

What is social capital?

The concept of social capital became fashionable only relatively recently, but the term has been in use for almost a century while the ideas behind it go back further still. “Social capital” may first have appeared in a book published in 1916 in the United States that discussed how neighbours could work together to oversee schools. Author Lyda Hanifan referred to social capital as “those tangible assets [that] count for most in the daily lives of people: namely goodwill, fellowship, sympathy, and social intercourse among the individuals and families who make up a social unit”.

That gives some sense of what’s meant by social capital, although today it would be hard to come up with a single definition that satisfied everyone. For the sake of simplicity, however, we can think of social capital as the links, shared values and understandings in society that enable individuals and groups to trust each other and so work together.

In recent years, the term entered the popular imagination with the publication in 2000 of Robert Putnam’s bestseller, *Bowling Alone: The Collapse and Revival of American Community*. Putnam argued that while Americans have become wealthier their sense of community has withered. Cities and traditional suburbs have given way to “edge cities” and “exurbs” – vast, anonymous places where people sleep and work and do little else. As people spend more and more time in the office, commuting to work and watching TV alone, there’s less time for joining community groups and voluntary organisations, and socialising with neighbours, friends and even family.

To demonstrate this decline, Putnam looked at the way Americans play 10-pin bowling, a sport with a big following in the United States. He found that although bowling has never been bigger, Americans are no longer competing against each other in the once-popular local leagues. Instead, they are – literally – bowling alone. Putnam argued that the decline of the community networks that once led Americans to bowl together represents a loss of social capital.

Varieties of social capital...

There's much debate over the various forms that social capital takes, but one fairly straightforward approach divides it into three main categories:

- **Bonds:** Links to people based on a sense of common identity (“people like us”) – such as family, close friends and people who share our culture or ethnicity.
- **Bridges:** Links that stretch beyond a shared sense of identity, for example to distant friends, colleagues and associates.
- **Linkages:** Links to people or groups further up or lower down the social ladder.

The potential benefits of social capital can be seen by looking at social bonds. Friends and families can help us in lots of ways – emotionally, socially and economically. In the United Kingdom, for example, a government survey found that more people secure jobs through personal contacts than through advertisements. Such support can be even more important in countries where the rule of law

Social capital is defined by the OECD as “networks together with shared norms, values and understandings that facilitate co-operation within or among groups”. In this definition, we can think of networks as real-world links between groups or individuals. Think of networks of friends, family networks, networks of former colleagues, and so on. Our shared norms, values and understandings are less concrete than our social networks. Sociologists sometimes speak of norms as society’s unspoken and largely unquestioned rules. Norms and understandings may not become apparent until they’re broken. If adults attack a child, for example, they breach the norms that protect children from harm. Values may be more open to question; indeed societies often debate whether their values are changing. And yet values – such as respect for people’s safety and security – are an essential linchpin in every social group. Put together, these networks and understandings engender trust and so enable people to work together.

is weak or where the state offers few social services: clans can fund the education of relatives and find them work, and look after orphans and the elderly.

“... Access to information and influence through social networks also confers private benefits on individuals and in some cases can be used by individuals or groups to exclude others and reinforce dominance or privilege.”

The Well-being of Nations

But bonds can hinder people, too. Almost by definition, tightly knit communities, such as some immigrant groups, have strong social *bonds*, with individuals relying heavily for support on relatives or people who share their ethnicity. Simultaneously, their lack of social *bridges* can turn them into eternal outsiders from wider society, sometimes hindering their economic progress. Of course, social exclusion works both ways: tightly knit groups may exclude themselves, but they may also be excluded by the wider community.

Like almost any form of capital, social capital can also be put to ends that harm other people. The links and trust that allow drug cartels and criminal gangs to operate are a form of social capital, albeit one that the rest of us could do without. Companies and organisations can also suffer if they have the wrong sort of social capital – relationships between colleagues that are too inward-looking and fail to take account of what’s going on in the wider world. Conversely, social capital can also help businesses. In *Bowling Alone*, Putnam attributes a large part of the success of Silicon Valley in the United States to formal and informal co-operation between start-up companies in the area.

“... Social capital provides the glue which facilitates co-operation, exchange and innovation.”

The New Economy: Beyond the Hype

... and criticisms

The concept of social capital has its critics. One argument that’s made is that Putnam got it wrong when he said social engagement is eroding. Instead, it may just be evolving. Rather than joining groups in our neighbourhoods, like bowling leagues, we’re now joining groups made up of people who share our beliefs – fighting for envi-

ronmental protection or gay rights, for instance – rather than our locality. These groups – such as a branch of Greenpeace or Amnesty International – can exist in the “real” world. But they may also exist only virtually on the Internet, which is arguably creating whole new “communities” of people who may never physically meet but who share common values and interests. Not everyone, however, is convinced that these new forms of community have the same value as more traditional forms.

“In many countries there would seem merely to have been a shift from support of traditional organisations and institutions ... to newer forms of voluntary association...”

Barrie Stevens *et al.* in *The Creative Society of the 21st Century*

Critics also argue that the term “social capital” is vague, hard to measure, poorly defined and perhaps not even a form of capital at all. (Economists often argue that capital involves making some form of sacrifice in the present – like studying in school to raise your human capital when you could be playing outside – to produce gains in the future.) Despite the debate, social capital is a concept that’s attracting interest among politicians and policy makers. One reason for this is the increasing concern over marginalisation in our societies.

As we’ve seen repeatedly, the knowledge economy puts a premium on human capital and can worsen the job prospects of people with limited education, who are also often the least well off in our societies. Some analysts speak of the emergence of an “underclass” in developed countries, a group that is outside the mainstream of society and has little chance of re-entering it, both because of a lack of human capital and, arguably, the “right” sort of social capital. Indeed, that twin absence may not be a coincidence. A case can be made that human capital and social capital are inextricably linked.

Are human and social capital linked?

Human and social capital don’t exist in isolation from each other. The two are linked in complex ways and, to some extent, feed into each other. In other words, social capital promotes the development