

This fiction derives in part from the fact that the only tangible actors in society are individuals and in part from the extraordinary impact that Adam Smith and other classical economic theorists, as well as political philosophers of the seventeenth and eighteenth centuries, have had on the way we think about social and economic life. It also derives in part from the fact that social changes have moved modern society toward a structure in which individuals act more independently than they did in the past, in which individuals' goals are more independently arrived at than they were in the past, and in which individuals' interests are more self-directed than they were in the past.

Hobbes and his followers, political philosophers of the seventeenth and eighteenth centuries, extolled the virtues of self-interest as an antidote to the passions generated by religious and ethnic identity, as Hirschman (1977) describes.¹ Self-interest was not only seen as a beneficial force that moderated fierce group loyalties; it was justified by a philosophy that natural rights inhered in each person. That philosophical position continues to the present.² The philosophical and economic arguments of the seventeenth and eighteenth centuries were followed by extensive social changes in the direction of individualism, and these changes have not abated.

Despite these changes the fiction is just that—for individuals do not act independently, goals are not independently arrived at, and interests are not wholly selfish.

Recognition of this individualist bias in neoclassical economics has led to a number of economists to attempt some modification. As mentioned above, Loury introduced the concept of social capital into economics to identify the social resources useful for the development of human capital. Also, Ben-Porath (1980) has developed ideas concerning the functioning in exchange systems of what he calls the F-connection. The F-connection is composed of families, friends, and firms; and Ben-Porath, drawing on sources in anthropology and sociology as well as economics, shows the way these forms of social organization affect economic exchange. Williamson has, in a number of publications (for example, 1975, 1981), examined the conditions under which economic activity is organized in different institutional forms, that is, within firms or in markets. There is a whole body of work in economics, referred to as the new institutional economics, which attempts to show, within neoclassical theory, both the conditions under which particular economic institutions arise and the effects of these institutions (that is, of social organization) on the functioning of the system.

1. Holmes (1989) extends Hirschman's examination, showing the role these philosophical positions played in transforming the common view of the fundamental nature of man.

2. It is true, of course, that the opposition of the philosophical ideals of self-sufficiency, self-interest, and individualism on the one hand, and social responsibility, benevolence, charity toward others, and humanitarianism on the other goes back to the Greeks. The Epicureans set forth the first set of virtues. The second set were held by the Stoics during the Hellenistic period and were taken over by the Romans during their empire-building period (see Sabine, 1937, pp. 132-153).

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Social Capital

In preceding chapters I have examined certain kinds of relations among actors in society. Actors are seen as beginning with resources over which they have some (possibly total) control and in which they have interests. Social interdependence and systemic functioning arise from the fact that actors have interests in events that are fully or partially under the control of other actors. The result of the various kinds of exchanges and unilateral transfers of control that actors engage in to achieve their interests is, as shown in preceding chapters, the formation of social relationships having some persistence over time. Authority relations, relations of trust, and consensual allocations of rights which establish norms are the principal ones that have been examined here.

These social relationships which come into existence when individuals attempt to make best use of their individual resources need not only be seen as components of social structures, however. They may also be seen as resources for the individuals. Loury (1977, 1987) introduced the term "social capital" to describe these resources. In Loury's usage social capital is the set of resources that inhere in family relations and in community-social organization and that are useful for the cognitive or social development of a child or young person. These resources differ for different persons and can constitute an important advantage for children and adolescents in the development of their human capital. (See also Bourdieu, 1980, and Flap and De Graaf, 1986, who have used this term in a similar fashion.) The relations of authority and of trust and the norms examined in earlier chapters are forms of social capital. This chapter will examine more directly various kinds of social capital and the ways in which it is generated.

There is a broadly perpetrated fiction in modern society, which is compatible with the development of the political philosophy of natural rights, with classical and neoclassical economic theory, and with many of the intellectual developments (and the social changes which generated them) that have occurred since the seventeenth century. This fiction is that society consists of a set of independent individuals, each of whom acts to achieve goals that are independently arrived at, and that the functioning of the social system consists of the combination of these actions of independent individuals. This fiction is expressed in the economic theory of perfect competition in a market, most graphically in Adam Smith's imagery of an "invisible hand."

There have also been recent attempts by sociologists to examine the way social organization affects the functioning of economic institutions. Baker (1983) has shown how relations among floor traders in the highly rationalized market of the Chicago Mercantile Exchange develop, are maintained, and affect trading activity. More generally, Granovetter (1985) has engaged in a broad attack on the "undersocialized concept of man" that characterizes economists' analyses of economic activity. Granovetter criticizes much of the new institutional economics as crudely functionalist because it often explains the existence of an economic institution merely by the functions it performs for the economic system. He argues that there is a failure even in the new institutional economics to recognize the importance of concrete personal relations and networks of relations—what he calls the embeddedness of economic transactions in social relations—in generating trust, in establishing expectations, and in creating and enforcing norms.

Granovetter's notion of embeddedness may be seen as an attempt to introduce into the analysis of economic systems social and organizational relations, not merely as a structure that springs into place to fulfill an economic function, but as a structure with history and continuity that give it an independent impact on the functioning of the system.

Lin, in a number of papers (Lin and Vaughn, 1981; Lin, 1982; 1988), has built on Granovetter's work showing how persons use social resources in accomplishing their goals, particularly in occupational attainment. Lin has shown that persons act instrumentally, using their social ties (especially more extended, or "weak," ties) to gain occupational mobility beyond that predicted by their structural position. Flap and De Graaf (1986) have extended this work in their comparative examination of the United States, West Germany, and the Netherlands.

I want to incorporate this general set of ideas into the framework presented in earlier chapters. I will conceive of these social-structural resources as a capital asset for the individual, that is, as social capital. Social capital is defined by its function. It is not a single entity, but a variety of different entities having two characteristics in common: They all consist of some aspect of a social structure, and they facilitate certain actions of individuals who are within the structure. Like other forms of capital, social capital is productive, making possible the achievement of certain ends that would not be attainable in its absence. Like physical capital and human capital, social capital is not completely fungible, but is fungible with respect to specific activities. A given form of social capital that is valuable in facilitating certain actions may be useless or even harmful for others. Unlike other forms of capital, social capital inheres in the structure-of-relations between persons and among persons. It is lodged neither in individuals nor in physical implements of production.

Defining social capital more precisely will be facilitated by first considering several examples which illustrate some of its different forms.

1. The *International Herald Tribune* for June 21–22, 1986, had a front-page article about radical student activists in South Korea. The article describes the

development of such activism: "Radical thought is passed on in clandestine 'study circles,' groups of students who may come from the same high school or hometown or church. These study circles . . . serve as the basic organizational unit for demonstrations and other protests. To avoid detection, members of different groups never meet, but communicate through an appointed representative." This description of the basis of organization of this activism illustrates social capital of two kinds. The "same high school or hometown or church" provides social relations on which the study circles are later built. The study circles themselves constitute a form of social capital—a cellular form of organization which appears especially valuable for facilitating opposition to a political system that is intolerant of dissent. Any organization which makes possible such oppositional activities is an especially potent form of social capital for the individuals who are members of the organization.

2. Traditionally, the relation between physician and patient has been one in which the patient places trust in the physician, and the physician employs medical skills in the interest of the patient. Recently in the United States that trust has broken down, as evidenced by the great increase in the number of malpractice suits brought by patients against physicians who have treated them. This has led to an increase in the cost of medical care for certain treatments, due to the cost of malpractice insurance, to abandonment of private practice by some physicians, and in at least one town to the refusal of obstetricians to accept female attorneys or wives of male attorneys as patients. This decline in trust and the increased willingness to file suit against a physician after a medical treatment has had a bad outcome result from a lack of those social relations on which trust depends and lead to increased cost and reduced availability of medical care.

3. A mother of six children, who moved with her husband and children from suburban Detroit to Jerusalem, describes as one reason for doing so the greater freedom her young children have in Jerusalem. She feels it is safe to let her eight-year-old take the six-year-old across town to school on the city bus and to let her children play without supervision in a city park, neither of which did she feel able to allow where she lived before. The reason for this difference can be described as a difference in the social capital available in Jerusalem and in suburban Detroit. In Jerusalem the normative structure ensures that unattended children will be looked after by adults in the vicinity, but no such normative structure exists in most metropolitan areas of the United States. One can say that families in Jerusalem have available to them social capital that does not exist in metropolitan areas of the United States.

4. In the central market in Cairo, the boundaries between merchants are difficult for an outsider to discover. The owner of a shop which specializes in leather, when queried about where one can find a certain kind of jewelry, will turn out to sell that as well—or what appears to be nearly the same thing, to have a close associate who sells it, to whom he will immediately take the customer. Or a shopkeeper will instantly become a money changer simply by turning to his colleague a few shops down. For some activities, such as bringing a customer to a friend's store, there are commissions; others, such as money

changing, merely create obligations. Family relations are important in the market, as is the stability of proprietorship. The whole market is so infused with relations of the sort just described that it can be seen as an organization, no less so than a department store. Alternatively, the market can be seen as consisting of a set of individual merchants, each having an extensive body of social capital on which to draw, based on the relationships within the market.

As these examples indicate, social organization constitutes social capital, facilitating the achievement of goals that could not be achieved in its absence or could be achieved only at a higher cost. There are, however, certain properties of social capital that are important for understanding how it comes into being and how it is destroyed or lost. A comparison of social capital with human capital followed by an examination of different forms of social capital will be helpful for seeing these.

Human Capital and Social Capital

Probably the most important and most original development in the economics of education in the past thirty years has been the idea that the concept of physical capital, as embodied in tools, machines, and other productive equipment, can be extended to include human capital as well (see Schultz, 1961; Becker, 1964). Just as physical capital is created by making changes in materials so as to form tools that facilitate production, human capital is created by changing persons so as to give them skills and capabilities that make them able to act in new ways.

Social capital, in turn, is created when the relations among persons change in ways that facilitate action. Physical capital is wholly tangible, being embodied in observable material form; human capital is less tangible, being embodied in the skills and knowledge acquired by an individual; social capital is even less tangible, for it is embodied in the *relations* among persons. Physical capital and human capital facilitate productive activity, and social capital does so as well. For example, a group whose members manifest trustworthiness and place extensive trust in one another will be able to accomplish much more than a comparable group lacking that trustworthiness and trust.

The distinction between human capital and social capital can be exhibited by a diagram such as Figure 12.1, which represents the relations of three persons (A, B, and C); the human capital resides in the nodes, and the social capital resides in the lines connecting the nodes. Social capital and human capital are often complementary. For example, if B is a child and A is an adult who is a parent of B, then for A to further the cognitive development of B, there must be capital in both the node and the link. There must be human capital held by A and social capital in the relation between A and B.

Forms of Social Capital

Using the concept of social capital will uncover no processes that are different in fundamental ways from those discussed in other chapters. This concept groups

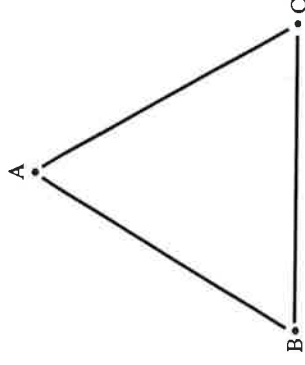


Figure 12.1 Three-person structure: human capital in nodes and social capital in relations.

some of those processes together and blurs distinctions between types of social relations, distinctions that are important for other purposes. The value of the concept lies primarily in the fact that it identifies certain aspects of social structure by their function, just as the concept "chair" identifies certain physical objects by their function, disregarding differences in form, appearance, and construction. The function identified by the concept "social capital" is the value of those aspects of social structure to actors, as resources that can be used by the actors to realize their interests.

By identifying this function of certain aspects of social structure, the concept of social capital aids in both accounting for different outcomes at the level of individual actors and making the micro-to-macro transition without elaborating the social-structural details through which this occurs. For example, characterizing the clandestine study circles of South Korean radical students as constituting social capital that these students can use in their revolutionary activities is an assertion that the groups constitute a resource which aids in moving the students from individual protest to organized revolt. If a resource that accomplishes this task is held to be necessary in a theory of revolt (as it is in Chapter 18), then the study circles can be grouped with other organizational structures, of different origins, which have fulfilled the same function for individuals with revolutionary goals in other contexts, such as the *comités d'action lycéen* of the French student revolt of 1968 or the workers' cells in czarist Russia described and advocated by Lenin (1973 [1902]).

It is true, of course, that for other purposes one wants to investigate the details of such organizational resources, to understand the elements that are critical to their usefulness as resources for a given purpose, and to examine how they came into being in a particular case. But the concept of social capital can allow showing how such resources can be combined with other resources to produce different system-level behavior or, in other cases, different outcomes for individuals. Whether social capital will come to be as useful a quantitative concept in social science as are the concepts of financial capital, physical capital, and human capital remains to be seen; its current value lies primarily in its usefulness for

by a high degree of social disorganization—or, in other words, by a lack of social capital.

Another situation in which extreme trustworthiness facilitates actions that would not otherwise be possible is that of heads of state. Various accounts of the experiences of heads of state suggest that for persons in this position it is extremely valuable to have an extension of one's self, an agent one can trust absolutely to act as one would in a given situation. Many heads of state have such a person, who may not occupy a formal position of power but may be a member of a personal staff. The fact that these persons are often old friends, or cronies, rather than persons who have distinguished themselves in some political activity, is derivative from this: The most important attribute of such a person is that trust can be placed in him, and this requirement often dictates choosing a long-term personal friend. Such persons often come to have enormous power due to their proximity to a head of state and the trust placed in them; and there are many recorded accounts of the use of that power. What is of interest here is the social capital this relation provides for the head of state, assuming that the trust is well placed. The trusted other is virtually an extension of self, allowing the head of state to expand his capacity for action.

Still another case that illustrates the importance of trustworthiness as a form of social capital is a system of mutual trust. The extreme example of such a system is a couple, each of whom places extensive trust in the other, whether they are deeply in love or not. For both members of such a couple, the relation has extraordinary psychological value. Each can confide in the other, can expose inner doubts, can be completely forthright with the other, can raise sensitive issues—all without fear of the other's misuse of the trust.

Differences in social structures with respect to the extent of outstanding obligations arise for a variety of reasons. These include, besides the general level of trustworthiness that leads obligations to be repaid, the actual needs that persons have for help, the existence of other sources of aid (such as government welfare services), the degree of affluence (which reduces the amount of aid needed from others), cultural differences in the tendency to lend aid and ask for aid (see Banfield, 1967), the degree of closure of social networks, the logistics of social contacts (see Festinger, Schachter, and Back, 1963), and other factors. Individuals in social structures with high levels of obligations outstanding at any time, whatever the source of those obligations, have greater social capital on which they can draw. The density of outstanding obligations means, in effect, that the overall usefulness of the tangible resources possessed by actors in that social structure is amplified by their availability to other actors when needed.

In a farming community such as that of the example in Chapter 5, where one farmer got his hay baled by another and where farm tools are extensively borrowed and lent, the social capital allows each farmer to get his work done with less physical capital in the form of tools and equipment. Such a social structure is analogous to an industrial community in which bills of exchange (that is, debts) are passed around, serving as money and effectively reducing the

qualitative analyses of social systems and for those quantitative analyses that employ qualitative indicators.

In other chapters (principally in Part III) the concept of social capital will be left unanalyzed (as it was in the brief descriptions given above as examples). In this chapter, however, I will examine just what it is about social relations that can constitute useful capital resources for individuals.

Obligations and Expectations

As described in Chapter 5, if A does something for B and trusts B to reciprocate in the future, this establishes an expectation in A and an obligation on the part of B to keep the trust. This obligation can be conceived of as a "credit slip" held by A to be redeemed by some performance by B. If A holds a large number of these credit slips from a number of persons with whom he has relations, then the analogy to financial capital is direct: The credit slips constitute a large body of credit on which A can draw if necessary—unless, of course, the placement of trust has been unwise, and the slips represent bad debts that will not be repaid. In some social structures (such as, for example, the neighborhoods discussed by Willmott and Young, 1967) it is said that people are "always doing things for each other." There are a large number of these credit slips outstanding, often on both sides of a relation (for these credit slips often appear to be not fungible across different areas of activity, so credit slips from B held by A and those from A held by B are not fully used to cancel each other out). The market in Cairo described earlier in this chapter constitutes an extreme case of such a social structure. In other social structures where individuals are more self-sufficient, depending on each other less, there are fewer of these credit slips outstanding at any time.

Two elements are critical to this form of social capital: the level of trustworthiness of the social environment, which means that obligations will be repaid, and the actual extent of obligations held. Social structures differ in both of these dimensions, and actors within a particular structure differ in the second.

A case which illustrates the value of trustworthiness is the rotating credit association found in Southeast Asia and elsewhere. These associations are groups of friends and neighbors who typically meet monthly; each person contributes the same amount of money to a central fund, which is then given to one of the members (through bidding or by lot). After n months each of the n persons has made n contributions and received one payout. As Geertz (1962) points out, these associations serve as efficient institutions for amassing savings for small capital expenditures, an important aid to economic development. Without a high degree of trustworthiness among the members of the group, such a credit association could not exist—for a person who received a payout early in the sequence of meetings could abscond, leaving the others with a loss. One could not imagine such a rotating credit association operating successfully in urban areas marked

financial capital necessary to carry out a given level of manufacturing activity. (See Ashton, 1945, for a description of this in Lancashire in the 1790s, before a centralized monetary system was well established in England.)

Individual actors in a social system also differ with respect to the extent of credit slips on which they can draw at any time. For example, in hierarchically structured extended family settings, a patriarch often holds an extraordinarily large set of such credit slips, which he can call in at any time to get done what he wants done. Another clear example occurs in villages in traditional settings that are highly stratified, where certain wealthy families, because of their wealth, have built up extensive credits on which they can call at any time. (It is the existence of such asymmetries that can make some families immune to sanctions that can be used to regulate the actions of others in the community, as occurred in the example about the Sarakatsan nomads of Greece in Chapter 10.)

Similarly, in a political setting such as a legislature, a legislator in a position that brings extra resources (such as the Speaker of the House of Representatives or the Majority Leader of the Senate in the U.S. Congress) can, by effective use of those resources, build up a set of credits from other legislators so that it becomes possible for him to get legislation passed that would otherwise be defeated. This concentration of obligations constitutes social capital that is useful not only for the powerful legislator, but also in increasing the level of action of the legislature. Thus those members of legislatures who have extensive credit slips should be more powerful than those who do not because they can use the credits to produce bloc voting on many issues. It is well recognized, for example, that in the U.S. Senate, some senators are members of what is called the Senate Club, and others are not. This in effect means that some senators are embedded in a system of credits and debts, and others (outside the Club) are not. It is also well recognized that those in the Club are more powerful than those outside it.

Another example showing asymmetry in the sets of obligations and expectations is the one presented earlier about the crisis in medical care in the United States due to liability suits. Traditionally physicians have been in control of events having literally life-and-death importance to patients, who in turn often felt unable to adequately compensate them for the extreme benefits they brought about. Part of a physician's payment was in the form of gratitude, deference, and high occupational prestige. These constituted a felt obligation to the physician, a form of social capital which inhibited patients dissatisfied with the outcome of their medical treatments from taking action against the physician.

But several factors have changed. One is that physicians' monopoly on medical knowledge has been lessened by an expansion of education. A second is a reduction in the likelihood that there is a personal relation between physician and patient, since a patient is less likely to use a family doctor or even a general practitioner and more likely to see specialists for particular medical problems. A third is the high income of many physicians, which reduces the perceived asymmetry between service and compensation. A fourth is the increased use of liability

ity insurance, which transfers the financial cost of a lawsuit from physician to insurer. The combination of these and other factors has reduced the social capital that protected the physician from becoming a target when patients experienced undesirable medical outcomes.

WHY DO RATIONAL ACTORS CREATE OBLIGATIONS? Although some of the variation in the extent of outstanding obligations arises from social changes of the sort described above, some appears to arise from the intentional creation of obligation by a person who does something for another. For example, Turnbull (1977), who studied the Ik, a poverty-ridden tribe in Africa, describes an occasion when a man arrived home to find his neighbors, unasked, on the roof of his house fixing it. Despite his not wanting this aid, he was unable to induce them to stop. In this case and others there appears to be, not the creation of obligations through necessity, but a purposive creation of obligations. The giving of gifts has been interpreted in this light (see Mauss, 1954), as have the potlatches of the Kwakiutl tribe in the Pacific Northwest. In rural areas persons who do favors for others often seem to prefer that these favors not be repaid immediately, and those for whom a favor is done sometimes seem anxious to relieve themselves of the obligation.

Although the motives for freeing oneself from obligations may be readily understood (especially if the existence of obligations consumes one's attention), the motives for creating obligations toward oneself are less transparent. If there is a nonzero chance that the obligation will not be repaid, it would appear that rational persons would extend such credit only if they expect to receive something greater in return—just as a bank makes a loan only at sufficient interest to realize a profit after allowing for risk. The question then becomes whether there is anything about social obligations to make a rational person interested in establishing and maintaining such obligations on the part of others toward himself.

A possible answer is this: When I do a favor for you, this ordinarily occurs at a time when you have a need and involves no great cost to me. If I am rational and purely self-interested, I see that the importance to you of this favor is sufficiently great that you will be ready to repay me with a favor in my time of need that will benefit me more than this favor costs me—unless, of course, you are also in need at that time. This does not apply when the favor is merely the lending of money, since a unit of money holds about the same interest to a person over time.³ When the favor involves services, expenditure of time, or some other nonfungible resource, however, or when it is of intrinsically more value to the recipient than to the donor (such as help with a task that can be done by two persons but not by one), this kind of mutually profitable exchange is quite

3. It is interesting that, for persons whose interest in money fluctuates wildly over time, this sort of exchange is possible. In a rural county in West Virginia, the county clerk would lend money to the three town drunks when their need for money was great and then collect from them, with exorbitant interest, when they received their welfare checks, when money was of less interest to them.

possible. The profitability for the donor depends on the recipient's not repaying the favor until the donor is in need.

Thus creating obligations by doing favors can constitute a kind of insurance policy for which the premiums are paid in inexpensive currency and the benefit arrives as valuable currency. There may easily be a positive expected profit.

There is one more point: A rational, self-interested person may attempt to prevent others from doing favors for him or may attempt to relieve himself of an obligation at a time he chooses (that is, when repaying the favor costs him little), rather than when the donor is in need, because the call for his services may come at an inconvenient time (when repaying the obligation would be costly). Thus in principle there can be a struggle between a person wanting to do a favor for another and the other not wanting to have the favor done for him or a struggle between a person attempting to repay a favor and his creditor attempting to prevent repayment.

Information Potential

An important form of social capital is the potential for information that inheres in social relations. Information is important in providing a basis for action. But acquisition of information is costly. The minimum it requires is attention, which is always in short supply. One means by which information can be acquired is to use social relations that are maintained for other purposes. Katz and Lazarsfeld (1955) show how this operates for women in several areas of life; for example, a woman who has an interest in being in style but not at the leading edge of fashion can use certain friends, who do stay on the leading edge, as sources of information. As another example, a person who is not deeply interested in current events but who is interested in being informed about important developments can save the time required to read a newspaper if he can get the information he wants from a friend who pays attention to such matters. A social scientist who is interested in being up to date on research in related fields can make use of his everyday interactions with colleagues to do so, if he can depend on them to be up to date in their fields.

All these are examples of social relations that constitute a form of social capital in providing information that facilitates action. The relations in this case are valuable for the information they provide, not for the credit slips they provide in the form of obligations that one holds for others' performance.

Norms and Effective Sanctions

Chapter 10 discussed the problems of establishing and maintaining a norm and the sanctions which give it effectiveness. When an effective norm does exist, it constitutes a powerful, but sometimes fragile, form of social capital. Effective norms that inhibit crime in a city make it possible for women to walk freely outside at night and for old people to leave their homes without fear. Norms in a community that support and provide effective rewards for high achievement in

school greatly facilitate the school's task. A prescriptive norm that constitutes an especially important form of social capital within a collectivity is the norm that one should forgo self-interests to act in the interests of the collectivity. A norm of this sort, reinforced by social support, status, honor, and other rewards, is the social capital which builds young nations (and which dissipates as they grow older), strengthens families by leading members to act selflessly in the family's interest, facilitates the development of nascent social movements from a small group of dedicated, inward-looking, and mutually rewarding persons, and in general leads persons to work for the public good. In some of these cases the norms are internalized; in others they are largely supported through external rewards for selfless actions and disapproval for selfish actions. But whether supported by internal or external sanctions, norms of this sort are important in overcoming the public-good problem that exists in conjoint collectivities.

As all these examples suggest, effective norms can constitute a powerful form of social capital. This social capital, however, like the forms described earlier, not only facilitates certain actions but also constrains others. Strong and effective norms about young persons' behavior in a community can keep them from having a good time. Norms which make it possible for women to walk alone at night also constrain the activities of criminals (and possibly of some noncriminals as well). Even prescriptive norms that reward certain actions, such as a norm which says that a boy who is a good athlete should go out for football, are in effect directing energy away from other activities. Effective norms in an area can reduce innovativeness in that area, can constrain not only deviant actions that harm others but also deviant actions that can benefit everyone. (See Merton, 1968, pp. 195-203, for a discussion of how this can come about.)

Authority Relations

If actor A has transferred rights of control of certain actions to another actor, B, then B has available social capital in the form of those rights of control. If a number of actors have transferred similar rights of control to B, then B has available an extensive body of social capital, which can be concentrated on certain activities. Of course, this puts extensive power in B's hands. What is not quite so straightforward is that the very concentration of these rights in a single actor increases the total social capital by overcoming (in principle, if not always entirely in fact) the free-rider problem experienced by individuals with similar interests but without a common authority. It appears, in fact, to be precisely the desire to bring into being the social capital needed to solve common problems that leads persons under certain circumstances to vest authority in a charismatic leader (as discussed in Chapter 4 and in Zablocki, 1980, and Scholem, 1973).

Appropriate Social Organization

Voluntary organizations are brought into being to further some purpose of those who initiate them. In a housing project built during World War II in a city in the

eastern United States, there were many physical problems caused by poor construction, such as faulty plumbing, crumbling sidewalks, and other defects (Mer-ton, n.d.). Residents organized to confront the builders and to address these problems in other ways. Later, when the problems were solved, the residents' organization remained active and constituted available social capital which improved the quality of life in the project. Residents had available to them resources that were seen as unavailable where they had lived before. (For example, despite the fact that there were fewer teenagers in the community, residents were more likely to express satisfaction concerning the availability of babysitters.)

Members of the New York Typographical Union who were monotype operators formed a social club called the Monotype Club (Lipset, Trow, and Coleman, 1956). Later, as employers looked for monotype operators and as monotype operators looked for jobs, both found this organization to be an effective employment referral service and utilized it for this purpose. Still later, when the Progressive Party came into power in the New York Typographical Union, the Monotype Club served as an organizational resource for the ousted Independent Party. The Monotype Club subsequently served as an important source of social capital for the Independents, sustaining their party as an organized opposition while they were out of office.

In an example used earlier in this chapter, the study circles of South Korean student radicals were described as being groups of students who came from the same high school or hometown or church. In this case also, organization that was initiated for one purpose is appropriate for other purposes, constituting important social capital for the individuals who have available to them the organizational resources.

These examples illustrate the general point that organization brought into existence for one set of purposes can also aid others, thus constituting social capital that is available for use.⁴ It may be that this form of social capital can be dissolved, with nothing left over, into elements that are discussed under other headings in this section, that is, obligations and expectations, information potential, norms, and authority relations. If so, listing this form of social capital is redundant. But the phenomenon of social organization being appropriated as existing social capital for new purposes is such a pervasive one that separate mention appears warranted.

Intentional Organization

A major use of the concept of social capital depends on its being a by-product of activities engaged in for other purposes. A later section will show why this is so, why there is often little or no direct investment in social capital. There are,

4. A classic instance of this is described by Sills (1957). The March of Dimes was originally dedicated to the elimination of polio. When Salk's vaccine virtually eradicated polio, the March of Dimes organization did not go out of existence but directed its efforts toward other diseases.

however, forms of social capital which are the direct result of investment by actors who have the aim of receiving a return on their investment.

The most prominent example is a business organization created by the owners of financial capital for the purpose of earning income for them. These organizations ordinarily take the form of authority structures composed of positions connected by obligations and expectations and occupied by persons (as described in Chapter 4). In creating such an organization, an entrepreneur or capitalist transforms financial capital into physical capital in the form of buildings and tools, social capital in the form of the organization of positions, and human capital in the form of persons occupying positions. Like the other forms of capital, social capital requires investment in the designing of the structure of obligations and expectations, responsibility and authority, and norms (or rules) and sanctions which will bring about an effectively functioning organization.

Another form of intentional organization is a voluntary association which produces a public good. For example, a group of parents whose children attend a school forms a PTA chapter where one did not exist before. This organization constitutes social capital not only for the organizers but for the school, the students, and other parents. Even if the organization serves only the original purpose for which it is organized and is not appropriated for other purposes, as is the case for organizations described in an earlier section, it serves this purpose, by its very nature, for a wider range of actors than those who initiated it. Such an organization is, concretely, of the same sort as those described earlier. The PTA is the same kind of organization as the Monotype Club, the residents' association formed to deal with faulty plumbing, and the church groups of South Korean youth. All are voluntary associations. As it functions, however, the organization creates two kinds of by-products as social capital. One is the by-product described in the preceding section, the appropriability of the organization for other purposes. A second is the by-product described here: Because the organization produces a public good, its creation by one subset of persons makes its benefits available to others as well, whether or not they participate. For example, the disciplinary standards promulgated by an active PTA change a school in ways that benefit nonparticipants as well as participants.

Relative Quantities of Social Capital

It is possible to state more precisely the resources that social capital provides for those who have it. That will be done in Chapter 30, but I will introduce here some of the results of that chapter. In Figure 12.1 the nodes A, B, and C represent persons and the lines connecting them represent relations; human capital is found in the nodes and social capital in the lines. But the "relation between A and B" is to be taken to mean, as indicated in earlier chapters, that A controls some events of interest to B and B controls some events of interest to A. If the events controlled by each actor are seen as credit slips held by that actor, expressing obligations of the other, then this diagram corresponds directly

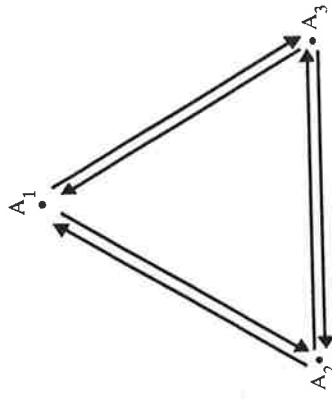


Figure 12.2 A three-actor system with full closure.

to the first form of social capital discussed earlier, obligations and expectations. Other interpretations of events correspond to other forms of social capital, although the correspondence is not perfect.

If an arrow from A_1 and A_2 denotes A_2 's interest in events controlled by A_1 or A_2 's dependence on A_1 , a system of three actors with full closure is represented by Figure 12.2.

If there is no relation between A_2 and A_3 , relations among the three can be represented as shown in Figure 12.3.

If A_3 depends on A_2 , but A_2 has no dependence on A_3 , the diagram of Figure 12.3 is modified as shown in Figure 12.4.

For Figure 12.2, if each actor controls events of equal interest to each of the others, then the power of each, as calculated in Chapter 25, will be equal, by symmetry. In Figure 12.3, A_2 and A_3 are in reciprocal relations with A_1 but have no relations with one another. If these relations are thought of as credit slips (that is, expectations and obligations), then the situation diagrammed in Figure 12.3 can be described by saying that the debits and credits of each pair of actors

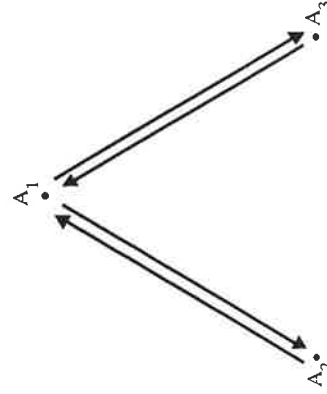


Figure 12.3 A three-actor system without closure.

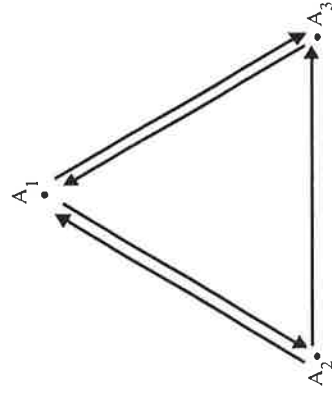


Figure 12.4 A three-actor system with near closure.

are balanced, but A_1 has twice the volume of debits and credits that A_2 and A_3 have. Figure 12.3 represents, then, a situation in which A_1 has more social capital available to him than does either of the other actors. The equilibrium state of the linear system of action is used in Chapter 25 to show that the power of A_1 in the system reflects this. Calculations in that chapter show that if the events that A_1 and A_2 control are of equal interest to each other and similarly for A_1 and A_3 , the power of A_2 or A_3 in this system is only .707 times that of A_1 .

For Figure 12.4, which is like Figure 12.2 except that A_2 has no obligations to A_3 , the calculations of Chapter 25 show that A_2 's power is equal to A_1 's— A_2 has the same social capital available to him as A_1 does. The absence of any obligations from A_2 and A_3 means that A_3 's power is reduced to .618 of that held by A_1 or A_2 .⁵ Thus the power of an actor in the equilibrium linear system of action is a direct measure of the social capital available to the actor within that system. Examples of the way closure of the system affects the power of actors within it is shown both later in this chapter and in other chapters (see Figure 11.1).

The Public-Good Aspect of Social Capital

Social capital has certain properties that distinguish it from the private, divisible, alienable goods treated by neoclassical economic theory. One of these, discussed by Loury (1987), is its practical inalienability. Although it is a resource that has value in use, it cannot be easily exchanged. As an attribute of the social structure in which a person is embedded, social capital is not the private property of any of the persons who benefit from it.

Another difference, deriving from the public-good aspect of social capital, can be seen by comparing it with physical capital. Physical capital is ordinarily a private good, and property rights make it possible for the person who invests in

5. Cook et al. (1983) have used similar measures to show the power of actors in different structures of constrained communication.

physical capital to capture the benefits it produces. Thus the incentive to invest in physical capital is not depressed; there is, as an economist might say, not a suboptimal investment in physical capital, because those who invest in it are able to capture the benefits of their investments. For human capital also—at least human capital of the sort that is produced in schools—the person who invests the time and resources in building up this capital reaps the benefits that persons anticipate receiving from schooling: a higher-paying job, more satisfying or higher-status work, or even the pleasure of improved understanding of the surrounding world.

But in most of its forms social capital is not like this. For example, the kinds of social structures which make possible social norms and the sanctions to enforce them do not benefit primarily the persons whose efforts are necessary to bring the norms and sanctions into existence, but all those who are part of the particular structure. For example, where there exists a dense set of associations among some parents of children attending a given school, these involve a small number of persons, ordinarily mothers who do not hold full-time jobs outside the home. Yet these mothers themselves experience only a subset of the benefits of this social capital generated for the school. If one of them decides to abandon these activities, for example, to take a full-time job, this may be an entirely reasonable action from a personal point of view, and even from the point of view of her household and children. The benefits of the new activity for her may far outweigh the losses which arise from the decline in associations with other parents whose children attend the school. But her withdrawal from these activities constitutes a loss to all those other parents whose associations and contacts are dependent on them.

As another example, a family's decision to move away from a community because of a job opportunity elsewhere may be entirely correct from the point of view of that family. But because social capital consists of relations among persons, others may experience extensive losses due to the severance of relations with members of that family, a severance over which they had no control. Such losses may entail the weakening of norms and sanctions that aid law enforcement and of those norms that aid parents and schools in socializing children. The total cost each family experiences as a consequence of the decisions it and other families make may outweigh the benefits that come from those few decisions it has control over. Yet the beneficial consequences to the family of those decisions it does have control over may far outweigh the minor losses it experiences from them alone.

Underinvestment of this sort does not only occur in voluntary associations such as a PTA or a Monotype Club. When an individual asks a favor from another, thus incurring an obligation, he does so because it brings him a needed benefit. He does not consider that the other experiences a benefit as well, from having the chance to add to a drawing fund of social capital available at a future time of need. If the first individual can satisfy his need through self-sufficiency or

through aid from some external source (for example, a government agency), without incurring an obligation, he may do so—and thus fail to add to the social capital outstanding in the community. Similarly, in choosing to keep trust or not (or choosing whether to devote resources to an attempt to keep trust), an actor does so on the basis of costs and benefits he himself will experience. That his trustworthiness will facilitate others' actions or his lack of trustworthiness will inhibit others' actions does not enter into his decision making.

A similar but more qualified statement can be made about information as a form of social capital. An individual who serves as a source of information for another because he is well informed ordinarily acquires that information for his own benefit, not for any other who might make use of him. This is not always true, however. As Katz and Lazarsfeld (1955) show, opinion leaders in an area acquire information in part to maintain their position as such. This is to be expected if the others who use them as information sources pay deference or gratitude for the information they get, even if the opinion leaders initially acquired information solely for their own use.

Norms also suffer only in part from underinvestment in public goods. Norms are intentionally established, as means of reducing externalities, and their benefits are ordinarily captured by those who are responsible for establishing them. But as Chapter 11 showed, the capability of establishing and maintaining effective norms depends on properties of the social structure (such as closure) over which one actor does not have control, yet which may be affected by one actor's action. These properties affect the structure's capacity to sustain effective norms; yet individuals seldom take this fact into account when taking actions that can destroy these structural properties.

Some forms of social capital have the property that their benefits can be captured by those who invest in them; rational actors consequently will not underinvest in these forms of social capital. Organizations that produce a private good constitute the outstanding example, as indicated earlier. The result is that there will be in society an imbalance between the relative investment in organizations that produce private goods for a market and in organizations (often voluntary associations) from which the benefits are not captured—an imbalance in the sense that if the positive externalities created by such social capital could be internalized, it would come to exist in greater quantity.

The public-good aspect of most social capital means that it is in a fundamentally different position with respect to purposive action than are most other forms of capital. Social capital is an important resource for individuals and can greatly affect their ability to act and their perceived quality of life. They have the capability of bringing such capital into being. Yet because many of the benefits of actions that bring social capital into being are experienced by persons other than the person so acting, it is not to that person's interest to bring it into being. The result is that most forms of social capital are created or destroyed as a by-product of other activities. Much social capital arises or disappears without

anyone's willing it into or out of being; such capital is therefore even less recognized and taken into account in social research than its intangible character might warrant.

The Creation, Maintenance, and Destruction of Social Capital

In this section I will suggest some factors, themselves the consequences of individuals' decisions, which help create or destroy social capital. Because there is some redundancy with earlier chapters, the treatment will be brief.

Closure

In Chapter 11 I indicated the importance of closure of social networks for the emergence of norms. Closure is also important if trust is to reach the level that is warranted by the trustworthiness of the potential trustees. This is evident especially in the case of systems of trust that involve intermediaries in trust, as discussed in Chapter 8 and shown in Figure 8.2. A's placement of trust in T's performance is based in part on A's trust in B's judgment. B's placement of trust depends in part on his trust in C's judgment, and C's in turn depends in part on his trust in A's. These closed systems can, of course, lead to inflationary and deflationary spirals in the placement of trust; despite this instability that can result from extreme closure, some degree of closure is a valuable asset to individuals who must decide whether or not to place trust.

In some systems of trust intermediaries can constitute a substitute for closure. If A must decide whether to place trust in T but has no relation with T, then B's relation to T, together with A's trust in B's judgment, can allow A to make a more accurate assessment of T's trustworthiness, and thus to reach a better decision.

The effect of closure can be seen especially well by considering a system involving parents and children. In a community where there is an extensive set of expectations and obligations connecting the adults, each adult can use his drawing account with other adults to help supervise and control his children. If A and B are adults in a community and a and b are, respectively, their children, then closure in the community can be pictured as in Figure 12.5(a), where arrows from one actor to another again represent the dependence of the second on the first through events the first controls. Lack of closure is shown in Figure 12.5(b), where the parents, A and B, have their friends outside this community. In a community like that represented in Figure 12.5(a), A and B can both use their mutual obligations to aid them in raising their children and can develop norms about their children's behavior. Actions of either child, a or b, impose externalities, direct or indirect, on both A and B in both communities; but only in the community represented by Figure 12.5(a) is there the closure which allows A and B to establish norms and reinforce each other's sanctioning of the children.

For Figure 12.5, if all obligations are assumed to be balanced and all interests

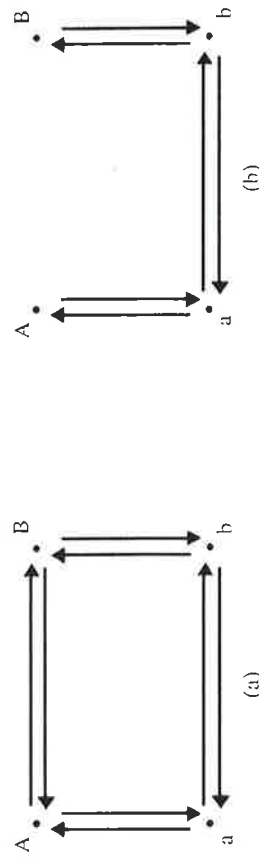


Figure 12.5 Representation of two communities: (a) with and (b) without intergenerational closure.

to be equal, then it is possible, as for Figures 12.2, 12.3, and 12.4, to calculate the relative disadvantage faced by parents in the community without closure. In the community depicted in Figure 12.5(a), each child and each parent have equal power, by symmetry. In the community depicted in Figure 12.5(b), the parents, though continuing to hold just as much direct control of events which interest their respective children, have only .618 of the power their children have, purely because of the relations between those children and the absence of relations between the parents. In other words, the parents in the community without closure have only .618 as much power relative to their children as do the parents in the community with closure—the deficiency is due to the lack of relations between the parents.

The variation in closure exhibited in Figure 12.5 can be generalized to any social structure in which actors can be classified as two different types and have relations both with actors of the other type and with actors of the same type. For example, instead of parents and children, the types may be unmarried men and unmarried women. The men and women will date one another, and, in addition, the men may have extensive networks of relations, and the women may have extensive networks of relations, as shown in Figure 12.5(a). Or it may be that the women, for example, have extensive networks of relations with internal closure, but the men do not, as shown in Figure 12.5(b). In that case the women will have more social capital than the men do. They can give the men reputations (good or bad), establish rules or norms that may strengthen a woman's power relative to a man's on dates, and use their social capital in other ways.

This example, as well as the case of parents and children, suggests that where one type of actor is weaker in a relationship (as children are with respect to parents or women with respect to men or students with respect to faculty), the actors of that type will be likely to develop social networks that have closure, in order to strengthen their position relative to the more powerful type of actor. There are, of course, other factors that facilitate closure in such networks, such as the social proximity that schools provide for children.

One setting in which closure in a network is especially important is in certain

communities of corporate actors. In a case where firms in one industry (represented by A and B in Figure 12.5) are suppliers for firms in a second industry (represented by a and b in Figure 12.5), there are supplier-customer relations (analogous to parent-child relations), possibly relations among firms within the first industry, and possibly relations among firms within the second industry. Relations among supplier firms constitute a potentially valuable form of social capital, sometimes leading to collusion and resulting in price fixing. Relations among customer firms also constitute valuable social capital, sometimes resulting in boycotts or embargoes.

Figure 12.5 illustrates variations in closure in a social structure with role differentiation; Figures 12.2, 12.3, and 12.4 show variation in closure where there is no role differentiation. When there is closure in the latter structures, as in Figure 12.2, norms and reputations can develop that keep the actors in the system from imposing externalities on one another. When closure is not present, as in Figure 12.3, those norms and reputations cannot develop.

Stability

A second factor which affects the creation and destruction of social capital is the stability of social structure. Every form of social capital, with the exception of that deriving from formal organizations with structures based on positions, depends on stability. Disruptions of social organization or of social relations can be highly destructive to social capital. The social invention of organizations having positions rather than persons as elements of the structure has provided one form of social capital that can maintain stability in the face of instability of individuals. Where individuals are relegated to being simply occupants of positions, only the performance of the occupants, not the structure itself, is disturbed by mobility of individuals. But for every other form of social capital, individual mobility constitutes a potential action that will be destructive of the structure itself—and thus of the social capital dependent on it.

Ideology

A third factor affecting the creation and destruction of social capital is ideology. An ideology can create social capital by imposing on an individual who holds it the demand that he act in the interests of something or someone other than himself. This is clear in the effects religious ideology has in leading persons to attend to the interests of others. One indirect and somewhat surprising effect has been noted from comparisons of religious and secular schools. Religiously affiliated private schools in the United States, despite their more rigid disciplinary standards, have dropout rates much lower than those of secular private schools or public schools (Coleman and Hoffer, 1987). The apparent cause is a quantity of social capital available to the religiously affiliated school that does not exist for most other schools, private or public. This depends in part on the

social-structural connections between school and parents, through the religious community. In part, however, it depends on the precept derived from religious doctrine that every individual is important in the eyes of God. A consequence of this precept is that youth are much less likely to become administratively "lost" through inattention. The signs of alienation and withdrawal are more quickly responded to, because of the religious ideology held by the school's principal, members of the staff, and adult members of the religious community associated with the school.

There are also ways in which ideology can negatively affect the creation of social capital. An ideology of self-sufficiency, such as that espoused by the Epicureans in classical Greece, or an ideology emphasizing each individual's separate relation to God, which is a basis of much Protestant doctrine, can inhibit the creation of social capital. Durkheim (1951 [1897]) examined the factors leading to individualism (roughly what he described as *égoïsme*) and its effects on the tendency to commit suicide.

Other Factors

Although there are various additional factors which affect the creation and destruction of social capital, only one broad class of these is especially important. This is the class of factors which make persons less dependent on one another. Affluence is one important member of this class; official sources of support in times of need (government aid of various sorts) is another. The presence of these alternatives allows whatever social capital is generated to depreciate and not to be renewed. For despite the public-good aspect of social capital, the more extensively persons call on one another for aid, the greater will be the quantity of social capital generated. When, because of affluence, government aid, or some other factor, persons need each other less, less social capital is generated.

Finally, it is useful to mention that social capital is one of those forms of capital which depreciate over time. Like human capital and physical capital, social capital depreciates if it is not renewed. Social relationships die out if not maintained; expectations and obligations wither over time; and norms depend on regular communication.