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“Summary of article by James Coleman: Social Capital in the Creation of Human Capital”

Most sociologists tend to view human behavior as the product of a social environment governed by social norms, rules, and obligations. Economists tend to view humans as independently motivated by rationally determined, wholly self-interested goals. The social capital concept combines elements from both streams of thought. It assumes that rationality is a primary motivating force for human behavior both at the level of individual action and at the level of social organization.

This article introduces the concept of social capital and provides examples of its use. It then explores how social capital embedded in the family and community helps explain the level of human capital - represented by educational achievement - in the next generation.

WHAT IS SOCIAL CAPITAL?

Social capital refers to characteristics of social structures that facilitate the actions of people and institutions within those social structures. Although social capital can reside in relationships between and among people and institutions, this paper concentrates on the relationships between and among people. As with human capital and physical capital, social capital enables societies to achieve some actions that would not be possible without it. For example, social capital allows for the relatively intangible properties of relationships, such as trust, which enhance the productive activities of those involved.

Social capital exists in at least three forms. One form is concerned with obligations, expectations, and trust. People who perform many favors for others may be considered to have a large number of credits on which they can draw. These interconnections of obligations and expectations give members of the social structure additional capital to assist them in meeting their goals. This form of social capital depends on the level of trust within the social environment and on the extent to which individual actors are able to accrue credits as payment for favors.

Information channels constitute a second form of social capital. Because acquiring information is costly, it is often acquired through social relations that are maintained for other purposes. A busy woman who wants to be fashionable may rely on her friends to keep her up to date on fashion trends.

Finally, norms and sanctions constitute a third form of social capital. Norms may enable powerful forms of social capital to develop, including those norms which enable people to walk in public without fear of crime. The norm that leads people to forego their own personal interests and to act for the common good is particularly important. These norms may be internalized or they may be maintained through an external system of reward for following the norm and/or punishment for acting selfishly.

SOCIAL STRUCTURES AND THE FORMATION OF SOCIAL CAPITAL

Certain aspects of social structures are particularly conducive to building social capital. One of the favorable properties of a social structure is closure. Closure of a social structure means that the affected people have an ongoing relationship with each other. When people know each other, effective sanctions and rewards can be applied to monitor and guide behavior. Norms are far less likely to be effective when the social structure lacks closure. In that case, the people negatively affected by some action do not know each other and are far less able to join forces to sanction the action. Closure of the social structure also raises the trustworthiness of social structures, enabling the interconnections of obligations and expectations to increase.

Another structure which facilitates the formation of social capital occurs when an organization formed for one purpose is subsequently used for another purpose. This is known as an *appropriable* social organization. For example, tenants in a public housing project built during World War II who had joined together to fight for better housing conditions, kept the organization together even after its initial goals had been met. The members realized that the social capital inherent in the organization improved the quality of their lives.

SOCIAL CAPITAL AND THE CREATION OF HUMAN CAPITAL

Social capital within the family and the community plays a particularly important role in creating human capital in the next generation. Three different types of capital within the family affect the educational achievement of children: financial capital, human capital, and social capital. Financial capital may be measured by the parents' wealth or income. Human capital may be considered the potential of the parents to create an environment that aids learning. It may be measured more or less by the level of parental education.

Social capital is another element in family background that contributes to the level of human capital in the next generation. Some parents have the ability to increase the educational achievement of their children even when the human capital of the parents is not particularly high. Parents can do this by taking the time and effort to instill learning and discipline in their children. This extra time and effort exerted by the parents represents an additional resource of social capital within the family.

The effects of social capital in families and in communities were measured in a study of high school dropout rates. Significantly lower dropout rates were found in families with two parents in the home rather than just one, with one sibling rather than four, and with a mother who expects her child to attend college. Each of these variables are assumed to help foster social

capital in the family and thus increase human capital as measured by the educational level of the children.

Lower dropout rates were also found at high schools where there appeared to be greater inter-generational closure, meaning that the parents of the children know each other. Students whose parents know each other are thought to have access to greater social capital to aid them in developing their human capital. Thus, these two examples demonstrate that social capital within the family and within the community can increase the human capital of children.

PUBLIC GOODS ASPECTS OF SOCIAL CAPITAL

While the benefits of private capital and human capital primarily accrue to the owner, the benefits of most forms of social capital accrue not just to those who contribute to it, but also to society at large. It may make financial sense to a family for a mother to return to work outside the home and withdraw from active involvement in the parents' association at school, but that withdrawal means decreased social capital is available for the community. Because social capital is created by people who often are not the primary beneficiaries, it is often formed as a by-product of other activities and societies tend to under-invest in its formation. With the weakening of formerly strong families and strong communities, the undersupply of social capital worsens. It may then become necessary to substitute some kind of formal organization for the voluntary and spontaneous organization which in the past was the major source of social capital.

In summary, the concept of social capital preserves the paradigm of rational action, but avoids the assumption of atomistic elements lacking social relationships. An important aspect of social capital is its public goods nature.