Social Capital's Unique Accessibility

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Capital is any store of value that facilitates action. Nineteenth century economists, including Karl Marx, thought that financial and physical capital were the only forms of capital. In the last quarter century, research has awakened interest in novel and unexpected forms of capital, greatly expanding the forms of capital beyond what the last century's economists would have recognized, and even what some contemporary economists would recognize.[1] Nonetheless, the current literature of social science identifies as capital, in addition to financial capital and physical capital, three *new forms* of capital. These forms are cultural capital, social capital, and human capital (Table 1). Each can be understood independently of the other, but they are best understood in their reciprocation and interdependency. Also, the researchers who developed social and cultural capital were aware of human capital, and this awareness later became reciprocal. Therefore, to understand social capital, the task of this collection, one needs also to understand the neighbor concepts (human capital, cultural capital) that emerged in tandem with it and into which social capital transmutes.

Human capital means an individual's investment in training that increases his or her productivity and therewith earns a money return (Becker, 1993: ch. 1; 1996: ch. 1).[2] Since training costs money, whether through tuition payments, opportunity costs, or both, an individual's human capital represents an income-generating, reliable, long-term investment. Therefore, economists understand an individual's repertoire of trained skills as a capital reserve analogous to financial capital. "Education and training are the most important investments in human capital."[3] Human capital resides in the owner's person, not in the owner's bank. One invests money in a business inventory in the expectation of a money return, and one invests in education for the same reason. The chief promoter and most visible theorist of human capital, Gary Becker, received a Nobel prize in economics for this contribution.

The related concept of *cultural capital* originated in the work of Pierre Bourdieu, possibly the world's most famous living sociologist.[4] Bourdieu (1979: 10, 12) defines cultural capital as high cultural knowledge that ultimately redounds to the owner's financial advantage. An example would be knowing how to dress for success. Fortune Five Hundred corporations hire executives who dress expensively and appropriately. In such cases, the successful candidate's sartorial knowledge commands a salary bonus above and beyond what his or her expected productivity on the job would have commanded. That is, the well-dressed candidate gets a bonus unattributable to learned productivity. Therefore, the knowledge of how to dress for success earns a reward reserved for only those who have the requisite sartorial knowledge. For this reason, the acquisition of high cultural style, including dress, table manners, golf, and arty chit-chat, is a capital resource of the owner, vested in the owner, but it is not human capital. An executive may have human capital without cultural capital, or, more commonly, cultural capital without human capital. In principle, one might acquire cultural capital as an adult by hiring a tutor as did Moliere's Bourgeois Gentilhomme. However, cultural capital is prohibitively expensive to buy that way. In reality, people normally acquire cultural capital informally when they grow to maturity in privileged, upper-class backgrounds.

In contrast to the other two, social capital means relationships of trust embedded in social networks. Jane Jacobs (1961) is usually credited with authorship of the concept. Nonetheless, social capital's current prominence and formal definition stems most centrally from the work of the late James Coleman.[52] Social relationships become capital, a store of value, Coleman argued, when and because participants can rely upon one another to uphold social norms and to reciprocate favors. Diamond merchants in Amsterdam utilize social capital when they turn over priceless packets of cut diamonds to one another for inspection without any prior inventory. In so doing they rely upon a community norm (don't steal!) to obtain time-saving flexibility in their business. Farmers exploit their social capital when they turn out to build another farmer's barn in the expectation that someday the other farmer will return the favor.

Coleman's development of the concept of social capital exhibited explicit familiarity with Becker's concept of human capital. Coleman (1988) showed that human capital formation often depended upon prior social capital. The research context was Coleman's study of parochial schools. Finding that parochial schools had lower drop-out rates than public schools, Coleman concluded that the social capital of the parochial schools permitted parents to impose a rigorous discipline upon their school-age children.[6] In that sense, an individual student's human capital could be decomposed into the social relationships that had permitted the individual to acquire them in the first place. This origin does not diminish the independent impact of having productive skills, an unassailable resource, but it specifies a metamorphosis in which social capital first becomes human capital, and human capital later becomes financial capital.

Table 1 Forms of Capital: Capsule Definitions

Capital:	A store of value that facilitates action.
Financial capital:	Money available for investment.
Physical capital:	Real estate, equipment, and infrastructure of economic production.
Human capital:	Training that increases productivity on the job.
Cultural capital:	High cultural knowledge that can be turned to the owner's advantage.
Social capital:	Relationships of trust embedded in social networks.

Capital's Properties

Forms of capital should share all or most properties of capital to merit a common designation. In point of fact, social, cultural, and human capital share many of the most important features of financial and physical capital (Table 2). One shared feature is storability. Physical capital and financial capital can be stored for protracted periods, but there is depreciation and risk when so doing. When storing physical capital, one encounters depreciation caused by normal wear as well as the hazards of arson, vandalism, and natural catastrophes. When storing financial capital, one encounters depreciation caused by taxes as well as the risks of inflation, theft, embezzlement, bankruptcy, revolution, and war. Owners can store social, human, and cultural capital too, albeit at some risk. One's store of human and cultural capital is a store of knowledge. One's store of social capital is dependable relationships. Storing knowledge encounters the risks of obsolescence, personal loss of memory, infirmities that inhibit utilization, fashion change, public education, and the like. Storing relationships encounters the risks of death, divorce, emigration, religious or political conversions, imprisonment, disgrace, and so forth.[1] It would be interesting to ascertain whether the hazards of storing cultural, human, and social capital are as great as or greater than those of storing physical and financial capital.

A second and most important property of capital's various forms is *mutual metamorphosis*. Physical and financial capital metamorphose into one another. When merchants buy inventory, they change their financial capital into physical capital. When they sell the inventory, they change the physical capital back into financial capital. If we represent financial capital as F and physical capital as P, then we can represent this transaction schematically as:

(1)F1 --> P --> F2

Here F1 exceeds F2, indicating that when the merchant sold his inventory, and reconverted his assets to money form, he had more financial capital than when he originally converted his money into inventory.

In the same sense, social, human, and cultural capital metamorphose into one another *and* into financial and physical capital (Johannisson, 2000). The archives of social science bulge with evidence.[7] To illustrate this process, let us first examine the metamorphosis of social, human, and cultural capital into financial capital. When someone first acquires human capital, and later gets a high-paying job using it, the person's human capital has produced financial capital. Becker would illustrate the process as follows where H is human capital and F is money capital:

(2) F1 --> H --> F2

Here, as before, F2 exceeds F1, indicating that the costs of the investor's education were less than the lifetime earnings increment that the investor received as a result of his or her education.

When a job-seeker lands a high-paying job thanks to a network referral, then the seeker's social capital has metamorphosed into financial capital. When the job seeker's prestige diploma secures a high-paying job for her,

[1] If one does favors for others, in the expectation of later repayment, and then dies before the repayment is made, one's investment in the relationship has been in vain.

then the graduate's cultural capital has metamorphosed into financial capital (Farkas, 1996; Borocz and Southworth, 1996).

Now consider the metamorphosis of human, social, and cultural capital into one another. When an applicant's personal references from well-connected alumnae obtain her admission into a college, then the person's social capital has metamorphosed into human capital. If, additionally, the college enjoys social prestige, then the applicant's social capital has metamorphosed into cultural capital as well as human capital. Should a person's occupational productivity or arty *savoir-faire or both* awaken the interest and respect of others, who then become part of her social network, the person will have translated human capital or cultural capital into social capital. When the Nobel Committee awarded the Nobel Prize to Gary S. Becker, the economist's human capital became cultural capital on the strength of which the celebrated economist might have obtained a better paying job in the academic marketplace.

Finally consider the extent to which financial and physical capital can metamorphose into social, human, and cultural capital. Affluent persons give swank parties that introduce them to an expanded social network, thus translating their financial capital into social capital. If they hire tutors or attend a respected college, affluent people can turn their financial capital into human capital and even into cultural capital. Owning a yacht or a lavish country estate, both forms of physical capital, affords the wealthy the capability of giving parties that will not only expand their social network, but also introduce them to cultured celebrities, including opera stars, painters, and poets, whose companionship enhances their cultural capital.

Social Capital’s Unique Property

In general, the metamorphosis of any form of capital into any other form of capital requires capital to initiate the metamorhosis. Nothing comes of nothing. Here we encounter a socio-economic obstacle. If people have any capital of any form, they can, with skill and luck, parlay what that have into the other forms as well. In principle, any form of capital can become any other even though all translations are not equally easy.[8] Alas, those without *any* capital of *any* form cannot enter the trading system at all. To trade, one must have something to exchange. The indigent lack that minimal stake. For this reason, capital’s metamorphoses exclude the homeless, the indigent, the ignorant, the uncultivated, and the friendless from participation in the game. Two back doors mitigate this exclusion. The first is the possibility of *profitable* metamorphosis of one’s non-financial as well as of one’s financial capital. When a merchant buys inventory and then sells it, the merchant often earns a profit on the transaction, winding up with more money than he or she first had. In this way, by successful trading, a small merchant can become a big merchant in a lifetime of trading. Similarly, when one converts one’s human capital into financial capital, or one’s cultural capital into social capital, or any other capital conversion, one can make a kind of profit in both transactions. In the first case, an employee obtains a better job than her human capital might normally have commanded. This delightful prospect is part of what one means by getting a good job. In the second case, unsuccessful poets obtain more girlfriends and media recognition than their doggerel really merited. Instead of starving alone in a garret, a boring poet becomes a media celebrity and matinee idol of housewives. In either case, the profit from the transaction leaves the capital owner better endowed with capital at the end of the process than he was at the beginning. A *career of successful trading* even permitted a poor and friendless peasant’s son named Pierre Bourdieu to become a wealthy and famous cultural icon.

Table 2 Properties of Capital

	Popular Access	Taxed	Stored	Metamorphic
Financial	No	Yes	Yes	Yes
Physical	No	Yes	Yes	Yes
Human	No	No	Yes	Yes
Cultural	No	No	Yes	Yes
Social	Yes	No	Yes	Yes

The otherwise exclusive system of capital metamorphoses has one other extremely important back door. This access privileges *social capital*. Except for social capital, all other forms of capital exclude the poor, ignorant, unpropertied, and downtrodden. Only the rich have money and property. The poor and unpropertied do not have them. The adult poor lack human capital or cultural capital.[9] In effect, the poor lack money, property, education, and high culture. Lacking all of these, they lack the minimal stake that permits one to enter the system of interdependent capitals, to make profits on capital’s transmutations, and gradually, with luck and shrewdness, to ascend the hierarchy by dint of exchanging capital one has for capital one needs but does not have. Lacking system access, the indigent poor have *no prospect* for improving their lot in life insofar improvement depends upon money, property, education, or high culture that one trades for other values.

However, the poor <u>do</u> have the ability to create and maintain *social capital*. Admittedly, many forms of social capital are inversely related to social-economic status. Yanjie Bian (2001) reports that high-ranking executives had more than 200 visitors during Spring Festival whereas manual workers had only 2, a measure of their unequal social capital. Nonetheless, compared to other, even less democratic forms of capital, social capital is accessible to the humble. This possibility defines social capital's uniquely popular and democratic accessibility. A barrio resident who is penniless, propertyless, ignorant, and uncultivated need not also be friendless. Poor but cohesive communities exist aplenty. Residents of poor but cohesive communities have large social networks. Arguably, their other disabilities make it harder for the indigent to maintain a cohesive social network, but these disabilities do not render it *impossible*. Therefore, where poor people have built and maintain social capital, they have a capital resource that permits them to trade on the capital markets, individually and collectively, possibly earning profits that will ultimately better their comprehensive social and economic condition.[10] When this process works, social capital has metamorphosed into human capital, financial capital, physical capital, and cultural capital.

The rotating savings and credit association (ROSCA) exemplifies this metamorphosis as does the celebrated Grameen Bank of Bangladesh.[11] Even those too poor to obtain a bank account can operate a ROSCA and obtain the credit and savings facilities it provides if only they have the requisite social capital (Light and Gold, 2000: 220; Yoo, 2000). Just as the ROSCA makes financial capital available to poor individuals, so ROSCAs make capital available to redlined and shunned communities, permitting them to promote more small business and more home ownership than would otherwise have been possible (Immergluck, 1999). In this manner, ROSCAs enable poor individuals and poor communities to obtain resources otherwise unobtainable, possibly even to escape poverty (Light, 1972: chapters 2 and 3). ROSCAs depend on social capital; ultimately, then, social capital offers poor communities the possibility for trading out of poverty in the long-term (Synghal, 1994).

Thus understood, social capital is a kind of philosopher's stone in that, costing no money and available to all, it can metamorphose into rare and precious values.[12] The medieval alchemists sought to change lead into gold. They hoped to turn something valueless into something precious. They failed. It appears, however, that in social capital, we have a non-monetized resource that metamorphoses into money, property, education, and high culture. Social capital's uniquely democratic accessibility identifies it as the place to start when planning social change in impoverished communities.

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END

[1] Economists do not agree about this issue. Becker (1996) wants to add social capital to human capital; Bates (1998) wishes to recognize human capital but exclude social capital; Bowles (1999) argues that social capital is not capital.

[2] “ . . . Expenditures on education, training, medical care, etc. are investments in capital.” Becker (1993), p. 16

[3] Becker (1993), p. 17

[4] For a review of the career, publications, and ideas of Bourdieu, see: Wacquant, 1998.

[5] For a review of social capital, see: Portes, 1998.

[6] Zhou and Bankston (1998) also develop this idea.

[7] Some of this evidence is reviewed in chapter 4 of Light and Gold (2000).

[8] Strictly speaking, any form of capital increases the odds of obtaining any other. There is always the risk of non-success. Exactly which risks are greatest is an interesting question that awaits research.

[9] Public education lowers the cost of human capital to the student, making its acquisition more accessible to the poor. Nineteenth century reformers thought that public education would endow the poor with cost-free skills enabling them to escape poverty. Sometimes this strategy does work. However, it does not always work. Those for whom this strategy did not work become educated poor adults for whom social capital is the only resource they possess.

[10] “People gain access to social capital through membership in networks and social institutions and then convert it into other forms of capital to improve or maintain their position in society.” Massey, 1999:43.

[11] On the Grameen Bank, see: Counts, 1996; Yunus, 1998.

[12] Costing no money, social capital is not absolutely free. It takes effort and work to build and maintain social capital. The effort and work is the cost of having or maintaining social capital. Happily, anyone can perform the requisite work. The capital thus created can then metamorphose into money such that when the poor build social capital, they can obtain money returns on their effort.