



MARKETPLACE: Shlomo Maital

Social Capital

HOW MUCH MONEY HAS BEEN lost in the global financial crisis? According to New York University economist Nuriel Roubini, who predicted this situation, U.S. losses alone total a staggering \$3.6 trillion, fully a quarter of America's annual Gross Domestic Product (GDP). Half of that came from U.S. banks and brokerages, which, Roubini says, are now essentially insolvent. Losses elsewhere in the world may match that sum.

The "champion" of global stock market losses was Russia, where stocks fell by three-quarters last year. In Israel, the 660 stocks listed on the Tel Aviv Stock Exchange (TASE) fell in 2008 by 47.7 percent. The value of all listed TASE securities (stocks, bonds, mutual funds) has declined by about half, or \$100 b., since mid-2007, from its peak of \$203 b. In proportion to its GDP, Israel's losses are more than double America's.

There is, however, a bright side.

As Israel and the world dig themselves out of the financial rubble, attention is shifting to a different kind of 'capital' – social capital. And here, it turns out, the "market indexes" in Israel show only gains, not losses.

Social capital is defined as a characteristic of society, such as trust, networks and community, that strengthen cooperation and mutual help and support.

Social capital underpins resilience. It is what helped the people of southern Israel overcome fear and maintain daily life during eight years of rocket attacks, when a total of 4,500 rockets were fired at southern Israel by Gaza terror organizations. It is what helps ordinary people surmount unemployment, ruined pensions and bankruptcies.

It is financial capital that buys F-15 combat jets. But it is social capital that ultimately defeats terror. And it is social capital that helps a nation survive economic hardship and bounce back stronger than ever.

New York Times columnist Thomas Friedman notes that during the Second Lebanon War in the summer of 2006, Hizballah "focused on demoralizing Israeli civilians with rockets on their homes." The same applies to Hamas. In fact, the same applies to all terrorist acts.

When they strike in Manhattan, London, Madrid, Mumbai or Sderot, the terrorists' goal is

to disrupt normal life by killing and terrorizing civilians. The battle, then, is in the hearts and minds of civilians. Whether the jihadists win or lose depends on whether they succeed in sowing fear.

A series of studies published in 2005 by the Technion's [Samuel Neaman Institute](#) for Advanced Studies in Science and Technology reveals the underpinnings of Israel's social capital and resilience. In that study, Prof. Nehemia Friedland, President of the Tel Aviv/Jaffa Academic College and a world expert on resilience, says that social resilience "is expressed in the commitment of various segments of society to join forces for the achievement of common goals, in their ability to cope with threats over extended periods of time and in their ability to adapt to changes."

In the same study, Technion Professor Alan Kirshenbaum, a sociologist, asks, how Israeli citizens have managed to survive ferocious terror campaigns against both the State of Israel and its Jewish citizens over an extended period of time. "The 'normal' of the past is transcribed into the 'normal' of the present and future, where terrorism becomes a part of everyday life," he explains. We adapt. Terror becomes part of our lives. With our social capital, we deal with it and move on. As we do, our social capital grows. And we draw on it in time of need.

In a separate, more recent, study, Dr. Shaul Kimche and Prof. Yohanan Eshel of Tel Hai Academic College's Psychology Department studied the resilience of Kiryat Shmona residents after the 2006 Lebanon war. Kimche told a reporter from Haaretz, an Israeli daily newspaper, that the "public appeared to be significantly stronger [during Operation Cast Lead] than it was in during the Second Lebanon War." The social resilience stems from the people's belief that military actions are "premeditated and taken with care" and that they will improve their situation.

Israelis today face a double threat – war and terror on northern and southern borders and the financial and economic crisis. They will overcome. And so will people all over the world. Because in the end, when vast sums of money are destroyed in the crisis, so is the cancerous greed that caused it.

Financial capital is down. Social capital is up. That gives reason for hope. ●

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