 percent GDP growth rate, which has been fairly consistent for the last decade (Uganda Overview). This phenomenal growth has helped Uganda reach the millennium development goal of halving the 56 percent poverty rate that was recorded in 1993 (Uganda Overview). Despite its economic growth, Uganda has one of the lowest savings rates among sub-Saharan countries, which tend to have the lowest savings rates in the world. Between 2001 and 2003, Uganda's savings rate was 5.2 percent, compared to Kenya's rate of 12.7 percent (Kabatalya & Pelrine, 2005), and between 2002 and 2008 the private savings average was at 14.6 percent compared to the African average of 22.1 percent (African Development Bank). Uganda's savings rate is currently 10 percent, which is extremely low compared to world standards (Dovi, 2008).

In the urban regions of Uganda, 87 percent of the people reported themselves as active savers, but many do not actively save through a formal financial institution. Research conducted in 2005 found that the three most common methods for saving money were investing in property, investing in livestock, and storing money in the home (Kabatalya & Pelrine, 2005). Saving informally cuts out the benefits of gaining interest from savings, decreases the security in saving, and limits a bank's ability to give out loans.

While there has been recent emphasis on microfinance in the developing world, much of this emphasis has centered on microloans and not microsavings. Part of a

microfinance institution's mission is to lend small, low interest loans to potential business owners helping the poor to access capital. A vital and often overlooked part of their mission is their role in savings. Offering savings accounts is an essential service, because it increases financial security and decreases dependence on loans. Often in a time of emergency, the poor turn toward high interest moneylenders to obtain the necessary funds to get through the emergency (Banerjee & Duflo, 158–159). If they cannot quickly repay their fees, crippling debt can lead to financial ruin.

In the developing world, the poor face many barriers when seeking to save. These barriers include living in a rural location where access to savings institutions is limited, experiencing high startup costs and maintenance fees, as well as simply not having enough funds to save. Because of these barriers to saving in formal institutions, only 9 percent of rural poor and 12 percent of urban poor use formal savings institutions (Banerjee & Duflo, 185). Not only is saving costly, but the poor often have little to save, and the duration of using a savings account is short.

In this study, we test the interest in a new savings account that would incentivize Ugandans to save more money and to save for longer periods of time. This new account will be referred to as the instant bonus account. The instant bonus account offers an immediate bonus to the participant's account upon deposit. This bonus is equal to the amount of interest that would be accrued by the initial deposit amount over a six-month savings period. All normal start-up fees and maintenance fees apply to the account. The difference between a traditional savings account, which accrues interest over time, and the instant bonus account is this front-loaded interest at the beginning of the savings period. If the participant chooses to withdraw their money before the six-month savings period has expired, they lose the entire upfront bonus.

The instant bonus account is based on the theory of loss aversion. Loss aversion is a fundamental part of Daniel Kahneman and Amos Tversky's prospect theory. Prospect theory, specifically loss aversion, states that individuals experience greater dis-utility from a loss than utility from a gain of equal value (Kahneman & Tversky, 1979). Loss aversion theory predicts that individuals are less willing to lose something they perceive ownership of, than to gain something of equal value. This was also supported in work done by Thaler, Tversky, Kahneman, and Schwartz in 1997.

Loss aversion is incorporated within the instant bonus account by penalizing participants for withdrawing their money before the specified savings period ends. We theorize that when people have the interest from their finances immediately deposited into their account, they will perceive ownership and take steps not to lose the bonus by keeping their money in the account.

Considerable evidence in psychology and behavioral economics points to the fact that humans are inclined to make decisions based upon immediate gratification (O'Donoghue & Rabin, 2012). Immediate gratification states that consumption in the present is more appealing than that same consumption in the future. Humans tend to

discount utility that will be received in the future. This leads humans to gratify their immediate needs while ignoring future consequences. The instant bonus account harnesses immediate gratification by depositing all of the interest at the beginning of the six-month savings period.

In this study, researchers randomly assigned participants to be offered either the instant bonus account or a normal savings account. A participant's interest was measured in two ways. The first measurement was if they actually open the account. The second measurement was the participant's response to the question, "Are you interested in opening this account?"

Due to the theory of immediate gratification, we hypothesize that individuals will express greater interest in the instant bonus account than the normal account when asked the question: "Are you interested in opening this account?" We also believe the sign-up rate for the instant bonus account will be higher than that of the control account. We hypothesize that, due to loss aversion, individuals who open the account will be more inclined to keep their money in the instant bonus account longer than that of the normal savings account.

To conduct this study we needed to partner with a savings organization that would offer the two accounts. We chose to partner with the Uganda Cooperative Savings and Credit Union. Through this organization, we found three savings and credit cooperatives (SACCOs) to partner with. SACCOs are informal savings institutions that are an alternative to large banks that generally serve low-income populations. We chose three SACCOs based on location and availability. Naddangira SACCO services those living in rural areas surrounding Kampala, the capital city of Uganda. Lunda SACCO services individuals and business owners living in the district of Lunda, inside Kampala. Owino market SACCO services owners of shops in Owino market, a large informal shopping center inside Kampala.

Methods

A team of researchers comprised of BYU students and local Ugandans collected the data for this study. The Ugandan enumerators were recruited from the Uganda Cooperative Savings and Credit Union and the local scouting organization. In total, the research team was comprised of thirty-nine individuals.

The data for this experiment consists of survey responses from Ugandan residents. During the survey, subjects were offered one of the two savings accounts and given a pamphlet containing information on the account. Survey questions included family background information, individual financial information, and other personal information. For one and a half months the team collected data by going person to person in Kampala and the surrounding area. In total, the research team offered 2,227 accounts and gathered survey data on most of the individuals who were offered an account.

Surveyed residents were randomly selected and randomly offered one of the two accounts. Enumerators worked in three areas, Naddangira, Lunda, and Owino, which were geographically divided into subregions. Each day, teams of two were sent to randomly assigned subregions to survey and offer savings accounts to individuals. Each team consisted of either two Ugandans or a Ugandan and a BYU student (all of whom were white). Initially, the enumerators' race was randomized, but an outbreak of Ebola during recruitment disrupted the randomization strategy. For this reason, we control for race in our model but are unable to determine causal conclusions concerning race. We consistently randomized gender in the enumerators' teams. The enumerators used tablet computers to collect data, and the computers randomly generated which of the two accounts a subject was offered.

The outcome measures used to help us determine the effect of loss aversion on savings include expressed interest in the account and whether people actually set up an account and saved. As of four months after the recruitment for this study, no one has opened either of the accounts at our partner SACCOs (we will discuss reasons for this in the analysis portion of the paper), so this paper will focus on the subject's expressed interest in the account.

Tables I and II provide a summary of the data used in the analysis in this paper. Since the type of account offered was randomly assigned across all subjects, we can look at the impact of being offered the instant bonus account on interest in setting up the account by doing a simple t-test. Table III contains the result of the t-test.

The interest expressed by individuals offered the instant bonus account was not significantly different than interest expressed by those offered the control account. This finding goes against our hypothesis.

The t-test reveals that when offered the instant bonus account participants responded they were interested in opening an account 73.2 percent of the time. When offered the control account, participants stated they were interested in opening an account 75.5 percent of the time. At a 5 percent significance level, we fail to reject that there is no difference between the two accounts. This means participants were just as likely to respond positively to opening the instant bonus account as they were to the control account.

The logit model is used to determine significance and effect of other variables upon expressed interest through the treatment. A logit model is used because the outcome of expressed interest is a binary variable, with interest in the account being expressed as "yes" or "no." The model we use to predict interest is as follows:

$$\text{Interest} = \beta_0 + \beta_1 \text{type} + \beta_2 \text{race} + e(1)$$

The coefficient for account type, β_1 , is the main variable of interest. We include race because of a randomization imbalance. We then test significance of other variables on expressed interest in the treatment account. These variables include gender

Table I

Variable	Description
Interest	Binary variable: 1=yes, 0=no in response to question, "Are you interested in opening this account?"
Type	Binary variable: 1=instant bonus, 0=normal savings
Age	Marginal effect of age on interest
Lunda	Dummy Variable 1=observation took place here, 0=observation took place somewhere else
Naddangira	Dummy Variable 1=observation took place here, 0=observation took place somewhere else
Owino	Omitted Dummy Variable
Female Enumerator	Binary variable: 1=at least one enumerator was female, 0=both enumerators male
Race	Binary variable: 1=both enumerators are black, 0=at least one enumerator is white
Female Subject	Binary variable: 1=female subject, 0=male subject

Table II

Variable	Obs	Mean	Std. Dev.
Interest	2011	0.743909	0.4365815
Type	2227	0.430624	0.4952748
Age	1991	30.90608	10.68516
Lunda	2227	0.477324	0.4995977
Naddangira	2227	0.315222	0.4647087
Owino	2227	0.207454	0.4055745
Female Enumerator	2227	0.605299	0.4898143
Race	2227	0.870678	0.3356313
Female Subject	2011	0.484336	0.4998789

Table III

T-test of interest by type						
Group	Obs	Mean	Std. Err.	Std. Dev.	[95 percent Conf. Interval]	
Control	1052	0.755	0.0133	0.43	0.729	0.781
Treatment	959	0.732	0.0143	0.443	0.704	0.76
$\Pr(T > t) = 0.2434$						

of subjects, gender of enumerators, age of subjects, and subject location. The gender of the subjects is included, because Uganda is a male-dominated society, and this may lead to financial decisions that are largely made by male household members (Goetz, 1998 and Khadiagala, 2001). The gender of the enumerator could also affect people’s behavior; for instance, an individual may be more inclined to express interest in an account offered when a female is present. The gender variable is interesting because previous studies, like one by Bertrand et al. that used pictures of females in marketing in South Africa, have shown gender to have a significant influence on financial decisions (Bertrand et al., 2010). Age of subjects might also help determine interest in an account. For example, older people generally have more money to save, but younger people may trust institutions more. The SACCOs in this study were selected because they each were in a unique location and serviced different types of people. Individuals around Naddangira tended to live in rural areas and often were farmers. Individuals in Owino were almost entirely business owners who may have more money to put into savings accounts. The area of Lunda was located within the city.

Table IV contains the results of the logit regression for this model.

Table IV

Model: Interest = $\beta_0 + \beta_1 \text{type} + \beta_2 \text{race} + e$					
	Model I	Model II	Model III	Model IV	Model V
Coefficient On Type	-0.1310024	-0.2704158	-0.2357713	-.3640481	-0.2994793
Std. Error	0.102778	0.1473375	0.1315312	.1934042	0.1444082
Z score	-1.27	-1.84	-1.79	-1.88	-2.07
P value	0.202	0.066	0.073	0.060	0.038
Variable	Basic	Male Subject	Female Enumerator	Subject Age (>35)	Lunda

In model one, we conduct a basic logit regression on interest by type while controlling for race. The results of this model, which we found previously in the t-test, show that the type of account offered does not have a significant impact on interest in the account.

In model two, we limited our data to only male subjects. We find the treatment (type of account) to have a significant impact on interest (P value = 0.066) when limited to male subjects.

In model three, we limited our data to only female enumerators. We find the treatment to have a significant impact on interest (P value = 0.073) when at least one female is present to offer the account.

In model four, we limited our data to subjects older than age thirty-five. We find the treatment to have a significant impact on interest (P value = 0.060) when people offered the account were older than thirty-five.

In model five, we limited our data to subjects located in the Lunda SACCO region. We find the treatment to have a significant impact on interest (P value = 0.038) when people in Lunda region were offered the account.

In order to determine the effect of these significant variables on interest in opening the instant bonus account, we look at the marginal effects of the variables. Table V contains the marginal effects of each variable.

Table V

Marginal Effects	
Variable	dy/dx
Male Subject	-0.048225
Female Enumerator	-0.045007
Age (>35)	-0.075763
Lunda	-0.060509

As stated earlier, the gender of the subject, the gender of the enumerator, the age of the subject, and the Lunda district are all statistically significant. Each of these variables had varying degrees of effect upon interest. If the subject was male, they were 4.8 percent less likely to be interested in opening the instant bonus account. If a female enumerator was present in offering the account, people were 4.5 percent less likely to be interested in opening the instant bonus account. If subjects were over the age of thirty-five, they were 7.5 percent less likely to be interested in the treatment account. Finally, if people were offered accounts in the Lunda region, they were 6 percent less likely to be interested in the instant bonus account.

Analysis

Although the experiment did not provide the expected results, the outcomes from the survey data and our experience working with the banks contribute to the research on microsavings. In this section, we discuss why being a male, having a female enumerator present, being located in the Lunda region, and the age of subjects had a negative effect on people's interest in the instant bonus account. We then discuss reasons why people may have failed to open either of the accounts offered in this study.

One study on microsavings and female empowerment found that some women faced opposition from their husbands when wanting to set up an account with a commitment mechanism, because they did not want their funds tied up (Ashraf, Karlan and Yin, 2010). In our study we found male subjects to be less interested in the instant bonus account, an account that also included a commitment mechanism to encourage

longer saving. Our finding on male subjects is consistent with previous research.

The negative effect of having a female enumerator is interesting, because this effect goes contrary to previous studies on gender and advertising. For example, in Bertrand et al., researchers found that using a picture of a female in marketing financial products caused an increase in demand for the product (Bertrand et al., 2010).

In research conducted by Sahna and Stifel, they find a disparity in the living standard of urban and rural groups of people in sub-Saharan Africa (Sahna and Stifel, 2003). The living standard of those in urban regions is far above that of people in rural areas. This may help to support the negative interest of people in located in Lunda SACCO region, an urban area. People with a higher living standard may not be influenced by the salience of upfront interest in the instant bonus savings account.

The age variable shows that individuals over the age of thirty-five are less interested in the instant bonus account. This may be due to older individuals feeling more comfortable with traditional savings accounts.

Another important implication of this study is why were people not motivated by the instant bonus account, even with its use of immediate gratification and loss aversion theory? Connected to the lack of interest in the instant bonus account is the shocking result that of 2,227 people offered accounts, no one opened either type of account. Why were the participants in the study unwilling to open a savings account? Data collected in our survey may give some insight into why so many people refused to open accounts. Out of the 2,227 people that were offered accounts, 515 of them said they were not interested in the account offered to them. After expressing this, we asked them "Why not?" Table VI summarizes their responses.

The first and third reasons for not being interested in the accounts are especially interesting. First, many people we talked to expressed a desire to save but concluded they did not have enough money to save. The high fees associated with saving in a semi-formal institution may have played into the conclusion made by individuals that they did not have enough to save. Even these SACCOs that cater to the poor put up too many barriers for low-income individuals to save. The third most popular reason for not saving was a lack of trust in the SACCOs. Many participants heard stories of the SACCOs stealing people's money. With money so scarce, it is not surprising that Ugandans were hesitant to let institutions handle their money.

Ugandans also face many barriers to saving, which include monthly maintenance fees, fees for letters from civic leaders, ID fees, and expenses to pay for materials that institutions use to keep track of finances. Because of these barriers when trying to save, we assume the power of loss aversion and immediate gratification (as incorporated into the instant bonus account) were not salient enough to the people offered accounts. It is possible that if the barriers were eliminated, both immediate gratification and loss aversion theory would become effective when offering accounts.

Table VI

Reason	Frequency	Percentage
Can't afford	125	24.27
Already saving	116	22.52
Don't trust SACCO	88	17.09
Not interested in account	53	10.29
SACCO far away	31	6.02
Other	33	6.41
Needs spouse approval	25	4.85
Fees too high	19	3.69
Too many requirements	9	1.75
Min balance too high	9	1.75
Don't know	4	0.78
Refuse	3	0.58

Discussion of Future Work

Future studies should be carried out to try and test the effectiveness of the instant bonus account. It has been developed on solid theories and has the potential to help motivate the poor to save, not only more, but for a longer period of time. If the barriers facing the poor are either lessened or eliminated, the instant bonus account can be effective. Researchers should consider partnering with formal banks instead of SACCOs. Though many SACCOs have a positive influence in the communities they serve, we found that many individuals view them with skepticism. Partnering with a larger and established bank could convey stability and security to those being offered an account. Reducing the fees associated with using a formal savings account could also remove one barrier faced by the poor, and help test the true effectiveness of the instant bonus account. Reducing or eliminating fees could motivate those that believe they do not have enough money to finally open an account.

It is difficult to truly test the effectiveness of the instant bonus account without a true behavioral outcome. Expressed interest in opening an account is better than no outcome, but to truly test the salience of loss aversion and immediate gratification a definite behavioral outcome is needed. The results from this paper could be used to design a project in the future that avoids the difficulties encountered in carrying out this study. If successfully done, the true value of the instant bonus account can be tested.

Conclusion

When participants were randomly assigned either the instant bonus or normal savings account and asked, "Are you interested in opening this account?" we find

that there is no statistical difference between their responses. We also found that no one actually signed up for either account, negating our behavioral outcome. We believe these results are due to the high barriers the poor face when making the decision to save. These include the general lack of trust of savings institutions, not having enough money to save, and high fees associated with using a savings account. We believe that if these barriers were removed, the true effectiveness of the instant bonus account could be measured.

Despite these results we did find interesting outcomes among other variables we included in our model. The variables that had a significant effect on people's interest in opening the instant bonus account were being a male subject, having a female enumerator present to offer the account, being located in the Lunda SACCO region, and the age of the subject offered the account. All of these variables had a negative effect on interest in the instant bonus account.

Although this study had many shortcomings, it provides a valuable contribution to the field of microsavings. Through this study, we learned more about how to design successful microfinance studies as well as what factors influence saving practices among the people in Uganda. In the future, these findings can aid the development of microsavings products to assist the poor in obtaining a higher standard of living.

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Charisma: Approaching a Blighted Concept through a New Lens

by Cameron Harris

Ground Zero

On September 11 2001, al-Qaeda changed the course of history. Before the thick clouds of smoke and debris settled, one man had simultaneously become the world's most hunted individual and America's number one enemy. In the aftermath of the attacks, Osama Bin Laden (OBL) became the first enemy of the U.S. to successfully attack the continental territory of the country since the War of 1812. This single success captured the imaginations of jihadists the world over, and in one day, OBL went from a byword amongst policy professionals to *the* charismatic terrorist leader of the twenty-first century.

What do we mean by "charisma"? News media and the public at large have used the term "charisma" so indiscriminately so as to render the concept qualitatively useless. Often, charisma is used to describe politicians that can inspire others. Other times, charisma is used to laud actors, artists, or athletes who capture our imagination. Sadly, none of the definitions seize the purest sense of the term "charisma." Charisma addresses individuals who possess abilities, traits, or powers that an audience deems are otherworldly in nature. These powers form the basis of the leader's authority, and it is upon this quasi-divine endowment of capacity that he or she leads. Charismatic authority must act independently of institutionalized forms of authority and power. A leader cannot be charismatic if he or she leads upon an established legal or traditional framework.

In completing this project I have two goals: First, that I may establish the ground work for further research regarding how charisma affects terrorism, and second, to test the method by applying it to OBL and Ayman Zawahiri. This project will

particularly address whether or not OBL was ever a charismatic individual because of his largely accepted status as the charismatic terrorist leader of the twenty-first century. Understanding how charismatic individuals operate will open doors to better predicting and preventing terrorist organizations from attaining the same level of power and authority as al-Qaeda. Fundamentally, if the academic community cannot fully understand the leadership of terrorist organizations, there will always be a large gap in the literature and findings of terrorism studies.

Using the methods proposed in this paper confirms that OBL was charismatic, and that such a variable can be reliably measured and analyzed through an interpretation of speeches and other documents. Subsequently, this study will proceed with a thorough exploration of charisma, a literature review, a brief methodological explanation, the analysis of firsthand accounts and of OBL's discourses, a thought experiment on Ayman Zawahiri, and a summary of the findings.

Charisma: The Ugly Step-Sister of the Ugly Step-Sister of Social Science

The academic community knows that terrorism studies are fraught by the complexities of secrecy, questionable information, and incomplete knowledge of events, evidence, and individuals (Drakos and Gofas 2006). Notwithstanding, the study of terrorism continues because of the disproportionate amount of disruption that terrorists can cause economically, politically, and socially (Findley and Young 2011). One of the most interesting questions in terrorism studies concerns the recruitment and radicalization efforts of online jihadists such as Anwar Al-Awlaki. Leadership within terrorist organizations seemingly exudes charismatic influence, yet little has been done to understand the workings of charisma within a terrorist framework.

Recent research has investigated the importance of charisma within terrorist organizations, particularly when looking at the amount of violence perpetuated by the organization, but also in how long each terrorist organization managed to survive. Through very basic measurements, it was found that charisma might have an effect on the two dependent variables of violence and longevity of the organization (Harris 2011). At the heart of this rudimentary measurement is the inherent difficulty of measuring charisma. Harris opted for a basic indicator measurement of whether the terrorist organizations in question had leadership mentioned by name on a government database (Harris 2011). This measurement was based upon the premise that if a government wanted to know about the leader, chances were he was charismatic, or the head of a particularly charismatic organization. While this measurement usefully gave a glimpse into the importance of this research area, its weaknesses restrict future contributions to the scientific community through this subject. The biggest weakness of the primary Harris measurement is that there is a strong case for reversed causality. Is it the charismatic leader that inspires his followers to cause violence, or is it the success of violent acts that wins followers and makes a terrorist leader charismatic?

Defining Charisma

In other words, this reversed causality leads many individuals to mistake power or influence—some of the symptoms of charisma—for charisma. Exploring the limits of charisma requires understanding its purest sense. Conceptually, the foundation of pure charisma lies in Max Weber's definition. I have chosen to utilize and apply the Weberian understanding of charisma, because he was the first one to recognize its importance and, in my opinion, understands it the best. Weber states that charisma is

a certain quality of an individual personality by virtue of which he is set apart from ordinary men and treated as endowed with supernatural, superhuman, or at least specifically exceptional powers or qualities. These as such are not accessible to the ordinary person, but are regarded as of divine origin or as exemplary, and on the basis of them the individual concerned is treated as a leader (Weber 1947, 358).

This differs from the legal/rational and traditional framework for political authority, in that the legal/rational and the traditional framework's authority stems from the status quo arrangement. This means the legal rational authority comes from a constitution or other legal document that gives the leadership power through a commonly accepted belief that they have the power to govern, because the people decreed it as such. The traditional framework suited to patriarchal organization, such as kings, establishes that the king can rule, because it has always been as such, from father to son, and that his or her authority stems from the tradition of power within the ruling family.

Charisma is different from the status quo arrangements by nature; it is a departure from the norm. Charismatic authority is based upon one's ability to operate independently of the traditional or the legal/rational frameworks. As Weber states, it is upon the basis of the divine abilities or characteristics of the individual that his or her authority is based, usually in breaking with the political or social norms of the time. Thus, a prophet is a leader, because he reportedly can accurately prophesy, or a warrior is a leader because of his quasi-divine ability in combat. The warrior and the prophet are not leaders by grace of tradition or legal documents; it is their ability to shape the system according to their image that makes him or her charismatic.

In understanding charisma, it is helpful to look at what charisma is not. Any leader that operates within a political system according to the status quo cannot be purely charismatic. By definition he or she would be operating under the legal/rational or traditional authority. If that individual would then, by virtue of their abilities try to recreate the political system in which he or she operates, he or she would leave the realms of legal/rational and traditional authority and enter into the realm of charismatic authority. This illustration also shows that between the three general bases of authority is a very fluid nature to the character of authority, one may have charisma for a period of time, lose it, and gain it again, or vice versa. Charisma is by no means a permanent quality.

The legitimacy of the charismatic leader is inherently unstable because of his need to maintain a state of change, and most importantly, successes during those changes in order to retain his authority. Crisis management is an important component of charismatic leadership regardless of whether it is prophetic, warrior, or revolutionary charisma—the three examples of charismatic authority given by Weber (1947). Prophetic charisma is dependent upon revelations, healings, and visions, etc. Warrior charisma, the most akin to the terrorist, is dependent upon heroic victories or struggles against an enemy, and revolutionary charisma depends upon the ability of the leader to cause change through various means (Weber 1947). If the leader does not do so, his authority will be lost unless he can institutionalize it. The institutionalization of charismatic authority is the basis of modern governments. Weber would no longer consider the leader of an institutionalized organization charismatic; rather, the formerly charismatic leader will have fallen into the patriarchal school of leadership, though an individual can possess both genres of authority throughout his or her career. Weber included in his writings of charisma an “office charisma;” this occurs when an office or a title within the organization becomes charismatic. Within The Church of Jesus Christ of Latter-day Saints, Joseph Smith is considered charismatic (Weber did as well), and in part because of the martyrdom of Smith and the beliefs of the LDS community, whoever holds the office of “President of the Church” or the title of “Prophet” is considered charismatic through the office, regardless of his lack, or possession of, charisma.

Ansell and Fish argue that Weber missed a very important fourth dimension to leadership authority, namely the noncharismatic personalist party (1999). I would argue, however, that Ansell and Fish essentially describe the correct essence of traditional/clan charisma. Oftentimes a personal loyalty to the family of the charismatic leadership gives authority to the individual who succeeds the charismatic prophet, warrior, or revolutionary. For example, with the death of the Prophet Muhammad, the succession crisis between the lead follower of Muhammad and that of his son represented a difference in “office charisma” and “clan charisma.” Ansell and Fish’s contributions to understanding the importance of personalism within charismatic individuals is helpful to understanding a followers desire to support a charismatic leader. Though certain elements of charisma can be incorrectly classified, the title of no-charismatic personalist party applies to the clan charisma or the traditional authority of power.

Misconceptions of Charisma in Modern Leadership

As mentioned above, there may be instances of individuals within terrorist organizations who do not possess charisma. Often the misattribution falls into three main sub-characteristics of charisma: populism, personalism, or technologically projected charisma (TPC). Pure charisma is not populism, personalism, or TPC.

While each one of these contains certain aspects of charisma, they in themselves do not make for a charismatic individual. Populism is often seen in the discourse of a leader. He or she will invoke Manichean motions of political principles with one side being good and the other evil (Hawkins 2009). Thus, a charismatic individual may be populist in his discourse as long as he or she does not operate within a status-quo arrangement of authority. According to this definition, Hugo Chávez was populist but not charismatic because of his acceptance of the established political system.

Personalism is a driving sense of loyalty from which a leader is able to maintain allegiance from followers based on the personal connection (Ansell and Fish 1999). His or her followers love the personalist charismatic individual. Charismatic leaders can have personalistic attributes about them, however, charisma is based purely on his abilities to deliver his followers the change that he or she has promised according to his or her genre of charisma be it the warrior, the prophet, or the revolutionary. Thus, an individual may be charismatic regardless of the presence or absence of personalism.

Technologically projected charisma (TPC) is the use of modern technological capabilities that create false illusions of charisma (Braun 2009, Tucker 1968). The clearest example of this is North Korea, where the leadership is worshiped as quasi-divine individuals who have and will continue to deliver change. North Korea beautifully stages mass rallies, a hallmark of TPC described in further detail below, with shows of emotion that may or may not be true. However, the use of the media to portray these events to the outside world signals an effort to show the world the “charisma” of the North Korean leadership.

As shown above, charisma is a concept that is unique unto itself. It can clearly be identified with a little effort and thus can be studied. This new conceptual understanding of charisma will serve as the theoretical foundation for the methods developed below, as well as for future studies in this area. In order to develop a more meaningful model, I consulted Robert Tucker.

Can the Quasi-Divine be Studied?

Robert Tucker wanted to use charisma as a tool in explaining some of the puzzles history has presented to the academic community (Tucker 1968). Opponents to Tucker would argue that because of the quasi-divine nature of charisma, this is a realm that would at best stay in the study of religious movements and individuals. However, I side with Tucker in his assessment of the usefulness of charisma in the social sciences in general. In order to objectively point toward an individual’s possession of charisma, there must be equally objective underlying assumptions that separate the supernatural from the science. Tucker, in his work the *Theory of Charismatic Leadership*, established several unique observable implications to be used when assessing the charisma of an individual.

First, in order for an individual to be considered charismatic, his audience must simply perceive that the individual possesses charisma, independently of whether he or she actually does. When studying charisma, one can avoid metaphysical explanations, because the study of charisma does not concern itself with the actuality of one's ability to hold quasi-divine power. He or she must simply maintain a following of individuals who believe the leader in question has the abilities to deliver them from the crisis of their movement's main issue.

Second, charisma by nature is based upon a revolutionary spirit, wherein the charismatic individual departs from the established norms of society. Weber touches upon this principle in his definition of a leader's authority. A leader may have authority from three broad families enumerated by Weber, the legal/rational, traditional, or the charismatic (Weber 1947). Charisma establishes the departure from the traditional and legal modes of authority. Weber states,

Whatever the particular social setting (religion, politics, and so forth), charismatic leadership rejects old rules and issues a demand for change. It preaches or creates *new* obligations. It addresses itself to followers or potential followers in the spirit of saying: "it is written . . . , but I say unto you. . . ." In contrast and opposition to Bureaucratic authority, which respects rational rules, and to traditional authority, which is bound to precedents handed down from the past, charismatic authority, within the sphere of its claims, "repudiates the past, and is in this sense a specifically revolutionary force" (Quoted by Tucker 1968, 737).

Therefore, in measuring one's charisma, the charismatic leader will call for a rupture from what was and for the establishment of new ideals, conditions, and rules etc. This brings about the impetus for a movement.

Third, while an individual may be a great leader and organizer, without a cause for which the leader may advocate, there is no charisma, for, "[t]he charismatic leader is not idolized, nor is he freely followed for his extraordinary leadership qualities, but [he is] one who demonstrates such qualities in the process of summoning people to join in a movement for change, and in leading such a movement" (Tucker 1968, 737).

Fourth, movements require a clear set of goals and a clear vision established and or championed by the charismatic leader. Consequently, a charismatic leader must clearly enumerate the goals of his or her organization, as well as indicate why this is the case and how this will be accomplished (Tucker 1968). This instills within the followers of the charismatic leader a sense of mission and a belief in the movement.

Fifth, the strong convictions held by the followers of a charismatic individual usually come from a sense of crisis for the community of the charismatic leader. The sense of crisis, and ultimately the charismatic individual's quasi-divine authority, gives a charismatic individual a messianic status in the eyes of his or her followers,

allowing a charismatic terrorist leader to attract a core group of supporters to his or her movement (the sixth observable implication) (Tucker 1968).

Seventh, because of the nature of the individuals that social scientists would usually like to study, often the only sources of information available are the writings of the individual and secondhand accounts of the individual (Tucker 1968). Tucker recommends that the best way to study these sources is to consult accounts of those who opposed the individual. Those sources will help to counter any conscious or sub-conscious positive bias of the individual in question by his or her supporters. Also, it is important to look at the individual from the beginning of his or her career. Studying a “charismatic” individual at the apogee of his or her power or infamy is not reliable because of capacities of states to create false images of wide spread adoration of the individual that may appear as charisma but in reality are not. In other words, Tucker states,

There has been a certain tendency both to search for examples of charismatic leadership among leaders in power . . . [w]hen we concentrate attention upon that stage, however, we run greater risk of error in identifying a given leader as charismatic; for power is a source of phenomena that resemble the effects of charisma without actually being such . . . it brings prestige, and especially in the modern technological conditions, possibilities of artificial inducement or simulation of mass adulation of a leader. . . . The pre-power stage of the case is of critical significance (Tucker 1968, 740).

Measuring according to outward signals of success would present a researcher with a glimpse of TPC. Ideally, a charismatic individual would have been charismatic from the beginning, with his or her small nexus of followers present from the beginning of his or her movement.

Eighth, for this study, a charismatic leader would just as easily inspire hatred as he or she does adulation. This is because a charismatic individual advocates for the termination of a status quo that was invariably the means, traditions, and mores of other individuals. So while the individual in question will be finding supporters among those who perceive the current circumstance as a crisis for the cause, he will also very clearly be establishing enemies.

The observable implications established by Tucker will be used as criteria for evaluating OBL in the following section, and are summarized in the following table.

OBL's Charisma Explained

Keeping in mind that there are no perfect measurements for charisma, there were two aspects used to successfully complete this project. First, discourse analysis of firsthand accounts of OBL and, second, an analysis of his declarations combined together establish OBL's charismatic standing.

Observable Implications of a Charismatic Leader: Osama Bin Laden	
1. Perception by sympathizers that the leader possesses quasi-divine qualities or attributes.	Yes
2. The agenda of the charismatic individual is focused on a rupture accomplished outside a legal-rational or traditional framework that changes the status quo.	Yes
3. The charismatic individual is the leader, founder, or standard bearer of a revolutionary movement.	Yes
4. The agenda of the charismatic individual clearly indicates the goals of his or her movement along with why and how those goals are to be accomplished.	Yes
5. The society from which the charismatic individual draws support must be in a perceived state of crisis.	Yes
6. The charismatic individual, regardless of the success of his or her movement, will maintain a core group of dedicated, die-hard supporters.	Yes
7. The charismatic individual attracted a small group of individuals before he or she started to have success.	Yes
8. Opposition by members of the established political, economic, cultural, and or social order.	Yes

The Charismatic Individual is the Leader, Founder, or Standard Bearer of a Revolutionary Movement (3 on the chart)

OBL can safely satisfy this requirement, because he was *the* leader, founder, and standard bearer of al Qaeda. Some report that OBL was heavily influenced by Zawahiri in terms of ideological direction and motivation (Riedel 2008). Yet, it cannot be denied that OBL's immense wealth allowed him to play a qualitatively different role than Zawahiri. OBL could finance, recruit, and act as the spokesperson for al-Qaeda because of his credentials. A follower details,

He not only gave us his money, but he also gave himself. He came down from his palace to live with the Afghan peasants and the Arab fighters. He cooked with them, ate with them, dug trenches with them. This is Bin Laden's way. His credentials include fighting in the famous battles of the whole Afghan war. In these battles the mujahidin came out victorious convincing them how the Soviet's huge military machine could be defeated by unconventional methods (Gunaratna 2005, 9).

OBL's money allowed him to maintain a voice in the organization of al-Qaeda and *mujahedeen* resistance. However his actions allowed him to take the mantle not only of financier and founder but as al-Qaeda leader. This can be seen through his

fatwas wherein he succinctly and clearly described the goals of al Qaeda, the organization he founded, led, and financed.

The Agenda of the Charismatic Individual is Focused on a Rupture Accomplished Outside a Legal-Rational or Traditional Framework that Changes the Status Quo (2 on the chart) and *The Society from which the Charismatic Individual Draws Support Must be in a Perceived State of Crisis* (5 on the chart)

One of OBL's biggest heartaches came from what he saw to be the spiritual crisis of Wahhabi Islam. When the U.S. was asked to defend Saudi Arabia from Iraq, OBL and many others, saw what they perceived as traitorous behavior toward Islam. OBL Laden felt betrayed, because while Saddam was viewed as a secularist, the Americans were seen as the infidels, a greater evil than Iraq. OBL subsequently wrote a letter to the chief mufti of the Saudi Kingdom, a cleric named Bin Baz, wherein he listed several complaints against the kingdom (Riedel 2008, 53). The list included inviting infidels into the holy land but also the Saudi support of the Oslo peace accords. In the mind of OBL, working to establish peace with Israel was betraying all of the fellow Palestinians who had died and suffered at the hands of the Israelis. Riedel argues that the "letter appeared to be written more in sorrow than in anger. The tone is that of a man severely disappointed in his own government and especially the clerical establishment of Wahhabi Islam" (Riedel 2008, 53).

The aspects of Saudi society that OBL insisted should change departed radically from the position of a critic and drifted toward that of an avowed terrorist. OBL wanted to have U.S. troops removed from the Arabian soil, as well as all other Muslim kingdoms in which they were stationed. He also wanted to overthrow "crusaders [Americans], Jews, and tyrants [The Kingdom of Saudi Arabia, Egypt, Jordan, etc.]" (Riedel 2008, 52–53). This would lead to an overthrow of the corrupt leadership of Saudi Arabia as well as a cleansing of Islam within the eyes of God. Thus, OBL agitated for extra-legal change that would have worked outside of the normal political avenues of change in the Kingdom of Saudi Arabia.

The Agenda of the Charismatic Individual Clearly Indicates the Goals of His or Her Movement Along with Why and How Those Goals are to be Accomplished (4 on the chart)

OBL issued two fatwas wherein he declared war on the U.S. and the Zionist-Crusader alliance. In the 1996 fatwa, OBL clearly said the goal of al-Qaeda is to "correct what had happened to the Islamic world in general, and the land of the two holy places in particular" (Bin Laden 1996). OBL is speaking to the apostate Arab tyrants who lorded over the Muslim peoples with the support of the United States. Historically, Hosni Mubarak was an excellent example of a secular Arab whose government was heavily supported by the United States.

In order to enact these changes in the Islamic world, we know he wanted to overthrow the Saudi royal family because the Saudi regime suspended Islamic Shari'ah

law and allowed the “enemy of the Ummah—the American crusader forces—to occupy the land . . .” (Bin Laden 1996). This was an affront to the holiest land in Islam. The proclamation of war through two fatwas declared that it was the duty of every Muslim, wherever they can, to kill Americans. OBL had planned on conducting a large enough terrorist attack that would draw the U.S. into major wars in Afghanistan and Iraq, so as to bleed the nation to death, just as he had done with the Soviets. Even with clearly enumerated goals, methods of accomplishments, and the reasons behind them, OBL faced enormous amounts of pressure from his fellow Muslims within the established order.

Opposition by Members of the Established Political, Economic, Cultural, and or Social Order (8 on the chart)

Because of his family’s influence within Saudi Arabia, Bin Laden was given incredible access to leadership within the kingdom. As mentioned above, he was one of the first to volunteer to raise an army to help defend the kingdom against the armies of Iraq. Upon his open declaration of the apostasy of the family of Saudi, the kingdom revoked his citizenship, his passport, and Saudi Arabia mustered large amounts of manpower to seeking out and destroying al-Qaeda in the Arabian Peninsula. During this time, access to OBL was notoriously difficult for Western journalists. One man, Abdel Bari Atwan, met with Osama in 1996 and interviewed him extensively. Atwan’s first encounter with Bin Laden proves telling.

The Charismatic Individual, Regardless of the Success of His or Her Movement, will Maintain a Core Group of Dedicated, Die-Hard Supporters (6 on the chart) and

The Charismatic Individual Attracted a Small Group of Individuals before He or She Started to Have Success (7 on the chart)

Atwan met with OBL before the notoriety of the September 11 attacks, a point that is crucial in correctly judging his charisma. Meeting with OBL before the apogee of his charismatic influence and organizational success provides an insight into the power of the man without any mass popular support. Atwan writes that even before OBL was at the peak of his influence, his notoriety played into a mystical aura surrounding him,

I met Osama Bin Laden just before midnight on 23 November. He was sitting cross-legged on the carpet, a Kalashnikov in his lap. There were several others present, but I was transfixed by him. It is always strange to meet someone in the flesh whose image you have become familiar with in the press, even more so when you know they are wanted by the world’s intelligence agencies . . . (Atwan 2008, 27).

This implies that it would be helpful to look back to a moment of relative obscurity within the life of OBL. Relative is an important term, because OBL by simple virtue of his birth was destined to run in influential circles. However, if we look at the period of

OBL's life after his successful jihad against the Soviets, we learn he recruited his own group of warriors (Riedel 2008, 44). This group formed the base of al-Qaeda that later traveled to Sudan and then Afghanistan as OBL lost political friends and shelter. Atwan relates that those around OBL were his die-hard followers. He said that,

Bin Laden did not behave in an authoritarian or even commanding manner—far from it. Yet the respect and esteem in which the *mujahedin* held their leader was immediately apparent. They hung on his every word and always addressed him with the honorific “Sheikh.” All of them told me they would gladly give their lives to defend him. I remember Faisal, the envoy who came to me in Peshawar, telling me that he would be prepared to take bullets in his own chest to shield and protect “the Sheikh” . . . (Atwan 2008, 35).

It is apparent that those who followed OBL were willing to do anything for him. An essential aspect of al-Qaeda circled around an oath members would make to OBL. This oath symbolized a desire to die for and serve OBL. Yet even those who did not agree with OBL, like Atwan, . . . “[were] put . . . at ease, and he somehow seemed very familiar to [him]—perhaps the essence of charisma . . .” (Atwan 2008, 28).

Perception by Sympathizers that the Leader Possesses Quasi-Divine Qualities or Attributes
(1 on the chart)

Some of the only firsthand accounts we have of OBL detail his uncanny ability to lead those around him in time of ferocious combat. We have heard that during the original jihad against the Soviet Union, OBL was notorious for his bravery while under fire. Atwan writes that OBL's courage under fire is legendary, stating:

Bin Laden's reputation as a warrior amongst those alongside whom he has fought is marked by deep admiration for his courage and for the fact that he displays no fear of death, he has frequently expressed regret that he has not yet been “martyred” like so many of his comrades in Afghanistan. During the Afghan jihad he came under heavy bombardment more than forty times. On at least three of these occasions, witnesses say, gruesome carnage ensued, with flesh and body parts flying in the air, but no trace of fear was visible in Bin Laden. One of the *mujahedin* who fought in Afghanistan told me that once a Scud missile exploded less than twenty yards from Bin Laden, who didn't flinch. He was hospitalized several times after being wounded in battle. Once he was nearly killed by poison gas from a chemical weapons attack, and still suffers throat pain as a result (Atwan 2008, 56–57).

OBL's frantic search for death and martyrdom inspired within his followers a sense of quasi-divine control and bravery. This quote details the exceptional bravery of OBL and illustrates his exceptional qualities of leadership while in battle. OBL did not show fear and led his troops in such a way so as to earn their respect. Another

colleague of his from the jihad against the Soviets asserts that he was inspirational in that he could show his fellow mujahedeen that he was one of them, a financier who got his hands dirty in the name of Allah. Reportedly, the incredible military victory of the mujahedeen surrounded OBL with a charisma that convinced his followers,

The victory [ought to be] interpreted by al-Qaeda ideologues as the will of men being singlehandedly defeated by the will of god. The internalization of the victory brought about a feeling of power derived from the belief that their effort had received divine legitimacy and a clear indication that the path they had taken was guided (Gunaratna 2005, 9).

We see that OBL might not have been a divinely empowered warrior, for bravery does not count as the only quality of quasi-divine power or authority. Rather, OBL's divine power came from the sense of his followers that some divine power had allowed them overcome a vastly superior force. The will of men was subjected to the will of god, led by one appointed by Allah himself. OBL thus received a mantle of divine investiture. He was given the power and authority from a higher power to work in the name of god on earth.

The subsequent successful and audacious attacks engineered by OBL helped to maintain and enhance his authority. The embassy bombings, the attack on the USS Cole, and the September 11 attacks continued to solidify in the minds of his followers that OBL had a divine mission to overcome the gross wickedness of Western powers that lorded over the Middle East and the Holy Land. His success led to large amounts of press coverage though few Western journalists were allowed access or interviews with OBL.

So What Does This Mean for the U.S.?

The lack of access OBL gave to journalists helped his charisma by generating a sense of mystery. Ironically, the message he sent was very clear to all who paid close attention. OBL would do what he said other Muslim leaders were not doing enough of: strictly sticking to Wahhabi Islam. In the end, OBL was charismatic; he created an organization that has long outlived the normal lifespan of a terrorist organization. His vision, goals, and enthusiasm allowed him to create, within the framework established by Tucker, an aura of invincibility that when mixed with religious connotations, allowed him to become a pseudo warrior-savior in the eyes of his followers.

Presently, the organization is meandering through a transition period of office charisma, where the strength of OBL's charisma has carried on with his successor Zawahiri. Most analysts would argue that Zawahiri is not as big of a threat, because he does not possess the same measure of charisma as OBL. However, I would argue that the intelligence community would be amiss to write off his strength as a leader.

Zawahiri: A Thought Experiment

Many analysts have stated that Zawahiri is not as charismatic as OBL. I submit they do so in error, using the simple media definition of charisma to inform their analyses. Zawahiri satisfies a majority of the conditions established by this project and does so in a way that uniquely highlights some of the oddities of charisma.

Zawahiri by all accounts was the thinker behind al-Qaeda, and his teachings are what most likely led to OBL's embrace of radical jihadi doctrine (Riedel 2008). Zawahiri comes from a distinguished pedigree of contributors to Islamic society. His father founded King Saud University in Saudi Arabia, and, like OBL, he was born into an aristocratic family. He maintained a small jihadi movement called al Gamaa, which participated in the assassination of Anwar Sadat and the subsequent efforts to overthrow the Mubarak government. The activities of his organization caused the Mubarak government to crack down especially hard on al Gamaa, because of Zawahiri's refusal to sign a truce with the Egyptian government (Riedel 2008). The Egyptian authority's response led to his eventual voyage to Afghanistan and his eventual interactions with OBL.

Zawahiri has clearly articulated goals of re-establishing a caliphate similar to that of the Ottoman Empire (Riedel 2008). Riedel states that the imagery Zawahiri uses is incredibly clear:

The picture Zawahiri paints is one of an unprecedented assault on the Islamic world by its enemies: Crusaders, Zionists, and Hindus. But Zawahiri has devised a plan for repelling the attack, defending the ummah, and recreating the caliphate. Its key element is jihad, just as Ibn Taymiyya foresaw. Thus, every Muslim is duty-bound to fight the enemies of Islam, including the unbeliever and the corrupt followers who ally themselves with the enemy (Riedel 2008, 31).

This shows that Zawahiri was interested in breaking with the establishment outside of the norms of legal processes or peaceful dissent. He wants to overthrow the corrupt Arab dictatorships that have betrayed his people.

Yet, Zawahiri does not have an inner circle comparable to that of OBL. I argue that he has maintained OBL as the single, dedicated individual at the core of his movement. As the ideological brains of al-Qaeda, he provided the inspiration and influence on OBL that helped to establish al-Qaeda. While we do not know which individual had the most influence over the other, it is clear that both joined together to create a vision of Islam, creating a potential co-charismatic influence on the other that helped maintain their charisma to others. Regardless of the relative small group of die-hard followers, Zawahiri targets the same audience that OBL did, or those dissatisfied with current state of Islam in the world. These are the people who view Islam in a state of crisis.

However, Zawahiri did not have the same kind of success that would attract those followers to him, nor allow him to claim that he had divine qualities or attributes. He

is most known for the massacre of Western tourists at the Luxor hotel. In the eyes of most Egyptians, his target audience, this was seen as a barbaric and cruel act of violence (Riedel 2008).

Observable Implications of a Charismatic Leader: Ayman al Zawahiri	
1. Perception by sympathizers that the leader possesses quasi-divine qualities or attributes.	No
2. The agenda of the charismatic individual is focused on a rupture accomplished outside a legal-rational or traditional framework that changes the status quo.	Yes
3. The charismatic individual is the leader, founder, or standard bearer of a revolutionary movement.	Yes
4. The agenda of the charismatic individual clearly indicates the goals of his or her movement along with why and how those goals are to be accomplished.	Yes
5. The society from which the charismatic individual draws support must be in a perceived state of crisis.	Yes
6. The charismatic individual, regardless of the success of his or her movement, will maintain a core group of dedicated, die-hard supporters.	Yes
7. The charismatic individual attracted a small group of individuals before he or she started to have success.	Yes
8. Opposition by members of the established political, economic, cultural, and or social order.	Yes

We see that while Zawahiri has yet to achieve a spectacular attack on the U.S., he is still strongly charismatic in his own way. I would go so far as to say that if he was successful in attacking the U.S. on a scale similar to that of September 11, Zawahiri will have fully inherited the charismatic mantle of OBL, which would undoubtedly keep al-Qaeda alive for many years to come. If he does not, I predict one of two things to happen: first, a gradual disenchantment and further splintering of al-Qaeda as the organization seeks another individual worthy to lead the Islamic revolution, or second, al-Qaeda limps along until it is absorbed back into the mainstream of the status quo by becoming more politically focused like the ETA.

The End or Is It?

After the death of OBL, many debated what would happen to al-Qaeda as an organization. Several analysts have since declared that al-Qaeda as an operating organization has degenerated to small franchises that operate independently one from another (Merriam 2011, Farrall 2011). Those analysts argue this happened in part

because of the decentralized nature of the organization that was controlled by OBL. With the discernible infighting that occurred within al-Qaeda, it became clear that succession was an issue because of a lack of a natural charismatic leader amongst the elite of al-Qaeda (Merriam, 2011).

Those vocal in their theories are not in accord upon the significance of this development. Leah Farrall largely believes that fragmentation is a sign of strength within the organization (Farrall 2011). Essentially, the organization's strength does not come from the number of soldiers within its ranks, or the technology that it has, but from the fear generated from its name. Farrall argues that a single dramatically successful attack from the al-Qaeda organization could easily resurrect the organization and imbue it with new energy. However, Farrall does not take into account some of the difficulties that come from decentralization.

Fragmentation of terrorist groups loosens control over operations and overall strategy. Losing control of an operations strategy weakens the overall appeal of a brand (Merriam 2011). In the process, the weakening of a brand results in the group losing donors and appeal to potential terrorists and donors. In this case, Lisa Merriam argues that decentralizing the al-Qaeda brand will lead to an eventual death of the organization because of some of the botched attempts that have now come to be associated with al-Qaeda. Merriam states, Since 2003, al-Qaeda's product has been pathetic, consisting of botched attacks. Embarrassing schemes like exploding underpants have undermined the brand's virility. The Times Square bomb fizzle has shown the brand to be downright impotent. The difference between the fall of the Twin Towers to a printer cartridge bomb is enormous. The al-Qaeda "product" is now one of small ambitions and failure after failure (Merriam 2011).

Merriam argues that consistency is a requirement for the strength of a brand and the survivability of the organization. As a consequence, there is no uniting figure with the same star appeal as OBL, and the organization will eventually die or so goes the argument.

Terrorist organizations are uniquely dependent upon their leadership, as is the case with al-Qaeda to provide centralized direction, Merriam's argument, or deliver a spectacular attack orchestrated by a new charismatic leader, Farrall's argument. If neither of these events materializes, al-Qaeda as an effective organization will slowly cease to exist. Centralization, though vulnerable, is the only way to maintain the focus of the brand or organization and ensure its continued life (Merriam, 2011). Centralized organization in the face of the American security machine requires some particularly charismatic individuals such as OBL, and the possible replacements for OBL do not appear to have the same charisma as the former leader.

The U.S. and academics should not, however, let down their guard, because we see that while he has yet to spectacularly succeed in an attack on the U.S., Zawahiri is still charismatic. Certainly, his form of charisma does not match with the commonly

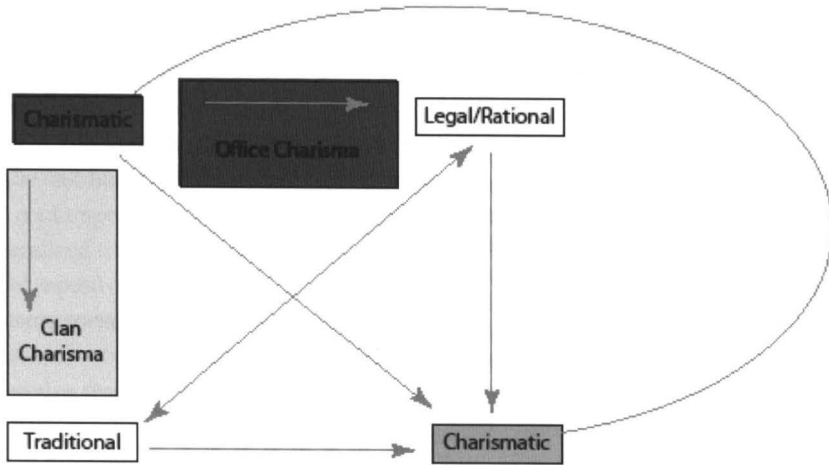
held definition, but this does not lessen the threat he poses to the United States. Zawahiri will continue to represent an important threat to the interests of the U.S., until he starts to move al-Qaeda in another direction. Until this time, however, we can rest assured that because OBL was so successful in attacking the U.S. he not only changed the world but the future of his organization. OBL was so successful that he may have created a barrier to authority that can only be surmounted by Zawahiri through an attack greater than or equal to that of September 11. Thankfully, such an attack will also be much more difficult for the organization to carry out, because of the changes resulting from that fateful day in September.

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APPENDIX A

Authority in Weberian it forms/ an evolutionary process:



The Internet: An Investigation into the Contemporary Sources of Social Capital

by Jordan Kinghorn

Introduction

Have citizens of Western democracies lost their trust in each other? If so, what are the sources of this unfortunate development and what are the consequences? Why can citizens in some regions or villages join together and solve their collective action problems while others cannot? If societies are to prosper, citizens not only need physical and human capital, they also need social capital. While physical capital refers to tangible resources and human capital can be understood as skills and education, social capital refers to connections among individuals, social networks, and the norms of reciprocity and trust-worthiness that arise from them (Putnam 1995, 71).

Although the concept of social capital is widely accepted in political science and other academic disciplines, we do not have access to reliable research results about how social capital is actually generated. Certainly there is no shortage of social capital studies (they have evolved into a prospering sub-discipline) and, to a large extent, this is due to the success of Robert Putnam's volumes on social capital in Italy and the United States. These studies have largely focused on whether or not social capital is declining or the effects social capital has on polity strength and economic development. To answer these questions, it is imperative to understand how social capital is actually generated.

The past literature has so far failed to take into account new and influential forms of technology, such as the Internet, that could explain social capital generation. Some of the most popular forms of communication now take place through the Internet, and this communication enables interaction with more people than ever before. As a result, these generators of social capital may be crucial in the modern context. In

short, the literature on the sources of social capital needs to be updated to consider contemporary sources that may influence the amount of online interaction and cooperation taking place within a country.

To review the previous work on the sources of social capital, there are three major approaches, each measuring social capital at a different level. The previous literature either focuses on the sources of social capital at the individual level, group level, or national level. These three approaches and their corresponding theories are summarized in Table 1 (page 50). As my theory will show, I incorporate all three approaches (while still having the country as my unit of analysis) while investigating the Internet as a contemporary source of social capital. Generally, social capital has been defined as generalized trust, norms of reciprocity, and networks. The component of trust measures social capital at the individual level, while the components of reciprocity and networks measure social capital at the group and national level. Therefore, I find it most suitable to measure social capital at all three levels (individual, group, and national) in order to determine the true effect of the Internet on the generation of social capital.

Which contemporary factors influence social capital formation? Does the variation in Internet access among countries contribute to explaining the variation in social capital? Over time, does the presence of the Internet increase, decrease, or transform social capital within a country? If so, what is the effect on the countries themselves and their overall development? This research aims to expand the conversation to include the trajectory of social capital growth and transformation while investigating the answers to these questions. Therefore, through a cross-national quantitative study, I will focus on the relationship between Internet access within a country and that country's level of social capital. In a comparison of countries, I expect to find that countries with higher levels of Internet access will have higher levels of social capital than countries with lower levels of Internet access.

The Three Dimensions of Social Capital

As mentioned above, instead of determining the source of social capital at just one level, I investigate the generation of social capital within a country at all three levels. In order to take this approach, I measure the effects of Internet access on social capital at the individual level, the group level, and the national level to obtain a thorough measure of social capital for each country. Therefore, the concept of social capital is broken down into three critical dimensions: interpersonal trust and safety (individual), voluntary associations (group), and civic activism (national). Each dimension of social capital is measured by the International Institute of Social Studies, which created a social development index that combines a group of related indicators for each dimension (interpersonal trust, voluntary associations, or civic activism) to generate an index score ranging from 0 to 1 for each country in the dataset (ISS 2010). The indices of social development measure interpersonal

Table 1: The Three Approaches to Investigating the Sources of Social Capital

AUTHOR	SOCIAL CAPITAL MEASUREMENT	THEORY
Putnam (1993)	Individual Level (psychological)	Each individual act in a system of reciprocity is usually characterized by a combination of short-term altruism and long-term self-interest.
Lesser (2000), Sandefur and Laumann (1998), Burt (1997)	Group Level (sociological)	The egocentric perspective focuses on the connections that individual actors have with one another in a network. Meanwhile, the sociocentric approach suggests that social capital is based on a person's relative position within a given network.
Berman (1997)	Group Level (sociological)	Communities that are more divided by differences, including religious, wealth, and political differences, are expected to have greater difficulty in building or maintaining social capital.
Portes (1998), Nahapiet and Ghoshal (1998)	Group Level (sociological)	Social capital comes from "bounded solidarity," a sense of community solidarity which results from collective shared experiences of a community. These shared ways of thinking and interpreting events support the generation of social capital that helps people exchange ideas, understand each other better, and more effectively share views and expectations.
Brehm and Rahn (1997)	National Level (institutional)	Public institutions that are trusted and which inspire more confidence can help build social capital, particularly over long periods of time.
Adler and Kwon (2000)	National Level (institutional)	Formal institutions and rules which help to shape network structure and influence norms and beliefs have a strong effect on social capital.
Levi (1996)	National Level (institutional)	Governments facilitate trust among citizens and also influence civic behavior to the extent they elicit trust or distrust towards themselves.

trust and safety by using data on general social trust from a wide variety of surveys and indicators of trustworthiness, which include, but are not limited to, reported levels of trust toward people in general and feelings of safety and security in one's neighborhood. The indices of social development measure voluntary associations

by taking data on membership of local voluntary groups, time spent socializing with relatives and in local clubs, attendance of community meetings, and participation in development associations. The indices of social development measure the strength of civic activism by using data on the extent of civic activities such as signing petitions or joining peaceful demonstrations, studies of the organizations and effectiveness of civil society, access to sources of media information, levels of civic awareness, and the extent to which civil society organizations are connected to broader, international networks of civic activity.

The Internet as a Source of Social Capital

Supplementing the conventional form of in-person social capital formation, this research makes the argument that the Internet increases social capital by creating new contemporary avenues in which people can interact, communicate, and coordinate, thereby increasing the opportunities for trust, norms of reciprocity and networks to form. The axioms, assumptions, and predictions of this theory are as follows:

Axioms and Assumptions (Part 1)

The Internet enables social capital to exist among people who are not living in the same cities, regions, or countries and enables them to communicate and share ideas and interests. These far-flung communities of shared interests and communication led to a major transformation in social contact and civic involvement that no longer is limited by locality.

Axioms and Assumptions (Part 2)

In order to increase social capital, the Internet provides a more convenient means of regular social interaction through online communication that is inexpensive and easily accessible. In developed nations, access to a computer or Internet connection in Internet cafes, at work, or even in public facilities is not hard to find nor expensive. Therefore, in most developed countries, one does not have to own his or her computer in order to access the Internet with perhaps only a small fee or none at all.

As a consequence, people often use the Internet to facilitate existing social relationships and follows patterns of civic engagement with low transaction costs and convenience. In other words, people who use the Internet maintain existing social contacts and often continue their hobbies and political interests online, because it is inexpensive and easy to do so (Quan-Haase and Wellman, 2002).

Predictions (Part 1)

Social capital theory relies predominantly on the importance of regular social interactions that generate trust, norms of reciprocity and networks. Building upon social capital theory, this research predicts the rise of the Internet provides a more convenient and easily accessible way to have regular social interaction and thereby generates more trust, reciprocity, and networks. It is important to take note that the

three aspects of social capital build upon one another and encourage the formation of the others. Furthermore, it does not matter if the Internet is being used for business, economic, communication, or organizational purposes—it still facilitates trust, reciprocity, and networks. Therefore, the Internet does not have to be used for social networking purposes in order to generate new avenues of social capital formation.

Predictions (Part 2)

Therefore, this research predicts that among countries, those with prevalent Internet access will be more likely to have high levels of social capital than countries with low Internet access due to the convenience of social interaction created by the Internet. Therefore, this paper not only predicts that Internet access affects the level of social capital within a country but that Internet access contributes to explaining the variation of social capital across countries. It is important to note here that if a country already has high levels of social capital before the rise of the Internet (as measured in the year 1990), then this research predicts that as Internet access increasing within that country the level of social capital will increase even further.

Although Internet access may not be evenly dispersed throughout a developed country, there are areas that do have Internet access and those are the areas where the Internet is predicted to increase social capital. If the generation of social capital through the use of the Internet is isolated to specific areas in a country, it will still contribute to the overall level of social capital within a country. Measurement of individual or regional social capital growth will be captured by the two social capital dimensions of interpersonal trust and voluntary associations, which focus on social capital at the individual and group/community level. Therefore, growth within a particular region will not go unmeasured.

Hypotheses

From the theory outlined above, I derive the following hypothesis to be tested in a regression analysis.

Hypothesis 1

Countries with higher levels of Internet access will be more likely to have higher levels of social capital than countries with lower levels of Internet access. As the level of Internet access increases within a country, the level of social capital will increase by all three dimensions as follows:

Hypothesis 1(a)

As the level of Internet access increases within a country, the level of interpersonal trust and safety will increase within that country.

Hypothesis 1(b)

As the level of Internet access increases within a country, the level of voluntary associations will increase within that country.

Hypothesis 1(c)

As the level of Internet access increases within a country, the level of civic activism will increase within that country.

In order for Hypothesis 1 to be supported, at least two of the three sub-Hypotheses 1(a), 1(b), and 1(c), must be supported to result in a net increase of social capital overall.

Methodology

This study is a nonexperimental design, because it is not possible to randomly assign the independent variable, Internet access, to each of the countries. To make up for the inability to randomly assign the independent variable, the quantitative analysis includes all possible cases, which means every country that the indices of social development measured for the three dimensions of social capital in 1990, 2000, and 2010. Therefore, the sample includes ninety countries in total. Although there is regional variation in the data, the sample is weighted toward developed nations.

Furthermore, the research has been limited to study only the effects of Internet access on social capital. This does not mean the research is assuming Internet access is the only factor influencing the growth and/or transformation of social capital. The other rival explanations have been thoroughly researched in previous studies and will not be the focus of this study but will be included as control variables. The relevant control variables will include confidence in government institutions, community solidarity measured through the following variables of intergroup cohesion, minority inclusion and gender equality, and overall social and economic need measured by the level of development in each country. Controlling for the overall level of development will enable me to distinguish between the effect that Internet access has on the three dimensions of social capital while controlling for a country's capacity. Therefore, if a country has the capacity to increase Internet access, then it will most likely have the capacity to do other things like foster social capital. As a result, it is crucial that I control for a state's capacity by including the overall level of development as a control variable in the regression analysis. How each control variable is measured and defined is included in Table 1 of the Appendix.

To empirically test the link between Internet access and social capital, I take the three dimensions of social capital (interpersonal trust and safety, voluntary associations, and civic activism) and place each in a model of Internet access with relevant controls. I measure each variable in three crucial time periods creating a three-wave data set. The first data wave is collected from 1990, when the Internet was just beginning to be launched. The second wave is collected from 2000, when the Internet was fully developed but only accessed in more-developed countries. The third wave is collected from 2010, when the Internet is available worldwide and prevalent in developed countries. Measuring the relationship between Internet access and the dimensions of social capital in these three decades enables me to test how the level of

social capital has changed as Internet access has grown. Therefore, a three-wave data set enables the measurement of the relationship between Internet access and social capital over time within a country as well as between countries.

In order to test the effect Internet access is having in 1990, 2000, and 2010 on the three dimensions of social capital, I ran a multiple ordinary least-squares (OLS) regression with time and state fixed effects for interpersonal trust and safety, voluntary associations, and civic activism on Internet access. The other explanatory variables of confidence in government, intergroup cohesion, minority inclusion, gender equality, and development are also included. The regression models for each of the dimensions of social capital can be seen in Tables 2–4.

In order to have a strong regression model, it is necessary to control for the issue of endogeneity. For this specific case, it can be argued that the three dimensions of social capital—interpersonal trust, voluntary associations, and civic activism—actually lead to an increase in Internet access instead of the other way around. To support my theory that Internet access will increase the level of social capital within a country by increasing the three dimensions of social capital relative to their pre-Internet level, I ran a reverse regression with Internet access as the dependent variable and the three dimensions of social capital, along with relevant controls, as the independent variables. The regression results are represented in Table 2 of the Appendix. As Table 2 indicates, the two dimensions of interpersonal trust and voluntary associations do not have a statistically significant effect on Internet access even at the 10 percent level ($p\text{-value} < 0.10$), which is evidence that an increase in interpersonal trust and voluntary associations is not leading to an increase in Internet access. On the other hand, the regression results indicate that the dimension of civic activism has a statistically significant effect on Internet access at the 1 percent level ($p\text{-value} < 0.01$) and that effect is a negative one. These results may be explained by the fact that as more people are involved in civic activism, such as peaceful demonstrations and signing petitions, they have less time to access the Internet. Therefore, when I control for endogeneity, the theory is strengthened concerning the effect Internet access is predicted to have on interpersonal trust and voluntary associations and weakened when it comes to the effect the Internet is predicted to have on the third dimension of civic activism. The following regression analysis will provide further evidence for or against these findings.

The Results

The Relationship between Interpersonal Trust and Safety and Internet Access

The regression results for interpersonal trust and safety on Internet access in Table 2 indicate that Internet access has a statistically significant effect on trust which is consistent with Hypothesis 1(a). According to the results, a significant and positive relationship exists between the level of Internet access and social capital as measure through the dimension of interpersonal trust. Interpreting Table 2, an increase of ten

thousand Internet users in a country leads to a 0.1 increase in the interpersonal trust and safety index value with all else held constant. These results are statistically significant at the 10 percent level ($p\text{-value} < 0.10$) as well as meaningful in a real world sense. An increase of 0.1 is a 10 percent increase in the index value. A 10 percent increase is significant, since the country with the lowest value for interpersonal trust and safety only differs from the country with the highest value by 40 percent. Thereby an increase of 10 percent in the interpersonal trust and safety value could lead to a significant increase in the amount of trust measured within a country. Furthermore, an increase in ten thousand users is not unrealistic for a country to gain within a year. For example, the International Telecommunication Union reported the Democratic Republic of Congo gaining fifty thousand Internet users in only four years (from 1998–2002) where Internet penetration is very limited compared to the more-developed nations included in this study (Internet World Stats 2012). In addition, China, a more-developed nation in comparison, gains over twenty million Internet users per year (Internet World Stats 2012). Therefore, a country gaining at least ten thousand Internet users in a year is not unlikely, and likewise, a resultant gain in the interpersonal trust and safety index value by 10 percent is probable.

The regression results in Table 2 also indicate that even when other explanatory variables are controlled, Internet access is still having a statistically significant effect on trust. Meanwhile, none of the other explanatory variables suggested in previous literature have a statistically significant effect on interpersonal trust, which provides further evidence for the claim made in Hypothesis 1(a).

The Relationship between Voluntary Associations and Internet Access

Conversely, the results of the regression for voluntary associations on Internet access in Table 3 indicate that Internet access does not have a statistically significant effect on voluntary associations. According to the results, Internet access has a negative effect on voluntary associations which is inconsistent with the relationship predicted in Hypothesis 1(b). To interpret Table 3, an increase of thirty-three thousand Internet users in a country leads to a 0.1 decrease in the voluntary associations index value with all else held constant. Unfortunately, these results are not statistically significant at even the 10 percent level, and therefore, are not reliable.

The results in Table 3 show that all the other explanatory variables do not have a statistically significant effect on voluntary associations. Consequently, I can conclude that the adjusted R^2 of 0.895 is due to controlling for time and state fixed effects, not Internet access or the relevant controls.

Due to Internet access not having a statistically significant effect on voluntary associations, the theory behind Hypothesis 1(b) is not sufficient in explaining the results in Table 3. Therefore, I predict the statistically insignificant result observed in this regression is due to a failure in the voluntary association indicators to capture the

TABLE 2: Trust on Internet Access and Other Country Characteristics

Dependent variable: *Interpersonal Trust and Safety*

	(1)	(2)
Regressor:		
<i>Internet Access (X₁)</i>	0.001*** (0.0002)	0.001* (0.001)
<i>Intergroup Cohesion (X₂)</i>	-----	-0.111 (0.293)
<i>Gender Equality (X₃)</i>	-----	-0.009 (0.253)
<i>Minority Inclusion (X₄)</i>	-----	0.089 (0.126)
<i>Development</i>	-----	0.031 (0.566)
<i>Confidence in Government</i>	-----	0.001 (0.003)
<i>Time fixed effects (X₅)</i>	yes	yes
<i>State fixed effects (X₆)</i>	yes	yes
<i>Intercept</i>	0.412*** (0.015)	0404 (0.551)
<i>F statistic</i>	65.93***	7.90***
Regression Summary Statistics		
R ²	0.921	0.946
Adjusted R ²	0.856	0.840
SER	0.035	0.037
N	224	105

Notes: Heteroskedasticity-robust standard errors are given in parentheses under estimated coefficients. The F-statistics are heteroskedasticity-robust. Coefficients and F-statistics are individually statistically significant at the *10% **5%, ***1% significance.

ever-increasing online aspects of voluntary associations that are taking place within a country. The indices of social development uses indicators such as membership in local voluntary groups, time spent socializing with relatives and in local clubs, attendance of community meetings, and participation in development associations to measure the level of voluntary associations within a country. With the Internet being used by over 35 percent of the population in most developed countries, it is likely that involvement in voluntary groups and clubs is taking place online more and more as the Internet grows in prevalence (Internet World Stats 2012). Unfortunately, the indicators making up the value for voluntary associations include survey questions that generally ask for membership or active involvement in certain organizations, as well as time spent socializing

with relatives and family. These survey questions do not specify in what ways this socializing takes place; therefore, it is impossible to know whether or not people are including their online involvement and communication in their survey responses. In the face of these results, I recognize how limited the current data on social capital really is. Due to the limited amount of secondary data on social capital to choose from, this is a limitation that can only be overcome with the gathering of new social capital measurements that include the specification of online participation in voluntary associations.

TABLE 3: Voluntary Associations on Internet Access and Other Country Characteristics

Dependent variable: *Voluntary Associations*

	(1)	(2)
Regressor:		
<i>Internet Access (X_1)</i>	-0.0003 (0.0004)	-0.0002 (0.001)
<i>Intergroup Cohesion (X_2)</i>	-----	0.015 (0.367)
<i>Gender Equality (X_3)</i>	-----	-0.442 (0.313)
<i>Minority Inclusion (X_4)</i>	-----	-0.116 (0.173)
<i>Development</i>	-----	0.038 (0.716)
<i>Confidence in Government</i>	-----	0.004 (0.003)
<i>Time fixed effects (X_5)</i>	yes	yes
<i>State fixed effects (X_6)</i>	yes	yes
<i>Intercept</i>	0.520*** (0.023)	0.832 (0.635)
<i>F statistic</i>	0.24	7.90***
Regression Summary Statistics		
R^2	0.785	0.895
Adjusted R^2	0.651	0.705
<i>SER</i>	0.058	0.052
<i>N</i>	237	108

Notes: Heteroskedasticity-robust standard errors are given in parentheses under estimated coefficients. The *F*-statistics are heteroskedasticity-robust. Coefficients and *F*-statistics are individually statistically significant at the *10% **5%, ***1% significance.

The Relationship between Civic Activism and Internet Access

Subsequently, the results for civic activism on Internet access in Table 4 indicate that Internet access has a statistically significant effect on civic activism but the

effect is a negative one. These results contradict the positive relationship predicted in Hypothesis 1(c). To interpret Table 4, an increase of only five thousand Internet users in a country leads to a decrease of 0.1 in the civic activism index value with all else held constant. These results are statistically significant at the 10 percent level ($p\text{-value} < 0.1$) as well as meaningful in a real world sense. As explained before, a decrease of 0.1 equals a 10 percent decrease in the index value, which is meaningful since the country with the lowest value for civic activism only differs from the country with the highest value by 70 percent. Therefore, a decrease of 10 percent in the civic activism value could lead to a significant decrease in the amount of social capital within a country. Furthermore, as demonstrated above, an increase in five thousand Internet users is even more likely than an increase of ten thousand users. Thus, it is very likely for a country to gain at least five thousand users in a year. Based on the reverse regression testing for endogeneity in Table 2 of the Appendix, these results were not completely unexpected.

The regression results in Table 4 also indicate that even when the other explanatory variables are controlled, Internet access still has a statistically significant effect on civic activism, although this effect is negative and, therefore, provides evidence against Hypothesis 1(c). Meanwhile, all other explanatory variables do not have a statistically significant effect on civic activism, which provides evidence that Internet access does have a significant effect, although this effect is not positive as predicted.

Due to Internet access having a statistically significant, but negative, effect on civic activism, the theory behind Hypothesis 1(c) is not sufficient in explaining these results. Therefore, as I similarly predicted with the indicators making up the value of voluntary associations, I predict the negative result observed in this regression is due to a failure in the indicators of the civic activism to capture the ever-increasing online components of civic activism that are taking place within a country. The indices of social development use indicators such as petition signing, peaceful demonstrations, access to media information, and levels of civic awareness that are now being largely facilitated and organized through social media networks and other online sources. It is likely that online petitions, accessing media information online, and gaining civic awareness through Internet resources is too recent of a phenomenon to be captured by these measures. Only one indicator making up the index value for civic activism asks survey respondents about the percentage of news they read online, while no other indicators include survey questions that reference the Internet or give an Internet-related answer option. Therefore, the limitations in data discovered during my analysis of the relationship between voluntary associations and Internet access similarly apply to my analysis of civic activism. The limitations persist and can only be overcome with the gathering of new social capital measurements that include online participation and organization of civic activism.

TABLE 4: Civic Activism on Internet Access and Other Country Characteristics

Dependent variable: Civic Activism		
	(1)	(2)
Regressor:		
Internet Access (X_1)	-0.002*** (0.0003)	-0.002* (0.0007)
Intergroup Cohesion (X_2)	-----	-0.064 (0.206)
Gender Equality (X_3)	-----	-0.203 (0.195)
Minority Inclusion (X_4)	-----	0.138 (0.103)
Development	-----	0.414 (0.460)
Confidence in Government	-----	-0.001 (0.002)
Time fixed effects (X_5)	yes	yes
State fixed effects (X_6)	yes	yes
Intercept	0.616*** (0.012)	0.474 (0.458)
F statistic	19.74***	6.25***
Regression Summary Statistics		
R ²	0.845	0.950
Adjusted R ²	0.764	0.861
SER	0.046	0.033
N	268	109

Notes: Heteroskedasticity-robust standard errors are given in parentheses under estimated coefficients. The F-statistics are heteroskedasticity-robust. Coefficients and F-statistics are individually statistically significant at the *10% **5%, ***1% significance.

Conclusions

Hypothesis 1(a): As the level of Internet access increases within a country, the level of inter-personal trust and safety will increase within that country.

The results in Table 2 testing the effect of Internet access on the level of inter-personal trust and safety provide statistically significant support for this hypothesis. As the results indicate, it would only take an increase of ten thousand Internet users in a country to increase the index value for interpersonal trust by 0.1, which could mean the difference between a moderate to high social capital level or a moderate to low level of social capital.

Hypothesis 1(b): As the level of Internet access increases within a country, the level of voluntary associations will increase within that country.

The regression in Table 3 provides results that are not statistically significant at even the 10 percent level and therefore are not reliable. Therefore, I can conclude that this research provides evidence that an increase in Internet access has no effect on the level of voluntary associations within a country.

Hypothesis 1(c): As the level of Internet access increases within a country, the level of civic activism will increase within that country.

The results in Table 4 testing the effect of Internet access on the level of civic activism indicate a statistically significant effect that is inconsistent with this hypothesis. As indicated an increase of only five thousand Internet users leads to 0.1 decrease in the index value for civic activism. These results are statistically significant at the 10 percent level ($p\text{-value} < .10$). In a real world sense, a decrease of 0.1 in the index value of civic activism could make a real difference in the level of social capital in a country and even lower it from a moderate status to a low status. Therefore, I conclude that this research provides strong evidence against the claim made in Hypothesis 1(c).

Hypothesis 1: Countries with higher levels of Internet access will be more likely to have higher levels of social capital than countries with lower levels of Internet access. As the level of Internet access increases within a country, the level of social capital will increase.

In order for Hypothesis 1 to be supported, at least two of the three sub-Hypotheses 1(a), 1(b), and 1(c), must be supported to result in a net increase of social capital overall. Based on my results, Internet access is having a positive effect (an increase of 10 percent in the index value for every increase of ten thousand Internet users) on the level of interpersonal trust, no effect on the level of voluntary associations, and a negative effect (a decrease of 10 percent in the index value for every increase of ten thousand Internet users) on the level of civic activism within a country. As a result, Internet access does not lead to a net increase in social capital contrary to Hypothesis 1. As explained in the analysis of the results, this may be due to a failure in the indicators to measure the online aspects of voluntary associations and civic activism.

Implications

Overall, this research has found that Internet access has a significantly positive effect on the level of interpersonal trust and safety, while simultaneously having a negative effect on the level of civic activism and an insignificant effect on the level of voluntary associations. Due to these results, the evidence produced by this research does not support the hypothesis that as the level of Internet access increases within a country, the level of social capital will increase as well.

Although this research did not provide evidence in support of all three hypotheses, it did contribute to answering the three main questions of this study as follows. Due to the fact that Internet access is having a statistically significant effect on both

the dimensions of interpersonal trust and civic activism, I can conclude that Internet access among other factors does contribute to explaining the variation of social capital within and among countries. Furthermore, the results also indicate the presence of Internet access does not increase social capital within a country, but there is a possibility the indicators making up the three dimensions of social capital are not capturing the facilitation and organization of voluntary associations and civic activism that is taking place online.

Going along with my theory that the available data on social capital is not capturing the online aspects of social interaction, future research could gather data on social capital through survey questions that not only capture the traditional in-person formation of social capital but also the formation of social capital that is taking place through the use of the Internet. An updated dataset measuring the online formation of social capital would enable further empirically testing of whether or not the Internet is transforming social capital into a resource formed through online interaction or merely decreasing social capital by taking people away from in-person and local interaction.

The evidence provided in this paper suggests the Internet's effects on social capital are less dramatic than predicted, although the effects may be extensive in the long run. The unique features of the Internet will interact with existing social factors creating new, often unexpected, behaviors and changes. Therefore, an analysis of the impact of the Internet needs to consider that the Internet may be contributing to new forms of interaction and community that cannot be measured using standard indicators of social capital. The fact that people are not interacting in visible public spaces does not mean they are in isolation. They may be going online to create new online profiles and blogs, to instant message and chat with old and new friends, to visit online communities, or to organize and facilitate business and exchange. Due to the rise of the Internet, it may be necessary to redefine the traditional concept of social capital and how it is measured and subsequently formed in a technological world (Wellman, 2001).

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APPENDIX

Table 1: Description of Variables in Data Set

Variable	Description
<i>Internet access</i>	Internet access is defined and measured as Internet users in each country for the years of 1990, 2000 and 2010. Internet users are people with access to the worldwide network measured per 100 people in each country provided by the International Telecommunication Union, the World Telecommunication/ICT Development Report and database, and the World Bank estimates (World Bank Group, 2012).
<i>trust</i>	Indices of social development measure of the level of interpersonal safety and trust for the years of 1990, 2000, and 2010 ranging on a scale from 0 to 1. Uses data on general social trust from a wide variety of surveys, indicators of trustworthiness such as reported levels of crime victimization and survey responses on feelings of safety and security in one's neighborhood.
<i>voluntary associations</i>	Indices of social development measures of the strength of ties to neighborhood and associational life for the years of 1990, 2000, and 2010 ranging on a scale from 0 to 1. Uses data on membership of local voluntary groups, time spent socializing with relatives and in local clubs, attendance of community meetings, and participation in development associations.
<i>civic activism</i>	Indices of social development measure of the level of civic activism for the years of 1990, 2000, 2010 ranging on a scale from 0 to 1. Uses data on the extent of civic activities such as signing petitions or joining peaceful demonstrations, studies of the organizations and effectiveness of civil society, access to sources of media information, levels of civic awareness, and the extent to which civil society organizations are connected to broader, international networks of civic activity.
<i>intergroup cohesion</i>	Indices of social development (ISD) measure of the level of intergroup cohesion for the years of 1990, 2000, and 2010 ranging on a scale from 0 to 1. Uses data on inter-group disparities, perceptions of being discriminated against, and feelings of distrust against members of other groups. ISD also use data on the number of reported incidents of riots, terrorist acts, assassinations, and kidnappings; agency ratings on the likelihood of civil disorder, terrorism, and social instability; and reported levels of engagement in violent riots, strikes, and confrontations.
<i>gender equality</i>	Indices of social development measure of the level of gender equality for the years of 1990, 2000, and 2010 ranging on a scale from 0 to 1. Uses a wide range of complementary indicators, which span outcome measures such as access to jobs, educational placement, and a fair wage, as well as input measures which track the existence of discriminatory norms within society regarding a woman's right to equal treatment in the workplace, in access to education, and in the family.
<i>minority inclusion</i>	Indices of social development measures of the level of inclusion of minorities for the years of 1990, 2000, 2010 ranging on a scale from 0 to 1. Uses indicators which are based on direct measurement of social institutions and their outcomes, and perception-based indicators, based on assessments by public opinion surveys, private agencies and non-governmental organizations, and proxy measures to measure the access to jobs and educational attainment.
<i>development</i>	Human Development Index (HDI) value for each country for the years of 1990, 2000, and 2010 ranging on a scale from 0 to 1. The HDI is composed of three indicators: life expectancy, education (adult literacy and combined secondary and tertiary school enrollment), and real GDP per capita and is adjusted for inequality.
<i>confidence in government</i>	World Values Survey measure for both time periods of 1990, 2000, and 2010. An average of three variables: the percentage of people that reported "quite a lot" of confidence in parliament, "quite a lot" of confidence in the civil services, and "quite a lot" of confidence in the judicial system.

TABLE 2: Internet Access on the Three Dimensions of Social Capital and other Country Characteristics

Dependent variable: <i>Internet Access</i>	
	(1)
Regressor:	
<i>Interpersonal Trust (X₁)</i>	62.07 (45.232)
<i>Voluntary Associations (X₂)</i>	28.373 (44.046)
<i>Civic Activism (X₃)</i>	-157.295*** (53.924)
<i>Gender Equality (X₄)</i>	54.362 (63.006)
<i>Minority Inclusion (X₄)</i>	29.950 (26.821)
<i>Development (X₅)</i>	-8.976 (134.430)
<i>Confidence in Government (X₆)</i>	-0.863 (1.013)
<i>Time fixed effects</i>	yes
<i>State fixed effects</i>	yes
<i>Intercept</i>	54.511 (92.519)
<i>R²</i>	0.969
<i>Adjusted R²</i>	0.904
<i>SER</i>	8.887
<i>N</i>	105

Notes: Heteroskedasticity-robust standard errors are given in parentheses under estimated coefficients. The *F*-statistics are heteroskedasticity-robust. Coefficients and *F*-statistics are individually statistically significant at the *10% **5%, ***1% significance.

Sino–Iranian Relations: History and Nuclear Proliferation Implications

by Kenneth Daines

In July 2012, the U.S. imposed sanctions against China’s Bank of Kunlun, part of the government-run China National Petroleum Corporation (CNPC), because the bank had provided “hundreds of millions of dollars worth of financial services” to at least six Iranian banks on the U.S. nuclear sanctions list (Ma, *WSJ* 2012). New York-based international lawyer John Moscow observed that Chinese banks will likely “attempt to structure their legal affairs so that they can do business with America and Iran, which means keeping secrets from the United States. The Chinese business community has not shown any sign that they accept U.S. sanctions against Iran” (Silver-Greenburg, *NYT* 2012). These tensions and concerns are further complicated by China’s history of military sales to Iran and recent allegations of China facilitating weapons development by selling particular metals to the Iranian military that can be used for nuclear warheads (Silver-Greenburg 2012).

Historically, China and Iran have had extensive interactions both economically and diplomatically. These civilizations first came into contact with each other in 139 BC when the Han court sent envoy Zhang Qian to Persia in search of allies against the Xiongnu. From this point forward, the Han and Persian empires began trading through what was later called the Silk Road. While their trade with each other was significant, the Persians were also important facilitators of China’s trade with the West. Sino–Iranian interactions became particularly close after the Mongols conquered both of their empires in the thirteenth century and as they began to share scientific, medicinal, and mathematical findings with each other (Garver 2006, 13–15). This economic and cultural exchange was largely continuous up through the modern era, making the Sino–Iranian interchange a deep-rooted relationship.

As historically great empires that were both eventual victims of Western aggression and humiliation, China and Iran are sympathetic to the same perceptions of Western injustice and hegemony, Western nations' perpetual ambition to keep them both weak, and the need to restore their prior greatness. These shared commonalities and ancient history of cooperative relations are critical diplomatic talking points of unified background, understanding, and purpose (Garver 2006, 5).

While China and Iran generally continue to behave as economic partners, many in the international community have questioned the true future course of their relationship since China has recently been reluctant to publically support Iran. Though not an official member of the Shanghai Cooperation Organization, Iran currently has "observer" status and is theoretically cooperating with China in its commitment to eliminate terrorism and Islamic fundamentalism. This collaboration further complicates the picture of Sino-Iranian relations.

Because of China's ever-increasing dependence on foreign oil, Iran has become an even more strategic economic partner to China. Consequently, China has made a calculation to not boycott Iranian oil to the extent that the U.S. has requested, making it impossible for the UN Security Council to impose crippling sanctions to halt Iran's nuclear program. This pattern of Chinese defiance of Western international pressure against Iran has a historical parallel; China supported Iranian nuclear development during the 1980s and into the mid '90s, with much of this assistance being provided without the knowledge of the International Atomic Energy Agency (IAEA). Accordingly, from a nuclear disarmament perspective, the strength of the Chinese-Iranian relationship may continue to be one of the most critical in determining the effectiveness of international pressure and sanctions on Iran's weapons program. Should China continue to disregard international pleas for heightened sanctions, it will not only anger the U.S. and other Western powers but also could provide Iran enough support to allow its nuclear program to continue to progress, thereby indicating China's approval of the advent of an Iranian nuclear state.

Recent Historical Development of Sino-Iranian Relations

In the early 1980s, after China had commenced Reform and Opening, relations with Iran became particularly advantageous for both sides as China needed hard currency to help further its economic growth and Iran needed weapons that China could supply for its war with Iraq. Robert Sutter notes that "Beijing continued to gain both economically and politically from active arms sales [to Iran], notably during the Iran-Iraq war" (300). China was a natural fit to sell weapons to Iran, first because the U.S. had placed sanctions on Iran earlier and second because of China's contrasting "non-interventionist 'no-strings-attached'" policy toward trade relations (Currier and Doraj 2010, 50). Additionally, as concerns of American and Soviet hegemony heightened for both China and Iran, they were drawn closer together in the common

cause of power balancing. In seeking to support so-called "Third World states" in their revolutionary movements against the U.S. and the U.S.S.R., China provided military aid, training, and other support to many resistance groups; Iran then benefitted greatly from this assistance (Sutter 2012, 299). Further, Iran at that time knew China's UN Security Council position made Beijing a potentially influential ally in protecting Tehran from diplomatic pressure (Currier and Doraj 2010, 50). As the U.S. perceived an emerging Sino-Iranian relationship, it took quick action to dissuade China from its support of the revolutionary Islamic regime, which had little success initially. Sino-Iranian economic and diplomatic relations would not only endure but also greatly influence the future of international politics.

After the Tiananmen Square massacre, diplomatic isolation compelled China to strengthen relations with Middle Eastern authoritarian regimes including Iran. In the 1990s, China demonstrated its loyalty to Iran by taking a strong public stance against the U.S. and its allies for its economic sanctions against Iran. Beijing's main motivation behind such a position was to preserve oil imports and trade opportunities, especially when China became a net importer of oil in 1993 (Sutter 2012, 300). Furthermore, in 1996, China took a major step to counter American influence in central Asia by organizing the Shanghai Five, which included Russia and Kazakhstan. As the organization developed, it was renamed the Shanghai Cooperation Organization and included Iran as an observer nation with the idea that Iran could eventually become a full member when relations with China improved (Burman 2009, 10).

China's support for Iran eventually made it more difficult for it to stay on good terms with the U.S., even as China became more economically and diplomatically dependent on the West. A strategic shift began to take place with China's 1997–98 summit meetings with the U.S., when China's leaders agreed to "stop cooperation with Iran on nuclear development, to halt sales of anti-ship cruise missiles to Iran, and to halt support for Iran's ballistic missile development" (Burman 301). Consequently, as China entered the twenty-first century and was more concerned with demonstrating to the world its willingness to accept international standards and peacefully develop, the Chinese government became more hesitant to publically support Iran (Burman 298–299).

China's leaders still determined that they needed open access to Persian Gulf oil, but they also did not want to anger the United States. Consequently, China began to turn more toward Saudi Arabia, as evidenced by Jiang Zemin's visit in 1999 to Saudi Arabia, where the Strategic Oil Cooperation Agreement was signed, opening Saudi markets to China (306). In signing this agreement, China did not want to appear to be challenging U.S. supremacy or influence in Saudi Arabia (305). Recognizing the tensions of Saudi Arabia and Iran's relationship, China had to proceed cautiously. In this position of conflicting interests, Beijing opted to balance relations with all three powers (U.S., Iran, and Saudi Arabia) and continued to receive over half

of its oil imports from the Middle East, with Iran and Saudi Arabia being by far its largest contributors (Leaverett and Bader 2006, 187). Chinese trade with Saudi Arabia grew tremendously since that visit, with Sino-Saudi Arabian trade exceeding \$42 billion per year in 2009, making China the world's largest importer of Saudi oil.

China's energy needs were significant enough to increase trade notably with Iran in a 2004 agreement, where the Chinese government committed to purchase large amounts of Iranian natural gas over the next twenty-five years and help build an Iranian oil field (Sutter 307). By 2009, Iran provided 15 percent of China's annual oil imports, making Iran China's third-largest oil provider and an indispensable energy provider for the Chinese (Berman, *NYT* 2011). Though oil remains the main product of trade, China has 250 companies in Iran with everything from sugar refineries to paper mills (Burman 2009, 113–14). Consequently, Iran now trades more with China than any other country.

China's importance to Iran has increased since 2005 when Mahmoud Ahmadi-najad took over as president of Iran (Heydarian, *Asia Times* 2012). Furthermore, China's increased dependence on Iranian oil, particularly within the last five years, has been arguably the most important reason China has been so reluctant to agree with Western pressure to sanction Iran's nuclear program (Sutter 307). Beijing and Tehran continue to make routine high-level visits between their nations a priority, leading them to develop an even friendlier relationship in recent years (Yuan 2006, 2). Beijing's consequent decision to protect Tehran from Western sanctions has been, and will likely continue to be, a major stumbling block for international efforts to blunt Iran's development of nuclear weapons development capabilities.

China's Support of Iranian Nuclear Development

After 1978, Chinese suppliers of nuclear materials and services discovered that many Middle East countries like Iran had interest in purchasing these goods. Because China's central government regulation of such transactions was minimal, negotiations were based chiefly on economic desires to obtain foreign currencies rather than diplomatic calculations. However, China soon began to recognize the need to cooperate with U.S. demands of committing to Iranian nonproliferation to secure America's civilian nuclear power generation capabilities for China. This realization led China in 1984 to embrace global nonproliferation and the IAEA's agenda. By 1992, China also accepted the Non-proliferation Treaty and began to decrease its shipments of nuclear technology to Iran (Garver 2006, 141–143).

Despite China's verbal acceptance of these international nuclear norms, it deliberately and secretly helped Iran set the wheels of its nuclear program in motion. Recognizing the threat of Iraq's use of nuclear weapons against Iran, the Ayatollah Khomeini in the early 1980s ordered Iran's previously suspended nuclear programs to be resumed. Then in 1985, China and Iran secretly met and agreed to coordinate

the building of the Esfahan Nuclear Research Center (ENRC) for peaceful uranium enrichment in Iran, which was not brought to the knowledge of the IAEA until 2003 (Garver 143). China's role in facilitating this enrichment was central as it "supplied the fissile material for all four reactor cores" at ENRC. Though these reactors did not produce enough plutonium to pose a significant threat, they provided Iranian scientists with the necessary principles to later build larger facilities capable of producing plutonium (Garver 144). It is now clear that, prior to China's signing of the NPT, China also agreed to provide the ENRC with a calutron machine capable of producing fissile material (Garver 145). According to John Garver, after China's signing of the NPT, China continued to supply Iran "with an unknown quantity of tributylphosphate, a chemical used for extracting plutonium from depleted uranium. At the same time, China may have supplied Iran with technical data on plutonium separation. Later, China reportedly sold Iran anhydrous hydrogen fluoride that can be used in production of uranium hexafluoride (Garver 152). Apparently, China was well aware of Iran's covert nuclear activities though it remains unclear to what extent it was involved in Iran's heightened centrifuge enrichment of the late 1990s. Regardless, China never directly transferred nuclear weapons to Iran, which has led many Chinese to retrospectively justify their support of Iran as having been peaceful and in harmony with IAEA demands (Garver 161).

With the pivotal 1997 Sino-U.S. agreement, China began to abandon much of its support for Iran's nuclear program and to comply with IAEA standards (Garver 144, 153). China's withdrawal of support caused a substantial strain in Sino-Iranian relations. Iran denounced the Sino-U.S. agreement, asserting that "America's effort to pressure China into stopping peaceful nuclear cooperation with Iran is interference in other countries' international affairs," and the Americans were perpetuating "false propaganda" against it (Garver 155). China made a calculated decision that if Iran went nuclear and China was deemed responsible for facilitating that, China's reputation and essential relationship with the U.S. would be in serious jeopardy (Garver 162). Additionally, China was motivated by its strengthening relationship with Israel (which lobbied China intensely to give up its support for Iran's nuclear program), as well as by China's realist calculation that nuclear weapons proliferation weakened its relative power and status it enjoys as one of only five members of the world's nuclear club (235).

Though China shifted away from its direct support of Iran's nuclear program, China continued to resist U.S. attempts to punish Iran. Beijing proved to be highly adept in helping Tehran have room to continue to build its centrifuge and enrichment capabilities, and allowing for China to "sell technology and capital goods to Iran. When Beijing capitulated to U.S. pressure in one area, it found other areas in which to be useful to Tehran" (236). Thus, China had once again effectively managed to appease the international community while protecting, though not directly supporting, Iran's nuclear program.

China's Role in Limiting International Sanctions' Effectiveness

China continues to stand with Iran in resisting so-called crippling sanctions, even in the face of heightening international pressure (Heydarian 2012). On January 2006, in response to increasing U.S. pressure to sanction Iran's program, China's Foreign Ministry spokesman Kong Quan upheld China's support for Iran by saying, "We oppose the habitual use of sanctions, or threats of sanctions, to solve problems. This only complicates problems" (Yuan 2006, 2). Additionally, China emphasized that this disagreement over Iran's uranium enrichment "should be resolved within the IAEA framework through negotiation . . . and that member states to the Nuclear Nonproliferation Treaty are entitled to peaceful use of nuclear technology, so long as they comply with the nonproliferation provisions" (Yuan 2). Such resistance to heightening international pressure has been commonplace in Chinese negotiations with both IAEA and the UN Security Council over the past decade. When Foreign Minister Li Zhaoxing was asked about China's position on Iran during the heated IAEA debates of 2004, he responded that China trusts that Iran's nuclear program will only be used for peaceful purposes. In the same year, Ambassador Liu G. Tan argued that Iran had an "absolute right" to pursue peaceful nuclear power (Garver 163). These patterns of Beijing's trust and support for Tehran in the face of internationally mounting pressure clearly manifest China's desire for perpetuating strong relations between the two nations.

China has argued quite effectively that uranium enrichment is not necessarily a precursor to nuclear weapons development and that Iranian enrichment by itself is not banned by the NPT (Xinhua 2004). While China encourages full Iranian participation with IAEA demands, China also opposes America's demand for Iran's nuclear program to be addressed primarily by the IAEA instead of the UN Security Council. As China's IAEA board member Zhang Huazhu said, "The IAEA Board of Governors is the proper venue and place to settle the Iran nuclear issue [and there is] no necessity for the issue to go anywhere else" (Garver 164). Perhaps most importantly, China has effectively opposed American efforts to level sanctions against Iran, pushing instead for peaceful resolution through negotiation. Foreign Minister Li Zhaoxing again insisted in 2004 during his time in Iran that "the Chinese government is against any threat and hegemony on the international scene" (164). Though China has not explicitly guaranteed Iran that it would use its veto power on the UN Security Council regarding measures to halt Iran's nuclear program, China's rhetoric has thus far been boldly supportive of Iran.

China has also issued demands for Iran to assume a greater role in securing peace. For instance, in June 2012 President Hu Jintao stated, "China hopes the Iranian side can weigh up the situation, take a flexible and pragmatic approach, have serious talks with all six related nations [the permanent five members of the UN Security Council plus Germany], and enhance dialogues and co-operation with the International

Atomic Energy Agency so as to ensure the tensions can be eased through negotiations" (Heydarian 2012). Despite these demands, opposition to UN Security Council sanctions, especially on China's economic partner in the Middle East, remains a hallmark of Chinese diplomacy. Beijing has cooperated extensively with Russia to ensure that overbearing sanctions are not imposed on Iran (Sutter 106). Indeed, China remains the only country both friendly to Iran and powerful enough to challenge the U.S. diplomatically and militarily (Burman 2009, 108).

While in this past year China has not increased trade or transactions to help Iran compensate for America's severe sanctions that have been leveled this year, China continues to play a central role in preventing the UN Security Council from imposing crippling sanctions on Iran. While Russian policymakers were vague in their recent discussion of how far Iran's nuclear program would have to develop before sanctions would be appropriate, China was much less willing to consider the possibility of imposing international sanctions. In October, a Chinese Foreign Ministry spokeswoman responded to the same question by asserting, "We believe that sanctions and exerting pressure are not the way to solve problems" (Lasseter 2012). Thus, the Obama administration's previous hopes of a unified UN Security Council effort to impose crippling sanctions on Iran's nuclear program seem to be diminishing as China continues to demonstrate firm resolve in opposing them.

Future Course, Implications, and Conclusion

China is truly at a crossroads in its relationship with Iran (Heydarian 2012). This year the U.S. has increased pressure on China to an unprecedented level by imposing sanctions against Zhuhai Zhenrong Corporation (China's largest importer of Iranian crude oil) and the Bank of Kunlun Corporation. Chinese Foreign Ministry official Qin Gang reacted angrily, stating that Sino-Iranian business in energy and trade "have nothing to do with Iran's nuclear plans," are "not in violation of UN Security Council resolutions," and China is "firm and consistent" in its nonproliferation stance (Ma 2012). When rumors began to spread that the China National Petroleum Company (CNPC) would remove its latest Iranian offshore gas field project because of these sanctions, CNPC officials responded by asserting that those projects will proceed forward on schedule as planned, showing that China continues to provide economic support for Iran on the one hand while also purporting to oppose Iranian nuclear proliferation on the other (Ma 2012).

Economic realities seem to suggest China and Iran will maintain friendly relations. The University of Michigan's Transportation Research Institute projected that car ownership in China will rise from 2.4 percent of the total population to 40 percent of China's population by 2050, leading to an average increase of 3.5 percent per year in Chinese oil consumption (Burman 2009, 114). As Edward Burman puts it, China will continue to prioritize its relationship with Iran, because China "clearly needs

oil now and in the future, and lots of it" (Burman 113). He further argues that because many economists project a 10 percent decline in world oil production by 2015, China's increasing demand for oil will drive it toward an alliance with Iran (Burman 136). Additionally, if Iran successfully joins the nuclear club, and as controversy subsides with that reality eventually becoming more accepted in the international community, Iran's transition to permanent member status (rather than observer status) in the Shanghai Cooperation Organization (SCO) would be a likely benefit that would follow (Burman 10) (Iran applied for membership status in the SCO in 2008 but was denied because no nation under U.N. sanctions can be admitted). SCO membership would be a major Chinese endorsement and consequent boost to both Iran's legitimacy and Sino-Iranian relations.

The implications of China's future dependence on and friendship with Iran, however, would be profound for nuclear proliferation and relations with the United States. China's demonstrable recent pattern of increased assertiveness in defending Iran against America's push for nuclear sanctions, especially in contrast with China's bowing to U.S. pressure in the late 1990s, illustrates China's confidence in its rising relative economic and military power. This growing confidence could allow China to move again toward Iran as it did in the 1980s, perhaps calculating that the U.S. is too dependent on Chinese trade to impose severe sanctions (or worse) on China. Further complicating this scenario is the rise of Russia with its mounting animosity toward America, as well as Russia's increasing likelihood of also tilting toward Iran and China to effectively balance U.S. influence. Such a tilt would further impair the UN Security Council's ability to come to unified decisions on matters related to nonproliferation in the Middle East, leading eventually to a heightened East vs. West split in international affairs. Though China would not likely seek to defend Iran to the point of war with the U.S., it would certainly exercise as much economic leverage as possible to maintain its vital access to Persian Gulf oil, even if it means breaking with the terms of the NPT. If China's historical patterns are any indication of the future, China will be much more loyal to its perceived essential economic interests over any commitments to international organizations or signed treaties.

Clearly, Sino-Iranian relations are likely to profoundly shape the future course of the world, especially because of the priority attention that both Iran and China receive in the international discourse. Strengthening Sino-Iranian relations not only increase the likelihood of a future nuclear Iran but also of generating stalemate and division within the UN, as well as weakening relations between the U.S. and China because of differences with respect to Iran. In evaluating its future commitment to Iran, China must, however, consider whether such a course is truly an economic necessity.

Before deciding that loyalty to Iran is inevitable because of increasing oil dependence, China must reconsider the negative long-term implications of deepening ties with Iran and resisting the UN Security Council's majority will in forthcoming

deliberations. Besides angering the U.S. and its allies, China's support for Iran also risks alienating Iran's competitor, and China's top oil supplier, Saudi Arabia. Though Iran has a stronger military than Saudi Arabia, the U.S. still abides by the Carter Doctrine, and will not allow Iran to dominate Persian Gulf oil markets. Saudi Arabia's importance as an oil importer for China will remain long into the future. Consequently, instead of preserving the status quo, China should consider a two-step alternative approach: First, move closer to the U.S., its Western European allies, Israel, and Saudi Arabia by increasing isolation and sanctions against Iran to end its nuclear program and second, diversify China's oil imports by trading more with Central Asian, African, and Latin American countries (Kenny 2004, 36). By diversifying oil imports through turning to Central Asian, African, and Latin American markets, China will begin to reduce its dependence on Iran and not feel economically pressured to continue supporting this widely unpopular regime. Furthermore, Saudi Arabia could help China make up for some of its lost oil trade with Iran. China will also be better off by avoiding further sanctions and tensions with the U.S. and by improving its reputation with Western allies. China showed signs of willingness to favor the U.S. over Iran when it signed the 1997 Sino-U.S. agreement. In terms of realistic diplomatic and economic calculations, China would be wise to follow the same course today, tilting in the short run toward the West in approving sanctions against Iran's nuclear program and in the long run trading with oil-rich countries other than Iran to diversify China's markets.

In conclusion, China and Iran have a significant history of close economic and political relations built on a common foundational heritage of imperial greatness, cultural correspondence, economic cooperation, and subsequent humiliation at the hands of Western imperialism. Over the past few decades, China's economic support of Iran has offered it a cushion that has allowed Iran to comfortably continue to pursue nuclear enrichment. Certainly China's purchasing of Iranian oil and selling Iran weapons and nuclear technology has strengthened their relationship overall despite periods with tensions and mistrust. With the international community becoming increasingly apprehensive about Iran's developing nuclear capacity, China faces a defining juncture that will shape the future of international relations. Beijing can choose to continue to stand with Tehran (and by implication against the West) by allowing the Iranian regime to pursue nuclear power, or it can tilt away from Tehran, further diversify its oil imports, and allow the UN Security Council to impose more effective sanctions on Iran. The future of Sino-Iranian relations will not only influence whether or not Iran gets a nuclear weapon, it will profoundly affect the strength of Sino-U.S. relations and the UN Security Council's ability to address the challenges of the Middle East for decades to come.

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