

Erling Berge

Social Capital: basic theory and role in economic development

Land Tenure and Social Capital in
Malawi

Trondheim, March 2007

Literature

- Nan Lin 2001 " Social Capital. A Theory of Social Structure and Action.", Cambridge, Cambridge University Press
- Coleman, James S. 1990. Foundations of Social Theory, Cambridge, Mass.:Harvard University Press
- A. Allen Schmid 2004 Conflict and Cooperation, Oxford: Blackwell
- Platteau 2000 Institutions, Social Norms and Economic Development, London, Routledge

Social Capital

- Social capital is capital captured in social relations
 - Capture implies structural constraints and opportunities, actions and choices by actors
- Social capital is norms and values making joint ventures possible (trust and cooperation)
- Social capital is weights or functional forms of the utility function determining the utility derived from consumption of various goods

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Theories of Capital

- Capital is investment of resources with expected returns in the marketplace
- Processes of capital
 - Resources produced or altered as investment then offered in the marketplace
 - Returns from market transactions valued and allocated for further investment and consumption

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Classic Theory

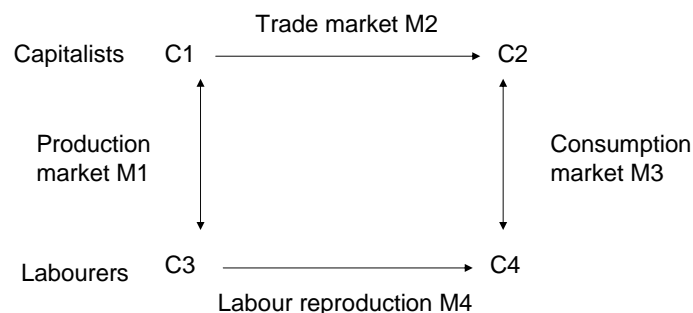
- Marx 1849/65/67: capital from social relations between bourgeoisie and labourers – surplus value
 - Exchange value = cost of input factors (labour, land, rents, materials) + profit
 - Labour = socially necessary labour + surplus
 - Labour = wages + rent on capital + profits

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Marx : Production and consumption relations (page 5-6)



C1 – commodity 1 : outcome of production
C2 – commodity 2 : product offered to consumers
C3 – commodity 3 : labour contributed by the labourer
C4 – commodity 4 : goods to sustain the reproduction of labour
M1 – M4 monetary values exchanged for commodity

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Capital involves

- Production and exchange
- Processes
- Generation of surplus (new capital)
- Social activity: e.g. socially necessary labour
- Capture by capitalists

Sustaining the class division

This is the classical theory of capital

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Neo-Capital Theories

- **Human Capital** Theory (Adam Smith, Johnson 1960, Schultz 1961, Becker 1964)
 - Knowledge and skills embedded in the labourer
 - This alters the class relations, labourers can acquire capital
- **Cultural Capital** Theory (Bourdieu and Passeron 1977, Bourdieu 1990)
 - Culture: a system of symbolism and meaning
 - It is reproduced by inducing a habitus accepting the culture of the dominant class
 - One result is to sustain a class division - misrecognized
- **Social Capital** Theory (Bourdieu 1980, Lin 1982, Coleman 1988, 1990) also Loury 1977, Jacobs 1961, Hanifan 1916

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Neo-capital explanations

- Structurally constrained actions: class divisions and means of production
- Microlevel explanations with labourers investing to gain surplus value, conditioned by health, family, biology

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Social Capital Theory (1)

- Investment in social relations with expected returns in the marketplace (Lin 2001)
- A person who has the regard and sympathy of others can be said to hold social capital that may result in benefits not expected in impersonal and narrow self-interested transactions (Schmid 2004)
- Markets may be
 - economic,
 - political,
 - labor, or
 - community

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Social Capital Theory (2)

- Information: valuable in all markets
- Influence: affecting choices in all markets
- Social credentials: lowers measurement costs in labor, political, and community markets
- Reinforcements of identity and recognition enhances human capital (health, skills)

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Social Capital Theory (3)

In the market place social capital may give

- Returns to individual depends on
 - Number of people willing to or obliged to help ego, the kinds of resources these may supply
 - Knowing the right people: structural location of contacts
- Returns to community,
 - Maintaining SC as a community asset
 - Enhances members assets, resources, abilities in purposive action

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Social Capital Theory (4)

- Resources embedded in social networks accessed and used by actors for actions
 - Resources are embedded in social relations
 - Access and use is by individuals
- Macro-/ structural vs micro-/ individual relations views on social capital leads to some controversies:
 - Is social capital collective or individual good?

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Controversies in Social Capital

Issue	Contention	Problem
Collective or individual asset (Coleman, Putnam)	Social capital as collective asset	Confounding with norms, trust
Closed 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 effects on particular actions	Tautology (the cause is determined by its effect)
Measurement (Coleman)	Not quantifiable	Heuristic, not falsifiable

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Social Capital Theory (5)

- Lin argue that social capital as a relational asset must be distinguished from collective assets and goods such as culture, norms, trust, and so on.
- Lin argue that network density or closure for the utility of social capital is not necessary or realistic
 - Bridges, holes and weak ties are important for social capital
 - For preserving or maintaining resources denser networks may have a relative advantage

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The structural foundation

- Resources embedded in a social structure that are accessed and/or mobilised in purposive action
 - How can resources take on value?
 - How are valued resources distributed?
 - How are individual actors differentially located in relation to valued resources (the opportunity structure)?
 - How are resources mobilised for gains?

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Resources and goods

- Material goods
 - Physical resources sustaining or enhancing human life
- Immaterial goods
 - Human Capital: skills, education, know-how
 - Institutional Capital: formal ("rule-of-law state) and informal (ability to detect trustworthy people)
 - Social Capital
- Other resources

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Principles for assigning values

- Differential values are assigned to resources to signal relative significance by consensus or influence (persuasion, petition, coercion).
 - Assigned values change due to both internal (civil war, authoritative revision, changes in fashion/ taste) and external forces (war, trade, conquest, ideas)

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Principles for assigning values

- All actors take actions to promote their self-interest by maintaining and gaining valued resources if such opportunities are available.
 - Status assignment (linked to valued resources) confirms community and values and may further community survival
 - Status enhances decision making power, may affect valuation processes in collective action
 - Structural constraints defines opportunities

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Principles for assigning values

- Maintaining and gaining valued resources are the two primary motives for action, with the former outweighing the latter
 - Only when resources in possession are secured do actors seek to gain access to additional resources

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Macrostructure and resources

Social structure

- Set of social units (positions) with differential amounts of valued resources
 - Hierarchically related to authority
 - Share certain rules and procedures for using the resources,
 - Are entrusted to occupants (agents) who act on these rules and procedures

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Dimensions of valued resources

Dimension	Positional	Individual
Social	Status (prestige)	Reputation
Economic	Class	Wealth
Political	Authority	Power

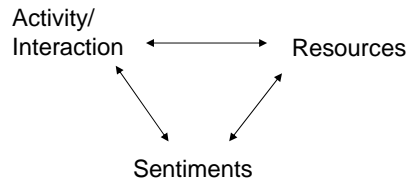
- "there tends to be a correspondence of occupants among hierarchical positions across valued resources or status dimensions" (p37)

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THE HOMOPHILY PRINCIPLE



- Interaction is based primarily on shared emotions
- Social interaction tend to take place among individuals with similar lifestyles and socio-economic characteristics

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Resources Motivations Interactions

- It's not just what you know but who you know
- Purposive action in building social capital?
 - Membership in voluntary organisations
- Opportunistic exploitation of structurally available social capital?
 - The strength of weak ties

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