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Theories of Capital

The Historical Foundation

One of the far-reaching explanatory schemes in contemporary sociology and economics focuses on the concept of capital. What is *capital*? I define it as *investment of resources with expected returns in the marketplace*. Capital is resources when these resources are invested and mobilized in pursuit of a profit – as a goal in action. Thus, capital is resources twice processed. In the first process, resources are being produced or altered as investment; in the second, the produced or altered resources are being offered in the marketplace for a profit. In one instance, capital is the outcome of a production process (producing or adding value to a resource); in the other, it is the causal factor in a production (the resource is exchanged to generate a profit). These are processes because both investment and mobilization involve time and effort. In the past two decades, social capital in its various forms and contexts has emerged as one of the most salient forms of capital. While much excitement has been generated, divergent views, perspectives, and expectations have also raised a serious question: is this a fad, or does it have enduring qualities that will herald a new intellectual enterprise?

The purpose of this volume is to present a theory of social capital, a theory eliciting the central theme that capital is captured in social relations and that its capture evokes structural constraints and opportunities as well as actions and choices on the part of the actors. Firmly anchored in the general theory of capital, this theory will, it is hoped, contribute to an understanding of capitalization processes explicitly engaging hierarchical structures, social networks, and actors. This theory, and its research enterprise, argue that social capital is best understood by examining the mechanisms and processes by which embedded resources in social networks are captured as investment. It is these mechanisms and processes that help bridge the conceptual gap in the understanding of the macro–micro linkage between structure and individuals.

This chapter will explore the nature of capital and various theories of capital, a context essential in leading up to the presentation and analysis of social capital, which begins in the next chapter.

The Classic Theory: The Marxian View of Capital

To understand social capital, we must first clarify the notion of capital. The notion of capital can be traced to Marx (1849, 1865/1933/1935, 1867/1995; Brewer 1984) in his analysis of how capital emerges from social relations between the bourgeoisie (capitalists) and laborers in the processes of commodity production and consumption. Marx saw capital as part of the surplus value (created through the processes of commodities production and exchange) that creates further profit (Marx 1867/1995, Vol. 1, Chap. 4, and Vol. 2, Chap. 1). The production of commodities engages labor, land, rents, and materials (including facilities, technology, and transportation). Each of these elements incurs a use (or production) value for the producer. However, while a laborer is paid a fixed weekly or monthly wage, the laborer puts out more than the necessary number of hours in producing the commodity (socially necessary labor), and the produced commodity thus carries a lower cost of labor for the producer. That is, the generated use value surpasses the exchange value in payment to support the laborer's subsistence. Thus, a surplus value (or profit) results. Further, the producer (or rather the capitalist) then engages in an exchange process in which the produced commodity is exchanged for another commodity (in the modern world, usually a medium of commodities, i.e., money). The field of exchanges may engage the producer and the consumer either directly or through intermediaries such as traders and merchants. The commodity generates a market value in these exchanges. If the market value exceeds the use (production) value or cost, then further surplus value, or capital, results from the exchange. Figure 1.1 depicts my rendition of Marx's notions of how capital emerges from social relations between capitalists and laborers in the processes of commodity production and consumption.

The processes begin with the capitalist, who is bestowed with resources (capital) to begin with (e.g., land ownership, aristocracy inheritance) and who engage in commodity production by establishing an exchange relation with laborers, who contribute their labor in the production process. In return, the capitalist assesses the value of the commodity produced and pays the laborers in accordance with this value (known as the *exchange value*), usually in money. As presented in Figure 1.1, this relationship is represented by the production exchange between a capitalist and a laborer in the production of Commodity 1.

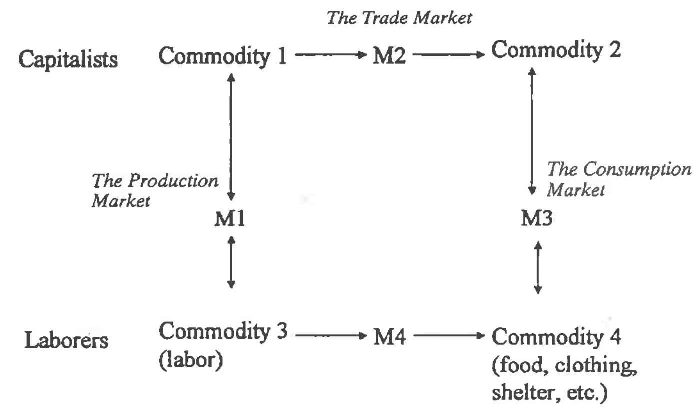

Figure 1.1 Rendition of Marx's thesis on production and consumption relations.

Commodity 1 is the outcome of the production, and Commodity 3 is the labor contributed by the laborer. M1 represents the payment of the capitalist to the laborer for the work performed (Commodity 3) on the production of Commodity 1. The exchange value represents the "socially necessary value" for the production, or what is deemed necessary to pay the laborer for the labor performed (Commodity 3).

The produced commodity (Commodity 1) is then moved through a trade market (from Commodity 1 to Commodity 2) and to the consumption market (from Commodity 2 to Commodity 3). Thus, in the simplest process, Commodity 1 is directly offered as Commodity 2 by the producers to the consumers. The consumers, to a large extent, are the laborers who use the money earned in the production process (M1) to purchase the essential commodities (Commodity 4) for survival. They pay a price (M3) to get these commodities. Marx presents the following arguments:

1. M1 is essentially the same as M4 in value. That is, the payment for labor received by the laborer is the same value that the laborer uses to purchase essential commodities for survival. It is the exchange value, representing no gain or loss of value.
2. M2 is greater than M1 and/or M3 is greater than M1. That is, the selling value of the commodity in the trade and consumption markets is greater than its production value.

Thus, these two processes, the production process and the trade/consumption process, result in two important and separate consequences for laborers and capitalists. Laborers earn the value for their labor

(Commodity 3), which is in turn exchanged to get the essential goods (Commodity 4) for survival, and they earn no surplus value in the process (M1 = M4). Capitalists gain a surplus value (M3 – M1), part of which becomes capital.[1] Thus, the circulation of commodities sustains laborers' subsistence so that they can continuously provide the commodity (labor) necessary in the production process, but no more. On the other hand, the capitalists gain surplus value from the circulation of commodities, of which a significant portion can become capital. The processes are usually more complex, of course. For example, the capitalists can trade the produced commodities among themselves or to other capitalists, from Commodity 1 to Commodity 2, and gain a surplus value (M2 > M1). These other capitalists (traders, merchants) create their own surplus values by circulating the commodities to the consumption market (M3 > M2). Thus, there are capitalists other than those directly engaged in production within the circulation system (the nodes along the circulation of commodities or the chains in the forms of C-M-C and M-C-M, such as traders, merchants, etc.). Capitalists are the ones who get to keep the capital, usually in the form of money.

This system of commodity circulations and social relations between capitalists and laborers sustains itself so long as (1) M1 is kept at a minimum (socially necessary value) and is always nearly equal to M4 and (2) M3 is always greater than M1 (or M2 > M1 and M3 > M2), so that the surplus value (and capital) is generated. When this system is sustained, there is assumed to be no mobility from laborers to capitalists, since, first of all, the capitalists control the means of production (assembling materials, instruments, and labor) and, second, the laborers will never accumulate capital and the capitalists will continue to accumulate capital. Thus, capital is a return (of surplus value) on an investment in the production of useful commodities in the marketplace. Capital can appear in the forms of money, the capacity to control the means of production, and/or further investment to produce more useful commodities. When the focus is on the process of producing surplus value, *capital may be defined as an investment with expected returns in the marketplace.*

In summary, then, in Marx's analysis, capital is part of the surplus value captured by capitalists or the bourgeoisie, who control production means in the circulation of commodities and monies between the production and consumption processes. In this scheme of a capitalist society, capital represents two related but distinct elements. On the one hand, it

[1] Surplus value has two components: revenue (part of which will be used for the repeated production processes and part of which will be used to sustain luxury-leisure or lifestyle expenditures) and capital (an increment of the valued resources).

is part of the *surplus value* generated and pocketed by the capitalists (and their "misers," presumably the traders and sellers). On the other hand, it represents an *investment* (in the production and circulation of commodities) on the part of the capitalists, with expected returns in the marketplace. Capital, as part of the surplus value, is a product of a process; capital is also an investment process in which the surplus value is produced and captured. It is also understood that the investment and its produced surplus value refer to a return/reproduction of the process of investment and of more surplus values. It is the dominant class that makes investments and captures the surplus value. Thus, Marx's theory is a theory based on the exploitive social relations between two classes.

Central to this theory are several important notions concerning capital. First, capital is intimately associated with the production and exchange of commodities. Commodities, in the theory of Marx, are mainly material goods that carry price tags in both the production and exchange processes. Labor, labor power, and labor value are part of the price tag and are seen as "socially necessary" in the production of a commodity. But it is commodities, through their production and exchange, that generate capital. Labor is a necessary factor in the process of producing a commodity, but it is subservient to the commodity itself.

Second, capital involves processes rather than simply a commodity or value, even though it may be the final result. Capital represents an investment process on the part of the capitalist, as production requires assembling and organizing labor, land/rents, equipment, facilities, and so on. These entail investment of initial capital, effort, and social activities of coordination and persuasion. When the processed commodity is exchanged for a profit, it also entails a process in the marketplace.

Third, as a result of these processes, any resultant capital is an added value (surplus value or profit). The existence of capital means that the market value of a commodity exceeds its production value or cost to produce. If the market value is the same as or less than the cost, there will be no capital from the commodity, and in fact there may be a deficit or debt.

Fourth, capital is intrinsically a social notion. Capital entails processes of social activity. The production process, as mentioned, involves social activities. For example, Marx explicitly describes use value as dependent on "socially necessary labor," since there is no objective value or worth that can be used to calculate the value or cost of labor. The exchange process, by definition, is also social.

Fifth, capital is captured by the capitalist or producer from the circulation of commodities through the cycle of commodity production and exchange and capital accumulation. Capital is a process and an end result that lies by definition in the hands of those who control the means of production. The means of production create and accumulate in the form of capital. Capital, in turn, consolidates control over production means (e.g., circulation of commodities and circulation of capital; see Marx 1867/1995, Vol. 1, Chaps. 3–5). In Marx's formulation, laborers are paid wages to meet their subsistence needs, and no more. In other words, capital is the surplus value generated from the capitalist's investment in the production and is captured by the capitalist.

I will call the notion of capital and its features as described by Marx the *classic theory* of *capital*. The basic idea that capital is the investment of resources for the production of profit has been maintained in all subsequent capital theories. However, in the Marxian scheme, both investment and profit are vested in the capitalists. The labor involved in the process of production does not generate or accumulate capital for the laborers. The classic theory of capital is based on the explanatory argument that class differentiation is fundamental in capitalist society, where the exploiting class controls the means of production and collects all the surplus value generated from the labor provided by the exploited class. The evolution of capital theory in the last four decades into what can be called *neo-capital theory* essentially modifies or eliminates the class explanation as a necessary and required theoretical orientation. These alternative renditions of capital notably include human capital, cultural capital, and social capital.

Neo-Capital Theory: Human Capital

Human capital, which assumes that capital can rest with the individual laborer, can be traced to Adam Smith, who included all the acquired and useful abilities of the population in a country as part of capital (1937). In the late nineteenth and early twentieth centuries, this notion occasionally surfaced in the economic literature (von Thunen 1875; Fisher 1906). Contemporary understanding of human capital can be attributed to the works of Johnson, Schultz, and Becker (Johnson 1960; Schultz 1961; Becker 1964/1993). Johnson (1960) argued that laborers have become capitalists, not from a diffusion of the ownership of corporation stocks, as capitalist public relations would have it, but from the acquisition of knowledge and skills that have economic value. That is, with knowledge and skill, the laborers can demand from the capitalists payment beyond the exchange value for their labor. Presumably, their knowledge and skills enable the hourly worth of their labor to exceed that of others who do not have such knowledge and skills.

However, the first systematic presentation of the human capital argument was made by Theodore W. Schultz in his presidential address at the 1960 meeting of the American Economic Association (1961). In this seminal piece, "Investment in Human Capital," he forcefully condemned "the failure to treat human resources explicitly as a form of capital, as a produced means of production, [and] as the product of investment, [which] has fostered the retention of the classical notion of labor as [only] a capacity to do manual work requiring little knowledge and skill, a capacity with which, according to this notion, [all] laborers are endowed about equally" (p. 3). In addition, Becker (1964) explicated human capital most forcefully in terms of education, but later also in terms of a host of other factors.[2]

Schultz's challenge and proposal formed the basis of the human capital theory, elaborated by other economists, Becker (1964) being the principal one among them. Human capital, unlike physical capital, is the value added to a laborer when the laborer acquires knowledge, skills, and other assets useful to the employer or firm in the production and exchange processes. The important distinction between physical and human capital is that human capital is the added value embedded in the laborers themselves. Typically, human capital is operationalized and measured by education, training, and experience. Investment in human capital on the part of laborers is good not only for the firm/producer, but also for the laborers themselves. Human capital adds the value of the labor, and part of the value can be negotiated and retained by the laborers as wages and benefits, beyond the minimal amount required for subsistence needs.

Thus conceived, human capital may be seen as any investment on the part of the laborers that will result in increased worth (M1) in commodity production process. This value affords three types of expenditures, according to Schultz: expenditures for (1) consumption, (2) investment (human capital), and (3) both consumption and investment. Because of the difficulty of disentangling the third type of expenditure from the first two (i.e., decomposition of M4 in terms of these three expenditures), Schultz proposed that the effects of human capital should be estimated by its yield rather than its cost; "the resulting increase in earnings is the yield on the investment" (p. 8). In essence, for human capital, there is no substantial change in the definition of capital relative to the Marxian notion. It remains an investment with an expected return in the marketplace. From the Marxian point of view, this added value

[2] For example, Schultz also proposed that not only skill and knowledge acquisition but also health and migration would yield additional economic value. Becker added a host of other factors. There is a danger, however, of including all things that sustain or improve life itself as human capital. I choose to focus on the original intent.

(knowledge, skills) enables the capitalist (the employer or firm) to increase the capacity of labor (e.g., labor power; Marx 1867/95, Vol. 1, Chap. 6). As a result, the market value of the commodity or production is increased (either in quality, quantity, or both). So long as the increased wage for such added capacity grows at a lower rate than the use value from the capacity generated, profit will increase, adding to the capital of the capitalist. Thus, human capital can be seen as consistent with the theoretical scope of Marxian analysis: capital is viewed from the capitalist's, producer's, employer's, or firm's perspective in the production and exchange of commodities.

However, the classical capital theory received a major challenge: that the immobility of class distinctions between the capitalists and the laborers no longer holds. If laborers can acquire skill, knowledge, and other capital to increase the value of their hourly labor, two things can happen:

1. M1 may no longer be mere exchange value for the laborers. Payment for skilled labor may exceed the socially necessary value of the labor without required skill. Rather than acting as replaceable commodities on the assembly line, certain laborers can now claim and charge higher value for their labor because, for the same labor unit (hour), more production may be accomplished. Thus, M1 contains use value for the laborers and capitalists alike.
2. M1 is no longer equal to M4 – the earnings necessary to sustain lives. Instead, M1 is greater than M4. There is a surplus value of labor for laborers with capital. That is, after expenditures for essential commodities for survival (Commodity 4), there is a residual value that can be used as (1) revenue, which can be used to invest in capital-generating activities or to support leisure and lifestyle needs, and (2) capital (e.g., accumulation of money and other valued resources).

Thus, while the human capital theory does not deviate substantively from the classical (Marxian) theory in the definition of capital, it challenges the classical theory regarding who can or cannot acquire capital. The vision of the social structure is altered. Everyone can invest and acquire capital. Far from being a homogeneous society, there are different opportunities or motivations in the acquisition or nonacquisition of human capital, so that the worth of labor as a commodity varies across individuals. Nevertheless, the social structure is now envisioned as a hierarchy of many grades of capitalists, with extensive cross-grade mobility possible, rather than a rigid two-class system.

This alternative view challenges the classic theory of capital in its fundamental stance: that in the capitalist state the capitalist, as controller of resources for production, extracts capital from low-skilled and interchangeable laborers. By arguing that laborers themselves can accumulate capital by investing in skills and knowledge that are economically productive, Schultz and Johnson turn laborers into potential capitalists and subvert the Marxian premise of class differentiation and conflict. This challenge, however, does not violate the principal notion of capital as an investment of resources in the production of surplus value. Rather, it incorporates skills and knowledge as resources, and thereby claims that skilled, knowledgeable laborers themselves hold such capital.

In summary, human capital theory deviates substantially from classical Marxian theory in several ways. First, while Marxian theory focuses on the production and exchange of commodities, human capital focuses on a process associated with the *laborer*. This change of focus is enormously significant. In the classic theory, value is assessed relative to labor costs rather than to the laborer, since laborers are considered interchangeable members in a large, available, competitive pool of workers who simply provide the socially necessary minimal and similarly skilled labor in production. Capital results from a successful calculus between the relative costs of production and prices in the exchange of commodities. In human capital theory, however, it is the laborers themselves, rather than the labor they perform, who figure centrally in the calculus of capital. In this view, capital is seen and calculated as the added value to the laborer, not to labor or the commodity. In other words, the major theoretical orientation has been changed. Labor, rather than being treated as a contributing factor in the exploitive relationship between the capitalist and the laborer, is seen as generative of capital for the laborers themselves. The social relations between capitalists and laborers are modified. Laborers can no longer be treated as replaceable commodities; differential values and payments are due to different laborers, depending on the capital they bring to bear on production – the human capital. Where do laborers acquire human capital? By gaining education, on-the-job training, or work experiences; by remaining physically healthy and able; by migrating to places where demands are higher; and so forth. This stance completely subverts the core orientation of the classic theory, which ties capital to the control of production means resting solely in the hands of the capitalist.

Secondly, and related to the first point, the laborer can now be seen as the *investor*, or at least as a party in the investment scheme. In the original Marxian analysis, laborers offer their labor in exchange for a wage to sustain their subsistence needs. Human capital clearly assumes that laborers may be in a position to gain profit if profit is defined as a surplus value to what it costs merely to sustain their lives. The temptations of luxury and lifestyle, as well as the possibilities for reinvestment, seen by Marx as exclusively in the capitalist's possession, are now presumably within the effort and grasp of the laborer as well. In other words, capital, as it is being produced and exchanged, is meaningful and possible for both the capitalist and the laborer engaged in the production process.

A third departure of the concept of human capital from the Marxian notion of capital is that because there is a potential reward in increased wages and other forms of profit, the laborer is now *motivated* to acquire skills and knowledge. Marx recognized that labor is a purposive act (1867/1995, Vol. 1, Chap. 7). However, he argued that in the capitalist system, the purpose is "provided" or imposed by the capitalist. Thus, the purposive acts of the laborers are appropriated for the purposes of production. Action on the part of the laborers no longer represents or expresses their free will. From the perspective of human capital theory, however, investment in the acquisition of skills and knowledge is motivated by a cost–benefit calculus on the part of laborers themselves. This calculus drives their investment in acquiring skills and knowledge. It reflects a rational choice, and the action taken is a purposive act consistent with the laborer's self-interest.

Finally, capital in its classic theory is tied to the processes of production and exchange. In the final instance, capital develops as surplus value or profit relative to investment or cost – the outcome of the production and exchange processes. In this formulation, investment in labor is part of the cost calculation. But in the human capital theory, nothing is explicitly delineated concerning the production and exchange processes. Nor is labor calculated as merely cost (expenditure). Rather, it is considered as effort or investment. In fact, an explicit decision is made in the formulation of human capital theory that human capital should be assessed as a function of *return or yield* to the laborer. Thus, "the resulting increase in earnings is the yield on the investment" (Schultz 1961, p. 8). Human capital development in the acquisition of skills and knowledge generates economic value, allowing laborers to become capitalists (Johnson 1960; Schultz 1961, p. 3).

The shift of analytic attention to the microstructure of production of skills and knowledge as investment in laborers does not necessarily negate the macrostructure process of production of surplus value for capitalists in the classic theory. Laborers with better human capital make themselves available in the labor market so that capitalists and managers can capture this human capital by hiring these laborers. However, the

labor obtained is no longer an easily interchangeable element in the production process, as Marx assumed. Differential distribution of human capital among laborers makes it necessary for producers and capitalists to calculate the added value of human capital embedded in each of their hired laborers relative to their relative cost (wages and benefits). Presumably, if the added human capital makes it worthwhile for capitalists to pay hired laborers wages and benefits beyond what are required for the workers' subsistence and survival, that is what they will pay when there are no cheaper alternatives. Attractive wages and benefits keep the laborers with better human capital and entice them to contribute quantitatively and qualitatively to the market value of the commodities produced. Better benefits also allow these laborers to enjoy leisure or to invest in further production of their own capital (more education and training).

The enormous significance of this subversion of the classic theory can be seen in two epistemological implications of human capital research. First, laborers can become capitalists, as they enjoy the surplus value of their labor. Thus, there is a blurring of the two classes. Since laborers become capitalists by acquiring human capital or, at the minimum, since capital is conceived of as being shared (however unequally) by the capitalist and the laborer in production and exchange, the worker's acquisition of human capital is now in the interest of both the capitalist and the laborer. The confrontation and struggle between classes becomes a cooperative enterprise – "What's good for the company is good for the worker, and vice versa."

Research can now focus on the laborer's acquisition of and investment in human capital. The production process and its utility for (and manipulation by) capitalists recedes into the background. Rather, since human capital entails purposive action in the laborers' self-interest, the simple investment–return calculus is now applied to the laborers themselves, independent of the context of commodity production and exchange. Thus, the only meaningful context for laborer–capitalist relations is the labor market, where the exchange is between the supply of human capital as embedded in laborers and the demand for such human capital. Instead of focusing on the appropriation of labor for the capitalists' profit, analysis examines the fit between human capital supply and demand. It is the laborer, instead of the manager or capitalist, who is rewarded for or deprived of the price and value of labor power. If labor's value is low, for example, this is due to a lack of human capital rather than the expropriation of surplus value or capital by the capitalist.

Second, research on the link between education and wages constitutes a core area of human capital analysis. Since educational attainment is seen as a major indicator of investment in skills and knowledge, this becomes individuals' major asset in the labor market, resulting in their entering better firms and receiving higher wages. Note that nothing in the appropriation of other kinds of capital enters into this equation. The critical analytic tool used by Marx in his theory of exploitation and appropriation of labor – capitalists' control of the means of production – now becomes the means for analyzing production due to the free will and self-interest of laborers themselves.

I call the human capital theory a neo-capital theory because its rendition of *social relations* in the production and consumption markets radically differs from the fundamental structure assumed in the classical capital theory.

Cultural Capital: A Contention

Not all neo-capital theorists agree with the interpretation of human capital as the product of workers' free will or self-interest. A distinctive alternative theoretical explanation of human capital is the theory of cultural capital. Bourdieu (1990; Bourdieu and Passeron 1977) defines culture as a system of symbolism and meaning (Jenkins 1992, p. 104). He argues that a society's dominant class imposes its culture by engaging in pedagogic action (e.g., education), which internalizes the dominant symbols and meanings in the next generation, thus reproducing the salience of the dominant culture. Thus, cultural capital, as conceptualized by Bourdieu (1972/1977, 1983/1986), derives its analytic contribution from the notions of social practice and social reproduction of symbols and meanings. For the purpose of the present discussion, I will focus on his work on social reproduction, which is intrinsically related to the idea and processes of practice.

To Bourdieu (Bourdieu and Passeron 1977), social reproduction is the imposition of "symbolic violence" by the dominant class on the dominated class. Symbolic violence occurs in that pedagogic action through which the culture and values of the dominant class are legitimated as the "objective" culture and values of the society, so that they are not seen or noticed at all as culture and values that support and sustain the dominant class. In other words, through pedagogic action, the culture and values of the dominant class are "misrecognized" as the culture and values of the entire society. Such pedagogic action occurs in the family, in informal groups and on informal occasions, and, most important, through education, especially schooling (institutionalized education). In the education system, not only do the agents (teachers and administrators) acquire and misrecognize the dominant culture and values as

universal and objective, but they transmit "knowledge" by rewarding students who carry out the reproduction of the dominant culture and values in the next generation.[3]

The result is an internalized and durable training, *habitus*, in the reproduction of the culture. Symbolic violence through misrecognition and the process of social reproduction carries over to the labor market (the social "field"), which serves to reinforce the pedagogic rewards (Bourdieu 1990). Students who have acquired and misrecognized the culture and values as their own are rewarded in the labor market by being employed by the organizations controlled by the dominant class. Thus, misrecognition is reinforced in the education system so that other students continue the misrecognition of the need and the merit of acquiring the culture and values being transmitted.

The most important feature of symbolic violence is, then, the pedagogic processes by which the dominant culture and values are accepted and taken in as one's own without any resistance or even conscious awareness on one's part. The acquisition and misrecognition of the dominant culture and its values (legitimized knowledge) is called cultural capital. Such is the sorcery in social reproduction – the reproduction of dominant class values.

It is clear to Bourdieu that education, or indeed any training that can be taken as human capital by some, can in fact be seen as cultural capital by others. The different viewpoints are more than different perceptions of the same empirical phenomenon (e.g., education); they represent a fundamental divide in theoretical explanations. Bourdieu's symbolic violence and social reproduction are consistent with Marx's theoretical stance. They reflect the imposition by one class (the capitalists or a dominant group) of its values on another (the laborers or the dominated group); the appropriation of the latter's labor to the benefit of the former is justified by this value system. Further, Bourdieu also sees profit (capital) as what is at stake in the perpetual struggle in society or the social field (Wacquant 1989). In fact, he identifies a wide range of capital as being at stake, such as economic capital, social capital (relationships with significant others), cultural capital, and symbolic capital (prestige and honor) (Bourdieu 1980, 1983/1986). It is clear that Bourdieu considers these forms of capital as largely in the hands of the dominant class, since it occupies the top positions in society.

We may trace the lineage of this rendition of capital to Marx. The

[3] Bourdieu himself has time and again argued that he is not a structuralist or a Marxist. Whether the interpretations here are consistent with his work can be judged by reading what he has written. It seems more accurate to rely on what a scholar practices (writes) than on what he claims, as Bourdieu himself has advised.

social relations described by Marx are also assumed; there is a class, capitalists, that controls the means of production – the process of pedagogic action or the educational institutions (in homes, in schools, etc.). In the production (schooling) process, laborers (students or children) invest in the educational process and internalize the culture of the dominant class. Acquisition of this culture permits or licenses the laborers to enter into the labor market, earn payments, and sustain expenditures for their lives. The capitalists, or the dominant class, gain cultural capital that supplements their economic capital and accumulate capital of both types in the circulation of commodities (educated mass) and domination of production means (the educational institutions).

Yet, at the same time, Bourdieu's work on cultural capital shares features with Schultz's and Becker's work on human capital. Unlike Marx, Bourdieu focuses on the laborer and on relations between acquired capital and the market. He clearly argues for the significance of external social structure (i.e., the dominance of one class and its culture and values) for the process of symbolic violence and social reproduction, and of the pedagogic actions it uses to create and impose misrecognition on its agents and laborers. Yet, for Bourdieu, the dominant group always remains only as the latent force implied in the background rather than in the forefront of the analysis. That is, the analysis of cultural capital engages the micro- and mesostructures rather than the macrostructures.

Bourdieu (1972/1977) does not seem to rule out purposive action or choices of behavior either. In his analysis of social behavior and interactions (practice), he clearly sees a calculation (strategizing) between opportunities and constraints, and between what is desirable (subjective expectation) and what is probable (objective probability) (1990). Bourdieu is also less rigid than Marx in the demarcation between the exploiting and exploited classes, since he sees society (field or fields) as a network of positions, the better ones of which are struggled over (Wacquant 1989). In fact, some members of the dominated group may contest for and occupy positions holding such capital, as they have misrecognized and acquired the dominant values. These features reflect the neo-capital theoretical stance of the cultural capital theory, as distinguished from Marx's classic theory of capital.

Another break from Marx can be seen in the fact that Bourdieu does not assume perfect correspondence between the accumulation of economic capital and cultural capital. Some economic capitalists do not possess cultural capital, and some cultural capitalists are not economically endowed. This less than perfect correspondence would seem to open a possible path for some laborers, allowing them to use their cultural habitus to gain a foothold in the dominant class. It is conceivable

that they can become part of the educational institutions and gain returns in the labor market due to their cultural capital. Bourdieu does not carry his analysis this far, but he seems to leave open the process of social mobility and the possibility of agency.

As a rendition relative to the one depicted in Figure 1.1, one can describe Bourdieu's work as misrecognized or reproduced symbols and meanings constituting the necessary labor, or Commodity 3, that is exchanged for employment and compensation in the production market dominated by the cultural elites or capitalists, who can use the labor in the reproduction of the culture and their dominance, which constitute their surplus value and capital. However, at the same time, the laborers, by offering their culturally reproduced labor to the elites, can in turn acquire compensations, presumably generating a surplus value and capital as well, so that they themselves can reinvest in the accumulation of cultural symbols and meanings to advance further in their relations with the elites and therefore improve their relative standing in the society. In this rendition, I conceive Bourdieu's cultural capital as a neoclassical capital theory with elements from the classical theory.

Neo-Capital Theoretical Explanation: Structurally Constrained Actions

We may now briefly summarize the two critical elements that these neo-capital theories share. For one, there has been a clear shift of explanation from the macroanalytic level employed by the classic Marxian theory to the microanalytic level used in the neo-capital theories. Rather than seeing capital as part of the process of class exploitation in society, the neo-capital theories favor a microlevel explanation of how individual laborers as actors make the necessary investments in order to gain surplus value of their labor in the marketplace.

This shift to a microlevel explanation does not rule out the effects of the larger macrolevel or structural influences in the process of capitalization. Cultural capital theory clearly stresses the "invisible hand" of the dominant class behind the capitalization process. Yet, it is the individual actor, a laborer or potential laborer, I argue, who is the focus of analytic attention.

Second, action or choice has emerged as an important element in neo-capital theories. In the classic theory, action resides solely with the capitalists, while laborers are helpless interchangeable components in the scheme of production to generate surplus value for the capitalists. As such, the laborers have no choice but to provide cheap labor to the production process in exchange for a subsistence livelihood. In the neo-capital theories, laborers are now capable of gaining and keeping some surplus value of their own labor. To an extent, it is up to the individual laborers to decide whether and how much of an effort or investment they wish to make to acquire useful skills and knowledge, which they can "sell" to the producers for a larger share of the surplus value of the labor in the production process. This choice action is the primary and sometimes the only explanatory force employed in the human capital theory.

To be sure, there are constraints to the availability and range of choices for different individuals. Physical health and mental health, whatever their origins, vary among individuals and account for choice differentiations of capitalization. Human capital theorists even take into account family and other individual characteristics (gender, race, etc.). Cultural capital theory, in fact, emphasizes the role of the class structure in society and what it does to individual actions. Not only do structural or class positions define the types of capital having differential values in the market place, but, more important, they dictate what actions the underprivileged must take to acquire such valued skills and knowledge.

In short, neo-capital theories stress the interplay of individual actions and structural positions in the capitalization process. While each particular theory places emphasis either on the former or the latter element, it is recognized that it is this interplay, or choice actions within structural constraints, that accounts for the capitalization process.

However, this interplay remains largely in the background of both human capital and cultural capital theories. Human capital theory clearly chooses to focus on choice behavior in capitalization. Cultural capital theory strongly argues for the dominant class's vested interest in the types of capital and the imposition of their acquisitions in an indoctrination process. Yet, this explanation is largely assumed rather than demonstrated. Dominant values or culture, observable in every society (e.g., there is no society without culture), are assumed to be dictated by a dominant class, and pedagogic indoctrination and misrecognition of these values and culture are assumed to be the process of schooling.

A more explicit explication of the interplay between structure and action is afforded by still another neoclassic capital theory – the social capital theory. It is this theory that will be this volume's primary focus of analysis. The next chapter considers its development.

2

Social Capital

Capital Captured through Social Relations

The premise behind the notion of social capital is rather simple and straightforward: *investment in social relations with expected returns in the marketplace*. This general definition is consistent with various renditions by all scholars who have contributed to the discussion (Bourdieu 1980, 1983/1986; Lin 1982, 1995a; Coleman 1988, 1990; Flap 1991, 1994; Burt 1992; Putnam 1993, 1995a; Erickson 1995, 1996; Portes 1998). The market chosen for analysis may be economic, political, labor, or community. Individuals engage in interactions and networking in order to produce profits. This represents a major extension of the capital theory in general and a significant expansion of the neo-capital theory. Both neo-capital theories discussed so far – human capital and cultural capital – see capital as an investment of personal resources for the production of profit; while they differ in terms of the nature of production (skills and knowledge versus values and norms) and profit (economic return for individuals versus reproduction of the dominant culture), they both address capital as resources invested and vested in individual actors. Capital is seen as the investment or production of individual actors, whether seen as independent, atomized elements randomly located in society, as in the case of human capital theory, or as individuals indoctrinated into adopting the dominant values, as in the case of cultural capital.

But this individual perspective has been expanded with a major advance in neo-capital theory, the notion of social capital – capital captured through social relations. In this approach, capital is seen as a social asset by virtue of actors' connections and access to resources in the network or group of which they are members.

Why Does Social Capital Work?

Generally, four explanations can be offered as to why embedded resources in social networks enhance the outcomes of actions. For one, the flow of *information* is facilitated. In the usual imperfect market situations, social ties located in certain strategic locations and/or hierarchical positions (and thus better informed on market needs and demands) can provide an individual with useful information about opportunities and choices otherwise not available. Likewise, these ties (or their ties) may alert an organization (be it in the production or consumption market) and its agents, or even a community, about the availability and interest of an otherwise unrecognized individual. Such information would reduce the transaction cost for the organization to recruit better (be it in skill, or technical or cultural knowledge) individuals, and for individuals to find better organizations that can use their capital and provide appropriate rewards. Second, these social ties may exert *influence* on the agents (e.g., recruiters or supervisors of the organizations) who play a critical role in decisions (e.g., hiring or promotion) involving the actor. Some social ties, due to their strategic locations (e.g., structural holes) and positions (e.g., authority or supervisory capacities), also carry more valued resources and exercise greater power (e.g., greater asymmetry in dependence by these agents) on organizational agents' decision making. Thus, "putting in a word" carries a certain weight in the decision-making process regarding an individual. Third, social ties, and their acknowledged relationships to the individual, may be conceived by the organization or its agents as certifications of the individual's *social credentials*, some of which reflect the individual's accessibility to resources through social networks and relations – his or her social capital. "Standing behind" the individual by these ties reassures the organization (and its agents) that the individual can provide added resources beyond the individual's personal capital, some of which may be useful to the organization. Finally, social relations are expected to reinforce identity and recognition. Being assured of and recognized for one's worthiness as an individual and a member of a social group sharing similar interests and resources not only provides emotional support but also public acknowledgment of one's claim to certain resources. These *reinforcements* are essential for the maintenance of mental health and the entitlement to resources. These four elements – *information, influence, social credentials,* and *reinforcement* – may explain why social capital works in instrumental and expressive actions not accounted for by forms of personal capital such as economic or human capital.[1]

[1] Another element, control, has also been mentioned for the usefulness of social capital. I consider control, reflecting both the network's location and the hierarchical position, as central to the definition of social capital itself. Thus, information, influence, social credentials, and reinforcement are all reasons why social capital works or controls.

Differing Perspectives and Converging Conceptualizations

Social capital has been a relatively recent development in theory and research. While earlier scholars (Loury 1977, 1987; Ben-Porath 1980) pointed to the phenomenon of resources or capital through social relations or even employed the term *social capital*, only in the 1980s, when several sociologists, including Bourdieu, Coleman, and Lin, independently explored the concept in some detail, did it catch the attention of the research community.

Two perspectives can be identified relative to the level at which return or profit is conceived – whether the profit is accrued for the group or for the individual. In one perspective, the focus is on the use of social capital by individuals – how individuals access and use resources embedded in social networks to gain returns in instrumental actions (e.g., finding better jobs) or to preserve gains in expressive actions. Thus, at this relational level, social capital can be seen as similar to human capital in that it is assumed that such investments can be made by the individual with an expected return (some benefit or profit) to the individual. Aggregation of individual returns also benefits the collective. Nonetheless, the focal points for analysis in this perspective are (1) how individuals invest in social relations and (2) how individuals capture the embedded resources in the relations to generate a return.

Lin (1982), for example, argued that there are two types of resources an individual can gain access to and use: personal resources and social resources. Personal resources are resources possessed by an individual and may include ownership of material as well as symbolic goods (e.g., diplomas and degrees). Social resources are resources accessed through an individual's social connections. Depending on the extensity and diversity of their social connections, individuals have differential social resources.

Further, these resources can be "borrowed" for the purpose of making a gain. A car borrowed from a friend to move household goods and a good word put in by an old classmate of one's father for a job possibility are examples of the use of social resources. As will be made clear later in this volume, in both quantity and quality, social resources far outweigh personal resources in their potential usefulness to individuals.

For Flap (1988, 1991, 1994), social capital also includes mobilized social resources. Flap specifies three elements of social capital: (1) the number of persons within one's social network who "are prepared or obliged to help you when called upon to do so," (2) the strength of the relationship indicating readiness to help, and (3) the resources of these persons. Social capital, for Flap, is resources provided by alters who have strong relationships with ego. Thus, it is the product of availability of social resources and the propensity by alters to offer such resources for help.

Burt's work (1992) also reflects this perspective. Network locations represent and create competitive advantages. Locations that link nodes and their occupants to information and other resources unlikely to be accessible otherwise constitute valuable capital for the occupants at these "structural hole" positions, and at other locations and for other occupants accessing them.

Another perspective focuses on social capital at the group level, with discussions dwelling on (1) how certain groups develop and more or less maintain social capital as a collective asset and (2) how such a collective asset enhances group members' life chances. Bourdieu (1980, 1983/1986) and Coleman (1988, 1990) have discussed this perspective extensively, and Putnam's empirical work (1993, 1995a) is exemplary. While acknowledging the essentiality of individuals interacting and networking in developing payoffs of social capital, the central interest of this perspective is to explore the elements and processes in the production and maintenance of the collective asset.

Bourdieu (1983/1986) sees capital in three guises: as economic capital, as cultural capital, and as social capital. For him, social capital is "made up of social obligations or connections." It is the aggregation of "actual or potential resources which are linked to possession of a durable network of institutionalized relationships of mutual acquaintance and recognition – or in other words, to membership in a group" (p. 248). The group provides its members with the collectivity-owned capital, which allows them credit. Capital, in this form, is represented by the size of the network and the volume of the capital (economic, cultural, or symbolic) possessed by those to whom a person is connected. In other words, for Bourdieu, social capital depends on the size of one's connections and on the volume or amount of capital in these connections' possession. Nevertheless, social capital is a collective asset shared by members of a defined group, with clear boundaries, obligations of exchange, and mutual recognition.

Further, Bourdieu sees social capital as a production of the group's members. It takes repeated exchanges that reinforce mutual recognition and boundaries to affirm and reaffirm the collectivity of the capital and each member's claim to that capital. Finally, for Bourdieu, social capital is a mere disguise for economic capital. In the final analysis, "economic capital is at the root of all the other types of capital," including social capital and "every type of capital is reducible in the last analysis to economic capital" (pp. 252–253). In summary, then, Bourdieu sees social capital as a form of capital possessed by members of a social network

or group. Through connections among the members, the capital can be used by members as credits. In this sense, social capital is a collective asset endowing members with credits, and it is maintained and reinforced for its utility when members continue to invest in the relationships.

For Coleman, social capital consists of two elements: it is an aspect of a social structure, and it facilitates certain actions of individuals within the structure (1990, p. 302). Whether any structural aspect is a capital depends on whether it serves a function for certain individuals engaged in particular activities. For this reason, social capital is not fungible across individuals or activities. Social capital is the resources, real or potential, gained from relationships. In his scheme of social action, Coleman (1990) delineates how actors exercise control over resources in which they have an interest, and how they are also interested in events (or the outcome of events) that are at least partially controlled by other actors. Thus, in order for their interests to gain from the outcome of an event, actors engage in exchanges and transfers of resources. These social relationships serve important functions in facilitating the actions of individual actors; they form the basis of social capital.

Coleman (1990) illustrates this point by using the examples of how clandestine groups among South Korean students (p. 302) or workers' cells in the prerevolutionary communist movement in Russia (p. 304) not only provided social capital for individual participants, but also constituted social capital for the revolutionary movements themselves. Parent–teacher associations (PTAs) and other social organizations allow individual parents and students to achieve personal goals, but they also offer resources to the school and to all administrators, teachers, students, and parents affiliated with the school. Coleman uses the example of a mother who moved from Detroit to Jerusalem because her children would be safer when going to the park and school by themselves as another illustration of how individual actors adapt to the social capital available in a collecitivity – the community. Thus, for Coleman and Bourdieu, dense or closed networks are seen as the means by which collective capital can be maintained and reproduction of the group can be achieved.

Putnam's work on participation in voluntary organizations in democratic societies such as the United States strongly reflects the use of this perspective. He argues that such social associations and the degree of participation indicate the extent of social capital in a society. These associations and participation promote and enhance collective norms and trust, which are central to the production and maintenance of the collective well-being (Putnam 1993, 1995a).

While the two perspectives describe social capital differentially in terms of the level at which the utility or outcome can be assessed, all scholars remain committed to the view that it is the interacting members who make the maintenance and reproduction of this social asset possible. This consensual view puts social capital firmly in the neo-capital theory camp.[2] Thus, Bourdieu, Coleman, Lin, Flap, Burt, Erickson, Portes, and others all share the understanding that social capital consists of resources embedded in social relations and social structure, which can be mobilized when an actor wishes to increase the likelihood of success in a purposive action. Like human capital, it is an investment on the part of the actor to increase the likelihood of success in purposive actions. Unlike human capital, which represents investment in training and other programs of activities to acquire skills, knowledge, and certifications, social capital is an investment in social relationships through which resources of other actors can be accessed and borrowed. While the concept has been applied to a wide range of actions (e.g., moving to a different community that is safer for one's children, mobilizing participants in a social movement; see Coleman 1990), and to both macro- (e.g., number of participants and scope of participation in voluntary and community organizations and social groupings; see Putnam 1993, 1995a) and microlevels (e.g., job searches and promotions; see Lin, Ensel, and Vaughn 1981; Burt 1997) of research, there is a converging consensus (Portes, Burt, Lin) that social capital, as a theory-generating concept, should be conceived in the social network context: as resources accessible through social ties that occupy strategic network locations (Burt) and/or significant organizational positions (Lin). This is the conceptualization I will use in this volume.

In this conceptualization, social capital may be defined operationally

[2] Two major and different theoretical positions distinguish scholars in the collective asset camp. For Bourdieu, social capital represents a process by which individuals in the dominant class, by mutual recognition and acknowledgment, reinforce and reproduce a privileged group that holds various forms of capital (economic, cultural, and symbolic). Nobility and titles characterize such groups and their members. Thus, social capital is another way of maintaining and reproducing the dominant class. I would characterize this theoretical position as one that views social capital as class (privilege) goods. The other position on social capital as a collective asset is represented by the works of Coleman and Putnam. Coleman, while defining social capital as consisting of any social-structural features or resources that are useful to individuals for specific actions, stresses social capital as a public good. These collective assets and features are available to all members of the group, be it a social group or a community, and regardless of which members actually promote, sustain, or contribute to such resources. Because social capital is a public good, it depends on the good will of the individual members to make such efforts and not to be free riders. Thus, norms, trust, sanctions, authority, and other structural features become important in sustaining social capital. If one were forced to trace the theoretical lineage of these two explanatory schemes, one could argue that the privileged-good view is principally an extension and elaboration of the social relations in Marx's capital theory and that the public-good view is primarily an extension and elaboration of the integrative or Durkheimian view of social relations.

as the *resources embedded in social networks accessed and used by actors for actions*. Thus, the concept has two important components: (1) it represents resources embedded in social relations rather than individuals, and (2) access and use of such resources reside with actors. The first characterization, socially embedded resources, allows a parallel analysis between social capital and other forms of capital. For example, human capital, as envisioned by economists (Schultz, Becker) represents investment on the part of individuals to acquire certain skills and certifications that are useful in certain markets (e.g., the labor market). Social capital can also be envisioned as investment by individuals in interpersonal relationships useful in the markets. The second component of social capital, therefore, must reflect that ego is cognitively aware of the presence of such resources in her or his relations and networks and makes a choice in evoking the particular resources. There may be ties and relationships that do not appear in ego's cognitive map and thus not in her or his awareness of their existence. Only when the individual is aware of their presence, and of what resources they possess or can access (these ties have their networks as well), can the individual capitalize such ties and resources. A systematic presentation of this conceptualization will begin in the next chapter.

Issues and Clarifications

Before I embark on the conceptual presentation, certain issues need to be discussed and clarified. Specifically, the divergence in perspectives has created some theoretical and measurement confusions. Further confusion arises from the fact that some discussions have flowed freely between levels. For example, Bourdieu provides a structural view in pointing to the dominant class and nobility groups' reproduction as the principal explanation of social capital, which is represented by aggregating (1) the size of the group or network and (2) the volume of capital possessed by members (Bourdieu 1983/1986, p. 248). This representation makes sense only when it is assumed that all members maintain strong and reciprocal relations (a completely dense or institutionalized network), so that the strength of relations does not enter into the calculus. Yet, Bourdieu also describes how individuals interact and reinforce mutual recognition and acknowledgment as members of a network or group. Coleman (1990, Chap. 12), while emphasizing how individuals can use sociostructural resources in obtaining better outcomes in their (individual) actions, devotes much discussion to the collective nature of social capital in stressing trust, norms, sanctions, authority, and closure as parts or forms of the concept. It is important to identify and sort through these views and

Table 2.1. *Controversies in Social Capital*

Issue	Contention	Problem
Collective or individual asset (Coleman, Putnam)	Social capital as a collective asset	Confounding with norms, trust
Closure or open networks (Bourdieu, Coleman, Putnam)	Group should be closed or dense	Vision of class society and absence of mobility
Functional (Coleman)	Social capital is indicated by its effect on particular actions	Tautology (the cause is determined by the effect)
Measurement (Coleman)	Not quantifiable	Heuristic, not falsifiable

reach some understandings before we proceed to build a coherent theory of social capital. I identify some of these issues in Table 2.1.

One major controversy generated from macro- versus relational-level perspectives is whether social capital is collective goods or individual goods (see Portes's 1998 critique). Most scholars agree that it is both collective and individual goods; that is, institutionalized social relations with embedded resources are expected to benefit both the collective and the individuals in the collective. At the group level, social capital represents some aggregation of valued resources (e.g., economic, political, cultural, or social, as in social connections) of members interacting as a network or networks. The difficulty arises when social capital is discussed as collective or even public goods, along with trust, norms, and other collective or public goods. What has occurred in the literature is that some terms have become alternative or substitutable terms or measurements. Divorced from its roots in individual interactions and networking, social capital becomes merely another trendy term to employ or deploy in the broad context of improving or building social integration and solidarity. In the following, I will argue that social capital, as a relational asset, must be distinguished from collective assets and goods such as culture, norms, trust, and so on. Causal propositions may be formulated (e.g., that collective assets, such as trust, promote relations and networks and enhance the utility of embedded resources, or vice versa; see Chapter 13), but it should not be assumed that they are all alternative forms of social capital or are defined by one another (e.g., trust is capital; Paxton 1999).

Another controversy related to the focus on social capital's collective aspect is the assumed or expected requirement that there is closure or density in social relations and social networks (Bourdieu 1983/1986; Coleman 1990; Putnam 1993, 1995a). Bourdieu, from his class perspective, sees social capital as the investment of the members in the dominant class (as a group or network) engaging in mutual recognition and acknowledgment so as to maintain and reproduce group solidarity and preserve the group's dominant position. Membership in the group is based on a clear demarcation (e.g., nobility, title, family) excluding outsiders. Closure of the group and density within the group are required. Coleman, of course, does not assume such a class vision of society. Yet, he also sees network closure as a distinctive advantage of social capital, because it is closure that maintains and enhances trust, norms, authority, sanctions, and so on. These solidifying forces may ensure that network resources can be mobilized.

I believe that the requirement for network density or closure for the utility of social capital is not necessary or realistic. Research in social networks has stressed the importance of bridges in networks (Granovetter 1973; Burt 1992) in facilitating information and influence flows. To argue that closure or density is a requirement for social capital is to deny the significance of bridges, structural holes, or weaker ties. The root of preferring a dense or closed network lies rather in certain outcomes of interest (Lin 1986, 1990, 1992a). For *preserving or maintaining resources* (i.e., expressive actions), denser networks may have a relative advantage. Thus, for the privileged class, it would be better to have a closed network so that resources can be preserved and reproduced (e.g., Bourdieu 1983/1986) or for a mother to move to a cohesive community so that her children's security and safety can be assured (Coleman 1990). On the other hand, for *searching for and obtaining resources* not presently possessed (i.e., instrumental actions), such as looking for a job or a better job (e.g., Lin, Marsden, Flap, Burt), accessing and extending bridges in the network should be more useful. Rather than making the assertion that closed or open networks are required, it would be theoretically more viable to (1) conceptualize for what outcomes and under what conditions a denser or sparser network might generate a better return and (2) postulate deduced hypotheses (e.g., a denser network would be more likely to promote the sharing of resources, which in turn would maintain group or individual resources; or an open network would be more likely to access advantaged positions and resources, which in turn would enhance the opportunity to obtain additional resources) for empirical examination.

A third controversy that requires clarification is Coleman's statement that social capital is any "social-structural resource" that generates returns for an individual in a specific action. He remarks that "social capital is defined by its function" and that "it is not a single entity, but a variety of different entities having two characteristics: They all consist of some aspect of a social structure, and they facilitate certain actions of individuals who are within the structure" (1990, p. 302). This *functional* view may implicate a tautology: social capital is identified when and if it works; the potential causal explanation of social capital can be captured only by its effect; or whether it is an investment depends on the return for a specific individual in a specific action. Thus, the causal factor is defined by the effectual factor. Clearly, it would be impossible to build a theory in which causal and effectual factors are folded into a singular function. This is not to deny that a functional relationship may be hypothesized (e.g., resources embedded in social networks make it easier to obtain better jobs). But the two concepts must be treated as separate entities with independent measurements (e.g., social capital is the investment in social relations, and better jobs are represented by occupational status or supervisory position). It would be incorrect to allow the outcome variables to dictate the specification of the causal variable (e.g., for actor X, kin ties are social capital because they channel X to get a better job, and for actor Y, kin ties are not social capital because they do not channel Y to get a better job). The hypothesized causal relationship may be conditioned by other factors (e.g., family characteristics may affect differential opportunities for building human and social capital) that need be specified in a more elaborate theory. A theory would lose parsimony quickly if the conditional factors become part of the definitions of the primary concepts. In fact, one would question whether it remains a theory if it is required to make a good prediction for every case and every situation.

Perhaps related to this indistinguishable view of social capital from its outcome – and perhaps given his view that social capital, as a collective good, can also be seen in many different forms, such as trust, norms, sanctions, authority, and so on – Coleman questions "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 qualitative analyses of social systems and for those quantitative analyses that employ qualitative indicators" (1990, pp. 304–305). Again, the confusion can be seen as resulting from extending the notion of social capital beyond its theoretical roots in social relations and social networks, and the unattainable theoretical position that prediction holds for every individual case. Once these issues are resolved, social capital should and must be measurable.

3

Resources, Hierarchy, Networks, and Homophily

The Structural Foundation

It has been proposed that social capital, as an investment in social relations with an expected return in the marketplace, should be defined as *resources embedded in a social structure that are accessed and/or mobilized in purposive actions*. In this definition, three critical components present themselves for analysis: (1) the resources, (2) being embedded in a social structure, and (3) action. I contend that resources are at the core of all capital theories, especially social capital. A theory of social capital should accomplish three tasks: First, it should explain how resources take on values and how the valued resources are distributed in society – the structural embeddedness of resources. Second, it should show how individual actors, through interactions and social networks, become differentially accessible to such structurally embedded resources – the opportunity structure. Third, it should explain how access to such social resources can be mobilized for gains – the process of activation. This chapter will focus on the first two of these tasks: embeddedness of valued resources in society and the opportunity structure relative to such resources. Chapter 4 will conclude the explication of the theory by discussing the action component.

Resources and Their Social Allocation

A fundamental concept of the theory presented here is resources, defined *as material or symbolic goods* (Lin 1982).[1] Beyond the basic physical resources needed to sustain and enhance human life, individuals and groups ascribe meanings and significance to other resources as well.

[1] Sewell (1992, p. 9) identified two types of resources in structure: nonhuman and human resources. While nonhuman resources are consistent with physical resources, human resources include both physical (physical strength, dexterity) and symbolic (knowledge, emotional commitment) resources.