

Social Capital: A Survey

Selçuk AKÇAY*

ABSTRACT:

In recent years, the concept of social capital is attracting a great deal of attention from all social science disciplines. This concept is basically defined as features of social organization such as norms, networks and trust that facilitate cooperation and coordination for mutual benefit. This study surveys and discusses issues related to the concept of social capital, including its definitions, types, levels, components, measurements and impacts.

Introduction

Classical economics identified land, labor and physical capital as the primary factors for economic production and development. However, classical writers, such as Adam Smith, Karl Marx, Emile Durkheim, Thorstein Veblen, Max Weber, emphasized the importance of social and cultural factors in economic development. More lately, economists from Neo-classical school such as Gary Becker and T. W. Schultz in the 1960's introduced the concept of human capital - individual talents and skills - and argued that the productive use of factors of production depend on a country's accumulated knowledge and stock of educated and trained manpower.

In recent years social scientists from different disciplines such as sociology, economic sociology, political science and education have emphasized specific qualitative features of the structure and functioning of civic society as important variables in economic and social development. These scientists argue that apart from physical capital, social capital which includes the institutions, the relationships, the attitudes and values that direct interactions among people plays an important role in economic and social development. For example, according to Woolcock (1998: 154-155) societies with higher level of social capital will be wealthier, more informed, better governed, and less marked by conflict than societies with lower level of social capital.

The purpose of this study is to examine the concept of social capital in detail. The paper is organized as follows. In the first section of the study, definitions and a brief history of social capital are presented. The second section of the study provides basic features of the concept. The third section, discusses levels, types and components of social capital. The fourth section provides measurements and indicators of social capital. The fifth section examines the impact of the social capital on the economic and social variables and reviews recent empirical studies. The last section concludes

I. What Is Social Capital?

The concept of social capital was first introduced by L.J. Hanifan (1916:130) who described it as;

* Assitant Professor, Afyon Kocatepe University, Faculty of Economics and Administrative Sciences, Department of Economics, Afyon

those tangible substances that count for most in the daily lives of people: namely good will, fellowship, sympathy, and social intercourse among the individuals and families that make up a social unit If an individual comes into contact with his neighbor, and they with other neighbors, there will be an accumulation of social capital, which may immediately satisfy his social needs and which may bear a social potentiality sufficient to the substantial improvement of living conditions in the whole community.

After Hanifan, authors like Bourdieu (1970) in sociology, James Coleman (1988,1990) in educational sociology, Robert Putnam (1993, 1995, 2000) in political science, Fukuyama (1995, 2001) in economic history and sociology have greatly contributed to the prominence of social capital. Initial studies about social capital were primarily descriptive rather than empirical. However, in recent years many empirical studies about subject are undertaken.

One of the difficulties of studying social capital lies in the challenge of trying to define it. There are a variety of definitions that attempt to capture the concept of the social capital. OECD (2001:40) identified four alternative approaches to the definition of social capital. These approaches are anthropology, sociology, economics and political science.

The anthropological literature is the source for the notion that humans have natural instincts for associations. For example Fukuyama (1999) stresses the biological basis for social order and the roots of social capital in human nature.

Sociological literature describes social norms and the sources of human motivation. It emphasizes features of social organization such as trust, norms of reciprocity and networks of civic engagement.

The economic literature draws on the assumption that people will maximize their personal utility, deciding to interact with others and draw on social capital resources to conduct various types of group activities (Glaeser 2001). In this approach the focus is on investments strategies of individuals faced with alternative uses of time.

A strand in political science literature emphasizes the role of institutions, political and social norms in shaping human behavior.

Bourdieu (1986: 249) defines social capital as " the aggregate of the actual or potential resources which are linked to ... membership in a group - which provides each of its members with the backing of the collectively owned capital."

Putnam (1993:35) defines social capital as "features of social organization such as networks, norms, and trust, that facilitate coordination and cooperation for mutual benefit."

James Coleman describes social capital not by what it is, but what it does; that is by its function. For him social capital means obligations and expectations, information channels, and a set of norms and effective sanctions that constrain or encourage certain kinds of behavior (1988:100-101). Table 1 presents a summary of the approaches of the Bourdieu, Coleman and Putnam by taking into consideration definition, purpose and analysis.

Table 1. Definition, purpose and analysis of social capital

	Definition	Purpose	Analysis
Bourdieu	Resources that provide access to group goods	To secure economic capital	Individuals in class competition
Coleman	Aspect of social structure that actors can use as resources to achieve their interests	To secure human capital	Individuals in family and community settings
Putnam	Trust, norms and networks that facilitate cooperation for mutual benefit	To secure effective democracy and economy	Regions in national settings

Source: Winter, 2000, p.5

In addition, while Woolcock and Narayan (2000:226) describe social capital as "the norms and networks that enable people to act collectively." Fukuyama (1999:16), defines it as follows:

Social capital can be defined simply as an instantiated set of informal values or norms shared among members of a group that permits them cooperate with one another. If members of the group come to expect that others will behave reliably and honestly then they will come to trust one another. Trust acts like lubricant that makes any group or organization run more efficiently

Finally, OECD in its report titled *The Well-being of Nations: The Role of Human and Social Capital* (2001: 41) defines social capital as the "networks, together with shared norms, values and understandings which facilitate cooperation within or among groups."

From the above definitions it is clear that, there is a broad agreement that social capital is a resource based on relationships among people.

II. Basic Features Of Social Capital

In economic literature, there are different types of capital, namely physical, natural, human, cultural, financial and social capital. Physical capital refers to plant, machinery

and other assets; natural capital covers clean air, water and other natural resources; human capital includes knowledge, skills and competences; cultural capital contains familiarity with society's culture and the ability to understand and use educated language, financial capital refers to fund, acquire or invest in the other forms of capital (PIU, 2002: 13). Social capital as defined above refers to the norms, operating rules, networks, relationships and mutual trust in the society.

Social capital has unique characteristics that distinguish it from other forms of capital. First, social capital inheres in social relationships and is not embedded in actors or objects. Second, social capital is produced by societal investments of time and effort, but in a less direct fashion than is human or produced economic capital. Third, social capital is non-rival (public good); that is, use of social capital by one party does not lower the quality or quantity of social capital available to other parties to a relationship. Fourth, unlike other forms of capital (except human), it increases if it is used, through reinforcing the networks, norms and values, and decreases if it is not used (OECD, 2001: 39).

Table 2 compares human and social capital in terms of focus, measures, outcomes and the model they proposed.

Table 2. Comparison of Social Capital and Human Capital

	Human Capital	Social Capital
Focus	Individual agent	Relationships
Measures	Duration of schooling Qualifications	Attitudes/ values Membership/ participation
Outcomes	Direct: Income, productivity Indirect: Health, civic activity	Social cohesion Economic achievement More social capital
Model	Linear	Interactive/circular

Source: Schuller, 2001, p.20

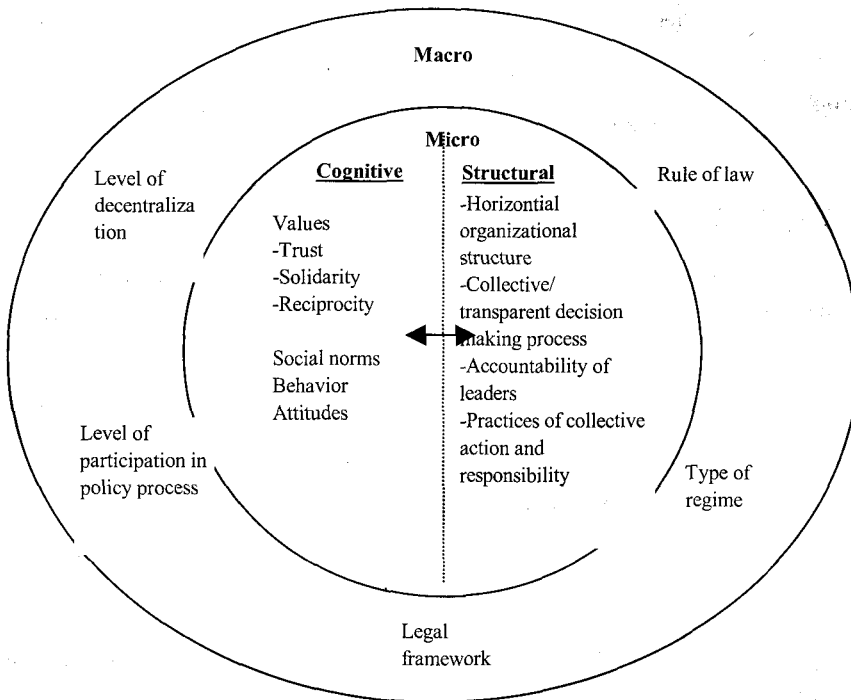
III. Levels, Types And Components Of Social Capital

Regarding the levels of social capital it is basically divided into two levels, namely macro and micro. The macro level covers institutional framework in which organizations work. Rule of law, level of decentralization, type of regime, legal framework and level of participation in policy process are the major components of the macro level (Krishna and Shrader, 1999: 9).

On the other hand, the micro level refers to the potential contribution that horizontal

organizations and social networks help development. The micro level itself contains two types of social capital: cognitive and structural. While the former includes values (trust, solidarity and reciprocity) and social norms (behavior, attitudes), the latter based on horizontal organizations and networks, includes the composition and practices of local level institutions (Krishna and Shrader, 1999: 10). Figure 1 indicates levels and types of social capital.

Figure 1 . Levels and Types of Social Capital



Source: Krishna and Shrader, 1999, p.9.

As regards the types of social capital, it should be noted that Woolcock and Narayan identified three major types, namely bonding, bridging and linking. According to them bonding social capital, refers to the relationships that we have with people who are like us, i.e relations among members of families and ethnic groups. Bridging social capital refers to the relationships that we have with people who are not like us i.e relationships with people from different socio-economic status and different ethnicity etc. Finally, linking social capital refers to the relationships or connections people have with those in power (Woolcock and Narayan, 2000: 227).

Regarding the components of social capital, it can be stated that social networks, social norms and sanctions are the major components of social capital. Social networks simply means who knows who. Social norms are the informal and formal rules that

guide the behaviors of network members. Sanctions are the processes that help to ensure that network members keep to the rules (PIU, 2002:11). These three major components of social capital and their functions are indicated in Table 3.

Table 3. The three major components of social capital

	Networks	Norms	Sanction
Function	Network members (access to information benefits and support)	Rules and understandings (Reciprocity, expectation of cooperation, trust codified behavior)	Rewards and punishments for complying / breaking norms
Examples			
<i>Traditional communities</i>	Neighbours (lending, caring and protection)	Reciprocity, due care of property, challenging strangers	Recognition and respect vs.gossip, social exclusion
<i>New York diamond wholesale market</i>	Diamond merchants	Trustworthy exchange, without payment of bags of uncut diamonds for examination	Approval, disapproval and exclusion
<i>The Highway code?</i>	Other road users (faster travel and information)	Language of signs and co-operation when to go, stop etc.	Anger of strangers (road rage?), informal thank you, police action

Source: Performance and Innovation Unit (PIU), Discussion paper, 2002, p.11.

IV. Measurement Of Social Capital

Since definitions of social capital vary greatly, it is difficult to measure social capital directly. According to Woolcock and Narayan (2000:239) there is no single true measure of social capital due to the following reasons.

The most comprehensive definitions of social capital are multidimensional, incorporating different levels and unit of analysis.

The nature and forms of social capital change overtime, as the balance shifts between informal organizations and formal organizations.

Because no long-standing cross-country surveys were initially designed to measure social capital. Contemporary researchers have had to compile indexes from a range of approximate items (measures of trust, confidence in government, voting trends, social mobility, and so on)

Currently, there are two broad methods to measure social capital. First, numbers of

association (networks) and membership in associations (networks) in a given society. Second, survey data on levels of trust and civic engagement. Social trust has been used in many empirical studies as a proxy of approximating levels of social capital. The World Values Survey (WVS) asked question on trust like "generally speaking, would you say that most people can be trusted or that you can not be too careful in dealing with people?" in 1981, 1991 and 1995-96. The 1981 survey is based on responses from thousands of individuals across 23 nations, the 1990-1991 survey covers 43 nations, while the 1995-1996 survey covers 47 nations.

Table 4 displays values for this index, for the years 1981, 1991 and 1995-96 respectively. From the Table 4, it can be seen that in 1995-96, the OECD country with the highest percentage of respondents reporting that "most people can be trusted " is Norway (65.3%) while Turkey has the lowest percentage (5.5 %).

Table 4. Social Trust (%) (World Values Survey: 1981, 1991,1995-1996)

Nations	1981	1991	1995-96	Nations	1981	1991	1995-96
Albania			27	Latvia		19.0	24.7
Argentina	26.1	23.3	18	Lithuania		30.8	21.9
Australia	48.2		40	Macedonia			8.2
Austria		31.8		Mexico	17.5	33.5	28.1
Azerbaijan			20.5	Moldova			22.2
Bangladesh			21	N.Ireland	44.0	42.6	
Belarus			24	N.Zeland			49.1
Belgium	29.2	33.2		Netherlands	44.8	54.9	
Brazil		6.7	3	Nigeria		23.2	19.2
Britain	43.3	43.6	29.6	Norway	61.5	65.1	65.3
Bulgaria		30.4	28.6	Peru			5
Canada	48.5	52.4		Philippines			5.5
Chile		22.7	21.4	Poland		34.5	17.9
China		60.3	52.3	Portugal		21.4	
Colombia			10	Romania		16.1	18.7
Czech Rep		25.8	28.5	Russia		37.5	23.9
Denmark	52.7	57.7		Slovakia		23	27
Dominican. Rep			26.4	Slovenia		17.4	15.5
El Salvador			14.6	South Africa	29.0	29.1	15.9
Estonia		27.6	21.5	South Korea	38.0	34.2	30.3
Finland	57.2	62.7	48.8	Spain	35.1	34.2	29.7
France	27.8	22.8		Sweden	56.7	66.1	59.7
Georgia			23.4	Switzerland		42.6	37
Hungary	33.6	24.6	22.7	Turkey		10	5.5
Iceland	39.8	43.6		Ukraine			31.0
India		35.4	37.9	Uruguay			21.6
Ireland	41.1	47.4		USA	40.5	50	35.9
Italy	26.3	35.3		Venezuela			13.7
Japan	41.5	41.7	42.3	W.Germany	32.3	37.9	41.8

Source: Norris, 2001, pp. 30-31

Apart from measurements mentioned above proxies and indicators of social capital are used in many empirical studies. These indicators are provided in Table 5.

Table 5. Indicators of Social Capital

Horizontal Associations	
<ul style="list-style-type: none"> • Number and type of associations or local institutions • <i>Extent of membership</i> • Extent of participatory decision making • Extent of kin homogeneity within the association • Extent of income and occupation homogeneity within the association • Extent of trust in village members and households • <i>Extent of trust in government</i> 	<ul style="list-style-type: none"> • Extent of trust in trade unions • Perception of extent of community organization • Reliance on networks of support • Percentage of household income from remittances • Percentage of household expenditure for gifts and transfers • Old-age dependency ratio
Civil and Political Society	
<ul style="list-style-type: none"> • Index of civil liberties (Gastil, Freedom House) • Percentage of population facing political discrimination • Index of intensity of political discrimination • Percentage of population facing economic discrimination • Index of intensity of economic discrimination • Percentage of population involved in separatist movements • Gastil's index of political rights • Freedom House index of political freedoms 	<ul style="list-style-type: none"> • Index of democracy • Index of corruption • Index of government inefficiency • Strength of democratic institutions • Measures of "human liberty" • Measures of political stability • <i>Degree of decentralization of government</i> • Voter turnout • Political assassinations • Constitutional government changes • Coups
Social Integration	
<ul style="list-style-type: none"> • Indicator of social mobility • Measure of strength of social tension • Ethnolinguistic fragmentation • Riots and protest demonstrations • Strikes • Homicide rates • Suicide rates 	<ul style="list-style-type: none"> • Other crime rates • Prisoners per 100,000 people • Illegitimacy rates • Percentage of single-parent home • Divorce rate • Youth unemployment rate
Legal and Governance Aspects	
<ul style="list-style-type: none"> • Quality of bureaucracy • Independence of court system • Expropriation and nationalization risk 	<ul style="list-style-type: none"> • Repudiation of contracts by government • Contract enforceability • <i>Contract-intensive money (currency/ M2)</i>

Source: Grootaert, 1998, p.15

V. Effects Of Social Capital

The social capital literature suggests that social capital may have a range of potential beneficial economic and social effects. These effects can be qualitative and quantitative. In recent years, several studies, using cross-section analysis and utilizing available social

capital indexes, have reported quantitative results on the impacts of social capital on the economic and social variables.

Putnam (2000: 23) claims that social capital has profound and quantifiable impacts in many different aspects of human life. These quantifiable effects include lower crime rates (Halpern 1999, Putnam 2000), better health (Wilkinson, 1996), improved longevity (Putnam 2000), better educational achievement (Coleman, 1988), greater levels of income equality (Wilkinson 1996, Kawachi et al. 1997), less corrupt and more effective government (Putnam, 1995, Rafael La Porta et al.1997), enhanced economic growth through increased trust and lower transaction costs (Putnam, 1993, Fukuyama, 1995, Knack and Keefer, 1997, Whiteley, 2000, Narayan and Pritchett, 1999), and enhanced democracy (Paxton, 2002).

Knack and Keefer (1995, 1997) investigate the relationship between interpersonal trust, norms of civic co-operation, and economic performance. In their empirical study, they mainly focus on the role of trust which they assume as the most important indicator of social capital. Based on the World Values Survey that contains extensive survey data on respondents in a number of countries, they assess the level of trust in a society by using the question: "Generally speaking, would you say most people can be trusted, or that you can not be too careful in dealing with people?". Trust is measured as the percentage of respondents in each country that replied "most people can be trusted". Their empirical results indicate that trust has a significant impact on aggregate economic activity. Quantitatively, they state that "a ten percentage point rise in trust is associated with an increase in growth of four-fifths of a percentage point" (Knack and Keefer, 1997 :1260).

Whiteley investigates the relationship between social capital and economic growth in a sample of 34 countries over the period 1972 to 1992. Civic values, according to Whiteley, influence socio-economic performance in several ways (2000:443):

if widespread levels of citizen trust exist in society, this serves to reduce transaction costs in the market economy, it helps to minimize the deadweight burdens of enforcing and policing agreements, and holds down diseconomies of fraud and theft. Thus it can be argued that trust greatly facilitates economic and social relationships.

The findings of his empirical analysis suggest that there is a positive relationship between social capital (defined as interpersonal trust) and economic growth across 34 countries over the period 1972 to 1992.

Bjornskov analyzes the relationship between social capital and corruption. His empirical analysis is based on data from European (29) and non-European (17) countries. The findings of his analysis suggest that there is a negative relationship between

social capital and corruption. In other words the incidence of corruption is lower in nations with higher levels of social capital and higher in nations with lower levels of social capital. As a policy implication he suggests that "it is possible to build social capital through investing in education, interest in society and some level of income redistribution, which in turn reduces corruption" (2003: 22-23).

Paxton examines the relationship between social capital and democracy by using cross-national data for 46 countries. Social capital, according to Paxton (2002:257), can affect democracy in two ways. "First social capital can help to create democracy in a country that is not democratic. Second, it can help to maintain or improve an already existing democracy." Her empirical analysis based on the social capital data taken from World Values Survey. The findings of her empirical analysis reveal that the relationship between social capital and democracy is reciprocal. In other words "social capital was found to promote democracy while a return effect from democracy to social capital was also established" (2002:272).

VI. Conclusion

In this survey article, the concept of the social capital, defined as features of social organization such as norms, networks and trust that facilitate cooperation and coordination for mutual benefit, is analyzed in detail. Definitions, basic features, indicators, measurement and impacts of the social capital are discussed. Moreover, a summary of recent empirical studies about effect of the social capital on economic and social variables is also provided.

REFERENCES

- BJORNSKOV, Christian (2003), "Corruption and Social Capital", Working Paper, Department of Economics, The Aarhus School of Business, Denmark.
- BOURDIEU, P.(1986), "The Forms of Capital", in John Richardson (ed.), *Handbook of Theory and Research for the Sociology of Education*. New York, Greenwood Press, pp.241-258.
- COLEMAN, James (1988), "Social Capital in the Creation of Human Capital," *American Journal of Sociology*, Vol. 94, Supplement, pp.95-120.
- COLEMAN, James (1990), *Foundations of Social Theory*, Cambridge, Mass.: Harvard University Press.
- EVANS, Peter (1996), "Government Action, Social Capital and Development: Reviewing the Evidence for Synergy," *World Development*, Vol. 24, No. 6, August, pp. 1119-1132.
- FUKUYAMA, F (1995), *Trust: The Social Virtues and the Creation of Prosperity*, Free Press.

FUKUYAMA, F.(2001), "Social Capital, Civil Society and Development," Third World Quarterly, Vol. 22, No 1, pp. 7-20.

FUKUYAMA, Francis (1999), The Great Disruption, New York: Simon Schuster.

GROOTAERT, Christiaan (1998), "Social Capital: The Missing Link?", Social Capital Initiative Working Paper No.3, The World Bank Social Development Family Environmentally and Socially Sustainable Development Network.

HALPERN, D. (1999), "Social Capital in Britain" British Journal of Political Science, Vol. 29, pp.417-461.

HANIFAN, Layda J. (1916), "The Rural School Community Center" Annals of the American Academy of Political and Social Science, 67: pp.130-138.

KAWACHI, I. Kennedy, B. Lochner, K. Prothrow- Stith D. (1997), "Social Capital, Income Inequality, and Mortality," American Journal of Public Health, Vo. 87, No. 9, pp. 1491-1498.

KNACK, S. (2000), "Trust, Associational Life and Economic Performance in the OECD," Paper prepared for the HRDC-OECD International Symposium on The Contribution of Investment in Human and Social Capital to Sustained Economic Growth and Well Being.

KNACK, S., Keefer, P. (1997), "Does Social Capital Have an Economic Payoff ? A Cross-Country Investigation," The Quarterly Journal of Economics, 112 (4), pp. 1251-88.

KRISHNA, Anirudh and Elizabeth Shrader (1999), "Social Capital Assessment Tool", Paper Prepared for the Conference on Social Capital and Poverty Reduction, The World Bank, Washington D.C. June 22-24, 1999.

LA PORTA, Rafael, Florencio Lopez-de Silanes, Andrei Sheleifer, Robert W. Vishny (1997), "Trust in Large Organization," The American Economic Review Papers and Proceedings, Vol.87, Issue 2, pp.333-338.

NARAYAN, Deepa and Lant Pritchett (1999), "Cents and Sociability: Household Income and Social Capital in Rural Tanzania," Economic Development and Cultural Change, Vol. 47, No. 4, July, pp. 871-893.

NORRIS, Pipa (2001), "Making Democracies Work: Social Capital and Civic Engagement in 47 Societies," Working Paper, RWP01-036, John F. Kennedy School of Government, Harvard University

OECD (2001), The Well - Being of Nations - The Role of Human and Social Capital. OECD.Paris.

PAXTON, P. (2002), "Social Capital and Democracy: An Interdependent Relationship," *American Sociological Review*, Vol. 67, pp. 254-277.

PERFORMANCE AND INNOVATION UNIT, (PIU) (2002), "Social Capital" Discussion Paper, Government of United Kingdom, Cabinet-Office.

PUTNAM, R. (1993), "The Prosperous Community: Social Capital and Public Life," *The American Prospect*, No. 13, Spring, pp. 34-42.

PUTNAM, R. (1995), "Bowling Alone: America's Declining Social Capital," *Journal of Democracy*, Vol. 6, No.1, pp. 65-78.

PUTNAM, R. (2000), *Bowling Alone: The Collapse and Revival of American Community*, New York, Simon and Schuster.

SCHULLER, Tom (2001), "The Complementary Roles of Human and Social Capital", *Isuma: Canadian Journal of Policy Research*, 2,1, pp.18-24.

SOBEL, Joel (2002), "Can We Trust Social Capital?", *Journal of Economic Literature*, Vol. XL (March), pp.139-154.

STREETEN, Paul (2002), "Reflections on Social and Antisocial Capital", *Journal of Human Development* Vol. 3, No. 1, pp.7-22.

WHITELEY, Paul F. (2000), "Economic Growth and Social Capital," *Political Studies*, Vol.48, pp.443-466.

WILKINSON, R. (1996), *Unhealth Societies: The Afflictions of Inequality*, London: Routledge.

WINTER, Ian (2000), "Towards a Theorized Understanding of Family Life and Social Capital", Working Paper No. 21, Australian Institute of Family Studies.

WOOLCOCK, M. (2001), "The Place of Social Capital in Understanding Social and Economic Outcomes," *Isuma: Canadian Journal of Policy Research*, 2,1, pp.11-17.

WOOLCOCK, M., Deepa Narayan (2000), "Social Capital: Implications for Development Theory, Research and Policy," *The World Bank Research Observer*, Vol. 15, No.2, pp.225-249.

WORLD BANK, "What is Social Capital,?" (cited 12 March 2003) [http:// www.world-bank.org /poverty/scapital/whatsc.htm](http://www.world-bank.org/poverty/scapital/whatsc.htm).