

**STUDY GUIDE FOR SOCIOLOGY OF ENTREPRENEURSHIP – EXAM 1**  
(60 points – Spring 2003)

**Concepts you should be able to define:** (2 points each)

Entrepreneur	Capital	Financial Capital
Human Capital	Social Capital	Myth of Individualism
Structural Hole	Cohesion	Structural Equivalence
Terius Gaudens	Informal Economy	Illegal Economy
Microcredit	ROSCA	

**Short answer questions:** (5-6 points each)

1. What are two ways social capital is different than financial capital.
2. What are three ways that social capital can be *harmful*?
3. Draw a simple network diagram that illustrates a structural hole, and label the structural hole.
4. List three examples of the informal economy in Los Angeles.
5. List three paradoxes of the informal economy that Portes identifies in his article.
6. List three measures of social capital that Fafchamps & Minten use in their research.
7. Why might business ties with relatives be a harmful form of social capital?
8. What are some factors that keep entrepreneurs from using the formal legal system?
9. List three ways that traders lower their exposure to theft & breach of contract according to Fafchamps & Minten (“Property Rights in a ...”)
10. Why don’t traditional banks lend to the poor?
11. Why are women targeted by microcredit programs?
12. How does a rotating credit association work?
13. List three different kinds of *kye* and their purpose
14. What have been some of the challenges in introducing microcredit to the United States?

**Essay questions:** (15-20 points each)

1. List and define three forms of capital. Give an example of each form of capital.
2. According to Burt, what are the benefits of social capital? What are structural holes and why are they important? Given an example of how a business person could use or create structural holes for their benefit.
3. De Soto gives us an analysis of street vendors in Peru. Detail how itinerate peddlers operate, how they become stall holders, how stall holders establish a stall on the street, and how they defend their location and business. Discuss aspects of social capital and financial capital where appropriate.
4. Discuss Hart’s case study of the slum in Ghana. Why does he call the inhabitants “doubly hampered”? Why is credit an essential feature in this setting? How is the risk of default dealt with? Discuss aspects of social capital and financial capital where appropriate.
5. Fafchamps & Minten (“Social Capital & the Firm”) discuss the positive effects social capital can have in imperfect markets. Specifically, they discuss poor market institutions, high search costs, and imperfect information. For each of these categories, detail the challenges traders face and how social capital can help them meet these challenges.
6. What impact does social capital have on sales and profit according to Fafchamps & Minten (“Social Capital & the Firm”) ? What forms of social capital are most important? What forms of social capital might be harmful?
7. According to Fafchamps & Minten (“Property Rights in a ...”), there are two key ways of managing risk: lowering one’s exposure and dispute resolution. Detail the various ways that traders in Madagascar manage the business risks they face. What is a key problem with the way traders manage information?
8. Over time, Yunus and his staff have refined the way that the Grameen bank makes loans. Detail how the support groups operate and why they are important, how the risk of default is managed, how payments are made, and how savings are created and used.
9. Describe microcredit and informal credit. How do each operate? How are they different and what different requirements do they have? Why have these organizations been able to lend to the poor, in contrast to traditional banks?
10. Gambetta analyzed the Sicilian Mafia. In what ways are they entrepreneurs? What is it that the Mafia provides people? What are the causes of the emergence of the Mafia? How has the Mafia been able to maintain itself (discuss both unintended consequences and intended actions that support it)?