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Social Capital And Capitalist Economies

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Abstract
The concept of social capital has become very influential in social science and is also increasingly deployed in analysis of transition economies. Its appeal derives from the attempt to relate the functioning of the capitalist economy to the non-economic relations of capitalist society. This article finds that the concept of social capital is inadequate for this purpose. By tracing the intellectual history of social capital, it is shown that the concept contains confusion with regard to both capital as economic phenomenon and capitalist social relations. Social capital conflates economy and society and hinders, rather than facilitates, analysis of capitalist society.

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1. Introduction

In recent years the concept of social capital has been very widely used across the social sciences. Despite its popularity, the concept is hard to define. The most immediate way of to explaining what is meant by it is through the popular saying, “it’s not what you know, it’s who you know that matters”. The concept of social capital therefore rests on the presumption that (inter)personal connections can be favourable to particular economic outcomes. The theoretical intention is to deploy this concept in analysis of processes and phenomena that are important to capitalist (and other, such as transition) economies but are typically ignored by neoclassical economics. Put differently, social relations are assumed to influence the actions of eco-

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nomic agents, economic or otherwise, and social capital aims at capturing this influence in theory. Thus, the aim is to complement economic with social analysis and, in particular, to explain how social capital is a necessary adjunct to economic capital.

The implications of social capital for the study of transitional economies are now, not surprisingly, coming to the fore. Mainstream policy towards such countries was initially dominated by emphasis on the economic, namely on the dismantling of previous forms of planning and their replacement by private property – a leap into capitalism. The results have been little short of disastrous, at times dramatically so - as in the case of the collapse of Russia's industrial output. Social capital appears capable of explaining these results not so much through critical economic analysis of the imperatives of capitalism and the rush to embrace them, but by shifting attention away from the economic to the social. The lack of (appropriate) social capital can be cited as explanation of the failure of reform, in line with those who argue that the problem has been the failure or absence of institutions in transitional economies, rather than the economic policies adopted. In other words, transitional economies need capitalism in all its aspects, and absence of one of these, from private property through democracy to social capital, is used to explain failure (Nowotny, 2002).

Perhaps the most prominent example of this sort of analysis is to be found in empirical work on social capital in Russia. Rose (1999), for instance, asks why some individuals should be healthier than others or attain higher levels of welfare, and in providing an answer more or less sets aside economic analysis altogether. Rose's argument is that there is high (horizontal) social capital both at low levels and higher levels of Russian society, reflecting solidarity at low levels and persistent nomenclature at higher levels. But there is an absence of integration between the two, that is, little vertical social capital. This is understood to be a significant cause of the health or welfare deficiencies of present Russian society. Analysis of this type is expected to facilitate the design of welfare and health promotion by identifying the networks of social capital that enhance the effectiveness of policy, or even substitute for government programmes.

In this article we briefly trace the emergence and intellectual evolution of the concept of social capital. We give reasons why, starting from humble beginnings, it has come to a prominent position in social theory. We also argue that social capital is a deeply problematic concept, both theoretically and empirically. The most that could be said in its favour is that it has helped to increase awareness of the need to analyse the social context within which capitalist economies operate. But the concept of social capital gives inadequate guidance to those who wish to analyse the interaction of the economic with the non-economic in capitalist society.

2. The intellectual origins of social capital

There is no doubt that the introduction of the concept of social capital into social theory was inspired by the French progressive sociologist Pierre Bourdieu, at the end of the 1970s (see, for instance, 1986, 1996). Bourdieu was concerned with how oppression and power are reproduced - especially through non-economic means - and their implications for the economy and for culture. In traditional sociological terms, Bourdieu inquired into issues of stratification and conflict, seeking to avoid economic reductionism, that is, the notion that social and cultural phenomena are simply a cover and support for economic privilege. Consequently, he stressed that associated relations and processes are contextually specific. He also suggested that the corresponding endeavours create meanings (for example, why are certain cultures elite and others not, and how are they made so). Bourdieu was so determined to avoid overgeneralization from one process to another, and from one time and place to another, that he proposed a variety of capitals at work in society, not only social but also cultural and symbolic, for example. He also sought to ground his theory in empirical studies of who was connected to whom, who got access to the best education, and so on.

By the end of the 1980s, however, Bourdieu's concept was taken over by sociologists at the other end of the ideological and analytical spectrum, while the theoretical and interpretative underpinnings of his work were overlooked and discarded. In its current form, social capital is most often associated with the work of James Coleman of the University of Chicago, who believed that rational choice is a fundamental requirement of sociological analysis (Coleman, 1994). For Coleman (1990, p. 302, see also 1988 and 1993), social capital refers to 'social-structural' resources that are inherent to society and operate as capital for the individual in the sense that they can facilitate individual rational action. He believed he had shown that coming from a good family or neighbourhood led to better educational outcomes. He also wished to base all social theory on the optimising behaviour of individuals, out of which the social could be understood both as outcome and as constraint.

Thus, from Coleman's perspective, social capital is a public good that can shape the actions of individual agents as well as influence the formation of collective agents and their own actions. The 'social-structural' resources that constitute social capital usually amount to 'internalized norms' that help individuals act in accordance with collective interests, thus forming the basis of collective action. Typical 'internalized norms' are trust and mutual confidence among economic agents (private and public). A society with a substantial stock of social capital is presumably permeated by a climate of trust, confidence, reliability, and moral obligation among its members. Consequently, individuals can take economic decisions that chime with the collective interest. In short, Coleman's approach has two fundamental attributes, functionalism and rational choice.

Coleman's approach to social capital would may have remained little noticed but for the efforts of Robert Putnam (1993), undoubtedly the chief proponent and populariser of the notion. In the final chapter of his book, Putnam (1993) seizes upon social capital to account for differential patterns of development between northern and southern Italy. Apparently, northern Italy possesses greater volumes of social capital embodied in clubs, associations and other social institutions, which explain its superior governmental and economic performance compared to the individualistic and family-dominated South. But Putnam's fame and influence spread once he brought social capital home to the United States (1995a, 1995b). No doubt touching upon popular prejudices, he suggested that the United States was in decline because of the recent emergence of "Bowling Alone". Americans no longer engage sufficiently in civic and associational activity, with the rise of the couch potato watching television as the leading culprit. However, Putnam was far more sanguine about the prospects of the USA than those of Italy in restoring its social capital, if only the concepts of trust and/or publicly spirited action were to be recognised and deployed[1].

More specifically, Putnam (1993, p. 172) assumes reciprocity to be important for the existence and formation of social capital. He contrasts balanced to generalised reciprocity; the former referring to an immediate exchange of quid pro quo, while the latter to the practice of granting something now and creating a moral obligation to repay later. Generalised reciprocity across society is evidently a norm, an internalised practice of behaviour that cannot be fully captured by narrow commercial interactions. When generalised reciprocity is abundant, social capital is large and there are good prospects for individual action to lead to public benefits. Moral hazard, opportunism, dishonesty and other problematic practices are correspondingly limited. Thus, the social and political institutions of a country are fundamental to establishing generalised reciprocity as well as to increasing or decreasing it. More specifically, social capital appears to be created out of synergies between the economy, the state and various organisations that belong to 'civil society' (i.e. organisations independent of the formal mechanisms of the state). But the quantity and quality of social capital also depend on the nature of the 'state' and of 'civil society', particularly on whether the former is centralised or decentralised and the latter strong or weak. It is even possible that 'bad' social capital could prevail in a country, that is,

1. Thus Putnam (2002) suggests that 9/11 has boosted trust in President Bush and politicians more generally, opening up an opportunity to build US social capital!

there might be dense networks between social actors creating an environment of favouritism, cronyism and corruption that goes runs against the collective good.

3. Social Capital and the World Bank

It would be, and has been proven, very easy to lampoon Putnam's case for social capital. His work has been savaged theoretically, historically and empirically with little or no response on his part.[2] This is important because Putnam is reputedly the single most cited author across the social sciences in the 1990s, an indication not only of his influence but also of the momentum that has gathered behind social capital. But the leading factor that has placed social capital on the intellectual map has come, to some extent from an unexpected quarter, the World Bank. Initially, social capital had been primarily targeted at understanding the malaise of the west, whether whole societies such as the United States, or the incidence of dysfunction in families, neighbourhoods or communities. Suddenly, however, its insights were turned upon the developing world. The World Bank adopted and promoted the idea of social capital as the "missing link" in explaining development, or its absence, not least because of its view of social capital as "the glue that holds society together".

It is worth speculating why the World Bank should have taken the lead in deploying social capital in its own understanding of development and in its self-appointed role as knowledge bank to the development community.[3] The shift from the Washington to the post-Washington Consensus is important in this respect. Development theory and policy during the last two decades has been dominated by the so-called Washington Consensus, demanding macroeconomic stability, free domestic markets, and openness to international trade and finance.[4] Its main purveyors to developing countries have been the International Monetary Fund and the World Bank. Unfortunately, the results from policies inspired by the Washington Consensus have been very poor, while financial and economic crises have become commonplace. Partly as a reaction to policy failures, an alternative approach began to take shape in the second half of the 1990s, often called the post-Washington Consensus. This alternative relies heavily on the work of Joseph Stiglitz, and accepts that asymmetric information among economic agents leads to market failure.[5] Markets are seen as the only realistic and efficient way of delivering growth, but state intervention is also

2. For a devastating critique of his analysis of Italy see Tarrow (1996).
3. See Bebbington et al. (2002) for an account of how social capital came to the World Bank.
4. This issue is discussed at length in Fine, Lapavitsas and Pincus (eds) (2001). See also Fine (2001), Hildyard (1998) and Standing (2000).
5. See Stiglitz (2001) for evidence that he is seeking to replace the neo-liberal paradigm with his own.

necessary to sustain, supplement and create markets.

For the post-Washington Consensus, state intervention should facilitate market operations by dealing with market imperfections and creating markets. This was the message that Stiglitz (1998a, 1998b) disseminated widely as chief economist of the World Bank for a brief period in the late 1990s. The post-Washington Consensus provided a congenial environment for a flowering of social capital.[6] For what can be a greater market imperfection than different volumes of social capital available to different societies? Social capital has consequently become a point of convergence between economists and other social scientists within international economic institutions. Suppose, for instance, that Indonesia and South Korea present systematic differences in their growth performance over a period of time, despite broad similarities in macroeconomic policy. These could be plausibly attributed to differences in the volumes (and quality) of the social capital available to the two countries. If plain economics of development (i.e. the Washington Consensus) is unable to account for growth divergences, things could perhaps improve if the sociology of development (i.e. social capital) was also taken into account.

With this in mind, there is no limit to the empirical research that could be undertaken to specify exactly how social capital differs between countries. Networks among local businesspeople could be described, links between the local and the national state could be examined, cultural and ethnic specificities could be identified - the list of factors could be extended at will, the researcher assigning to them whatever significance he chose. Moreover, broad policy prescriptions could also be made, if a country's social capital was deemed deficient. These would typically take the form of the unarguable requirement to create an environment of trust, confidence and probity sustained by social norms as well as formal institutions. As a result, social capital has broadened the scope of the policy prescriptions of the international organisations: development is no longer only a matter of changing economic relations but also of altering the non-economic norms and institutions surrounding the economy.

For those who want to criticise the Washington Consensus without directly taking issue with the social underpinnings of the capitalist economy, social capital has evident appeal. It is supposed to help markets work better, despite not being economic in character; it offers grounds for state intervention, but not of a kind that might discomfit participants and agents in capitalist markets; it certainly avoids fo-

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6. Serageldin (1997) is credited with having introduced social capital into the World Bank, not least through the personal participation of Putnam (Bebbington et al. 2002).

cusing on price controls and the regulation of private capitalist activities. Policies to improve social capital, however specified, could be interpreted as eliminating or ameliorating information asymmetries, thus being conducive to the more efficient operation of markets. Social capital is tailor-made for critics of capitalism who accept its fundamental efficiency efficacy but are troubled by its 'imperfections'. Thus, the international organisations are able to advocate fundamentally conservative economic policies that promote capitalism, while shrouding them in talk about the social foundations of markets and their inadequacies. The freeing of markets and the unfettered operation of private capital can be demanded from impoverished countries, while concern is expressed about their lack of social capital to make markets work efficiently.[7]

In short, the sea-change in rhetoric in the World Bank over the 1990s involved a switch from the Washington to the post Washington consensus, marking a retreat from the neo-liberal rationale of adjustment programmes, and the simultaneous reintroduction of social factors, most notably in the form of social capital. But the impact of these shifts has not been confined to the Bank alone. Rather, the way in which the wider community began to address development has been heavily influenced, and the status of social capital as part of the developmental lexicon has been promoted by leaps and bounds. Below we consider further reasons for the astounding growth of influence of social capital in recent years. We also offer a critique of its conceptual content. But before we can do so, it is necessary to make a brief detour into the sociological theory of networks, which has important similarities with the theory of social capital.

4. Social capital and social networks

Sociology has long treated the creation and operation of institutions and norms as its own special terrain which sets it apart from economics.[8] But in recent years, the gap between economics and sociology has narrowed, especially since institutionalist and information-theoretic economics have started to accept that social norms and institutions supplement individually rational decision-making.[9] Despite this shift within

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7. Nevertheless, even this mild radicalism was too much for the adherents of the Washington Consensus. By his own admission (interview in the Financial Times 13/14.7.2002), Stiglitz was removed from his position as chief economist of the World Bank because of pressure by highly-placed US government officials.
8. See Smelser and Swedberg (1994) on present-day economic sociology.
9. See Swedberg, Himmelstrand and Brulin (1987), and Ingham (1996), who concludes however that the methodological differences between the disciplines remain too great for true convergence to take place.

neoclassical economics, economic sociology still considers that economics underestimates the depth of the social character of norms and institutions.

The clearest example of this view within economic sociology is offered by the approach of 'embeddedness', associated primarily with Granovetter. For Granovetter (1985, pp. 484-5) economists who incorporate norms and institutions in their analysis typically have an 'over-socialised' view, which treats the operation of norms and institutions as the mechanical outcome of social compulsion. Instead, Granovetter (1985, 1994) claims that economic behaviour ought to be analysed as 'embedded' in networks of 'social relations', by which are meant personal relations between individuals taken in pairs. The commonest relevant 'dyadic social relation' among economic agents is friendship. Economic decision-making remains rational but is shaped by the requirements, impositions and possibilities opened by 'social relations', such as friendship. Granovetter (1974) has studied empirically the role of social contacts and friendships in the labour market, and showed that economic analysis draws deficient conclusions about the practices of hiring and firing because it ignores the role of 'social relations'. Moreover, the activities of formal economic institutions are also 'embedded' in 'social relations' which condition their behaviour. Thus, the actions of individuals are constrained by norms, conventions and collective practice, while institutions are also embedded in networks that reflect the perceptions, values, and interests of individuals.

In a little more detail, the economic actions of both individuals and public bodies cannot be separated from the social context (understood as interpersonal relations) within which decision-making takes place. Decision-making units (private and public) typically belong to various networks that constitute integral wholes in geographical as well as social space. Networks affect the actions of particular decision-makers, whether by facilitating or constraining them. It is incumbent upon the social scientist to specify the nature of each network by ascertaining the dominant actors, the 'thickness' of the relations among actors, and the network's territorial scope. 'Thickness' can be taken to refer to the density of interactions among actors, and has to be adjusted for the strength and cultural content of these interactions. Intuitively, it is one thing for the families of two business people to meet regularly for lunch, quite another for the head of the local council and the chief executive of a construction company to meet regularly at a gentlemen's club.

Granovetter (1973) has also differentiated between 'strong' and 'weak' ties among actors. 'Strong' ties keep information within small tightly-knit groups of agents, preventing general diffusion across the network, hence encouraging malpractice. 'Weak' ties, on the other hand, make it easier for groups of actors within the network to be connected to each other, facilitating flows of information among them and resulting in superior performance. Power is also a fundamental aspect of networks, flowing from the exchange relations among network members and facilitating the achievement of results. Coalition-building, negotiation and the direct exercise of power through command over resources are integral to network operations.

The approach of 'networks' or 'embeddedness' typically assumes that trust is a vital norm among economic agents, facilitating efficient decision-making. Presumably, trust emerges when agents have regular contacts with each other in networks of social and cultural relations. This approach has resulted in much empirical and theoretical work in the field of finance, since trust is the foundation of credit.[10] Uzzi (1999), for instance, focuses on the 'middle-market' for finance in the USA, i.e. firms with up to five hundred employees and the banks that serve them. Bilateral relationships and networks among participants in this market are claimed to be important in determining who obtains credit and on what terms. Firms that have a stable relationship with one bank tend to 'embed' their economic transactions within 'social relations'. In contrast, firms that have commercial transactions with several banks usually maintain arms-length relations with their creditors. 'Embedded' ties encourage firms and banks to share information and other resources, while arms-length ties facilitate access to public information regarding the terms of credit. Thus, when firms operate within networks that can synthesise the benefits of different types of ties, they can obtain credit on better terms. 'Embeddedness' can also encourage firms to devote extra effort to production, thus raising individual and social welfare.

It is characteristic of 'network' theory that it examines economic relations on sociological grounds but without demonstrating any tension with the core analytical premise of neoclassical economics, that is, individual maximising behaviour. The validity of economic rationality is accepted, but also conditioned by specifying the social context within which decisions are made. 'Network' theory has no fundamental quarrel with the neoclassical economics of neoclassicism, which it accepts as standard economics.[11] Its emphasis on the extent and the content of interpersonal (and inter-institutional) relations serves to expand the realm of neoclassical analysis, not necessarily to contradict it. There is evident affinity between network theory and social capital theory, though the two are not identical.[12]

10. For further discussion see Lapavitsas (2003).
11. Granovetter has been critical of neoclassicism, but also seems to accept that economics is neoclas sicism, and that the rational individual is an appropriate point of reference for economic analysis.
12. Evans (1996a, 1996b), for instance, locates 'social capital' in the network ties, while Paraskevopoulos (2001) treats the two as complementary concepts in his analysis of regional development.

5. The expanding realm of social capital

Whatever might be its intellectual origins, antecedents and parallels, there is no doubt that the concept of social capital has been extended prodigiously in scope and depth in recent years. The following five aspects of its intellectual evolution merit particular mention.

First, if social capital is created out of formal and informal associations between people (occurring outside the market) then there is an extraordinarily large number of organisations upon which to draw, starting with the family, moving up through neighbourhoods, local communities, political and voluntary organisations, and so on. Further, these are complemented by membership or association with formal organisations as well as by race, gender, class, ethnicity, region, nationality, etc. In other words, social capital encompasses an extremely wide range of social phenomena. It is clear, even at this point, that it might be doubted whether these phenomena have sufficient aspects in common that a single term is warranted under which they can all be satisfactorily housed. There is a neat, polemical way of putting the same point. If we take just a thousand people, and count the possible numbers of ways in which they could organise themselves (including some, excluding others), then the answer is more than the number of atoms in the universe![13]

Proponents of social capital might argue that only a few of these opportunities are taken up in practice, and these are the ones that count. Even so, however, if the approach is to have any analytical and policy purchase, it would be necessary to understand why some have some type of social capital and others do not. To say that a child does well at school because it comes from a good family or neighbourhood (one form deemed to be taken by social capital) is of interest, if the statement is well-defined and properly justified in terms of influence of other variables. Yet, the same statement raises the more fundamental question of how good families and neighbourhoods are formed, and what makes them good or bad. As has been recognised, the social capital literature has been much more heavily focused on its effects than on its sources, not surprising in view of the capacity for any social factor to be interpreted as constituting social capital.

Second, these conundrums have in a sense begun to be recognised in the social capital literature, by seeking to aggregate up from its many different types into a few broad categories, most notably bonding, bridging and linking social capital. These are, respectively, associations within groups, between groups and across hierarchies. Unfortunately, however, the world and its social stratification are not neatly

13. See Hodgson (2001, p. 13) for this in the slightly different context of individualistically based theories of institutions.

organised in this fashion. Ethnicity, gender and class, for example, cut across these classifications, thus representing bonding, bridging and linking social capital all at the same time.

Third, the discussion so far has primarily focused on the formalities of organised interconnections between people. This approach has a longer history as network theory, briefly discussed in the previous section. But, in its more sophisticated versions, network theory acknowledges that networks cannot be satisfactorily understood simply in terms of who is connected to whom and how often. Rather, the nature of the network depends upon the content of the messages and activities that they facilitate (Emirbayer and Goodwin, 1994). Further, associational activity does not necessarily require formal organisation. Consequently, social capital has been interpreted in terms of culture, norms, trust and customs - thereby further widening its definitional scope.

Fourth, social capital can be seen in a different way, by way of a contrast with what is supposedly non-social capital. The latter is typically taken to be a list of recognisable resources such as natural capital, fixed capital, human capital, and financial capital. Across the literature as a whole, social capital is whatever else contributes to individual or collective performance after these other forms of capital have been taken into account. This is a huge portfolio of potential factors. The result is that there is collective definitional chaos surrounding social capital. Authors often note this chaos at the outset, but they then proceed to use their own definition, further compounding the nebulous character of social capital. But nor is social capital simply a definitional residual. For, by the same token, as it is accepted that differences in outcomes across countries or regions cannot be accounted for in terms of differences in other forms of capital, so social capital must be the residual explanatory factor. Once again, it is being asked to do a lot of diverse tasks.

Fifth, as many critics of social capital have observed, its effects are just as likely to be negative as positive. Frequent reference is made to the Mafia, Ku Klux Klan, intra-ethnic exploitation and inter-ethnic exclusion, etc. Indeed, the conclusion seems inescapable from an analytical point of view that social capital is simply rent-seeking seen from the opposite side. Yet the horizons of social capital are far greater, since no one ever claimed that the family or the neighbourhood as such were hotbeds of rent-seeking or corruption. One defence of social capital might be that it is a resource and can be used for good or bad, just like any other resource. But this is not a strong argument because social capital is a resource that has been given the name 'capital'. Leaving aside the rather special case of negative equity, negative capital is something that cannot survive since capital is something that, by its nature, must generate a profit.

6. What is social and what is capital?

This leads naturally into the issue of how does the theory of social capital understand capital, i.e. the more general category of which it is, presumably, a special type?[14] One answer, as already hinted, is that capital is simply understood as a resource, and social capital mops up all those resources that are not already included in natural, physical, human and financial capital. This conforms to the way in which orthodox economics understands capital, as something capable of generating output and hence utility. As a result, capital is entirely disembodied from the society and context in which it is located. Capital becomes a concept with universal applicability and, thereby, not confined to capitalism. In the hands of mainstream economics, it is the ultimate reification of all social relations. In this respect, social capital neatly performs the role of picking up where physical (or other forms of economic) capital leaves off, emphasising social organisation, culture, norms, networks and trust, etc, as more specific aspects of historically evolved organisation that allow economic capital to function more effectively.

Quite apart from the all-embracing content thereby incorporated into social capital, the theoretical outcome of this approach depends upon two closely related distinctions, which are hard to sustain. On the one hand, social capital requires that capital in all its economic forms is (implicitly or explicitly) not social, and essentially physical. From this perspective, it is as if the market and non-market were separate spheres of society. But, as is now universally recognised from a variety of approaches, from public choice to Marxist political economy, the market and its capitals cannot exist independent of property rights and the institutions and ideologies that sustain them. So where does physical-type "capital" as such end and social-type capital begin? On the other hand, there is a presumption that capital as such is something that is owned and exchanged between individuals, whereas social capital belongs to some if not all, and may not be exchanged. Social capital may even be strengthened with use. But this fails to recognise that physical-type capital must also be inextricably bound within a social system, whether it be feudalism, slavery or capitalism itself. This places doubts over the presumption that often underpins the idea of social capital - that we can readily distinguish where the economy ends and the social begins.

On further reflection, for the approach of social capital the term 'capital' appears to be devoid of economic meaning. For neoclassical economics capital can mean any set of relations or any set of assets that simply reproduce themselves. An indi-

14. On the troubled meaning of social capital, see Smith and Kulynych (2002).

vidual can have physical capital, i.e. property in durable goods or in means of production, human capital, i.e. mostly education and training, political capital, i.e. contacts and an inside track in political decision-making, cultural capital, i.e. familiarity and skill at complying with cultural norms, and so on and so forth. By this token, social capital is understood as any set of social relations outside the economy that can sustain and reproduce themselves. A country's social capital exists in its sports associations, community self-help schemes, Rotary Clubs, informal neighbourhood arrangements for punishing wrongdoing, communal sanctions for dishonesty and fraud, spirit of solidarity and social belonging, and so on and so forth. In this light, social capital could mean almost any social relation actually observed.

It is profoundly misleading to interpret the cultural, educational, familial, hierarchical and other relations observed in capitalist reproduction as so much capital at society's disposal. In particular, this approach creates a false analogy with capital at the disposal of the individual. While capital is certainly a set of social relations, some of which are economic and some non-economic, not everything is capital. There is an irreducible economic content to capital, i.e. a permanent motion in search of profit that gives rise to distinct flows and stocks. The cultural, institutional, legal, and ideological relations that permeate capitalist society might derive their characteristic features from capital but are also separate from it. Similarly, economic and non-economic relations within the family are important for the functioning of capital, but do not belong to it. When social relations are indiscriminately collapsed into capital, the result is that nothing and everything is capital, and so capital cannot be perceived as a set of exploitative and authoritarian relations. Thus, despite the best intentions of many of its advocates, social capital often ends up supplementing contemporary neoclassical economics, as can be seen from the influence of social capital on the intellectual and policy output of international economic organisations in recent years.

The approach of social capital does genuinely reflect, and seek to add to, the currently observed theoretical retreat from postmodernism and neo-liberalism. The advocates of social capital engage with the question of the relationship between the economic and the non-economic, and defend the importance of the social and the non-economic in economic life. Norms, collective action and the common good are assumed to be constitutive factors of economic life. Moreover, it is claimed that neoclassical economics insufficiently examines the social character of the institutions that establish trust and mutual obligations within markets. This opens the door to other social sciences to make a strong input in economic theory and policy-making. But this is done with a limited understanding of both what is capital and what is social. Social capital draws on a conceptual framework that fully accepts the validity of rational choice, especially in analysis that is considered strictly economic.

The methodological foundations of neoclassical economics are deemed to be valid but partial in so far as they leave out of account the influence of social factors on economic phenomena. Consequently, social capital reconstructs the economic effect of norms, institutions and collective action but in terms deriving from the choices and predilections of the rational agent. Despite the emphasis laid on all things social, the theory does not consider the social to be a qualitatively distinct aspect of society, an object of study that requires its own analytical and methodological principles separate from the private.

7. What future for social capital?[15]

Social capital currently stands in the position of second-most important concept across the social sciences, after globalisation. What both concepts have in common is their gargantuan appetites. Social capital, like globalisation, can be turned to examine almost any issue, to deploy almost any methodology, method and theory, to be empirical, conceptual or technicist, to range over time, place and context, to contribute to any discipline and to interdisciplinary study, and to revamp old ideas, publications, funding proposals, and projects as if they were new. In a nutshell, social capital has been perceived to be applicable to everything from individuals to societies whether the topic be the sick, the poor, the criminal, the corrupt, the (dys)functional family, schooling, community life, work and organisation, democracy and governance, collective action, transitional societies, intangible assets or, indeed, any aspect of social, cultural and economic performance.

One of the best ways of recognising the scale and scope of social capital is by visiting the World Bank website dedicated to the topic http://www.worldbank.org/poverty/scapital. It presents links to the following sources of social capital – families, communities, firms, civil society, public sector, ethnicity, and gender. And to the following geographical regions – East Asia and the Pacific, Latin America and the Caribbean, the Middle East and North Africa, Europe and Central Asia, South Asia, South Asia, OECD Nations, and Global. And to the following topics – conceptual, crime and violence, economics and trade, education, environment, finance, health, nutrition and population, information technology, poverty and economic development, rural development, urban development, and water supply and sanitation. Even more dramatic, and revealing, is the annotated bibliography of abstracts on social capital that has been compiled, bordering on a thousand entries. These are marked by their extraordinary diversity. Yet, the most astonishing aspect of the bib-

15. For a more extensive discussion, of this issue see Fine (2001) and Harriss (2001).

liography is that many of the abstracts contributed, and two-thirds or more of the articles themselves, do not use the notion of social capital at all! So how did they get in there? From time to time, the answer is explicitly revealed within the abstracts themselves, along the lines that initial authors may not have used social capital explicitly but that is the way they can be interpreted.

This is an inadvertent clue to the direction or, more exactly, directions being taken by social capital. For it has effectively become a prism through which all social theory is being, or has the potential to be, rewritten, usually in ways (in respect of the understanding of networks, for example) that oversimplify and distort the original content. This process, however, represents deeply problematic reductionism, with three characteristic aspects. First, as already emphasised, by placing highly diverse analyses under the same social capital umbrella, they are treated as though they all have something in common at the expense of differences in their own approaches. Second, traditional categories of social theory such as gender, ethnicity and culture become not just a means to social capital, however understood, but social capital itself. Third, precisely because social capital is an ahistorical and asocial category, it is insensitive to specificities and contexts.

Yet, just because social capital can be more or less anything, this means that it has a shifting content of its own, like globalisation. So far, the two concepts have inhabited almost entirely separate worlds. Social capital has gradually abandoned the early beginnings of Bourdieu for Coleman, and engaged in an elusive search for the key to civil society as a positive sum game. It has undertaken this task without questioning economic power and imperatives. Consequently, unlike the concept of globalisation, social capital has confined itself below the level of the nation-state. It has similarly not directed itself to understanding the nature of contemporary capitalism, avoiding systemic analysis and questions of power and conflict, alongside the nation-state, trade unions, and formal political organisation. However, globalisation could itself be swallowed up by social capital, if it were to address the bringing together of the world into functional or dysfunctional networks of trust, culture and norms.

This is not to say that social capital is an unstoppable juggernaut within the social sciences. There is already evidence of some reaction against its inherent analytical chaos. Not only are more intermediate categories being proposed, as was mentioned above - the bridging, bonding and linking – but also there is an attempt to bring Bourdieu back in, to allow for context and specificity. These manoeuvres raise problems of their own – such as what are the lessons to be learnt from social capital if one instance is different from another, and why select social as opposed to any other denominated plethora of capitals. Only if the advocates of social capital explicitly confront the rational choice origins in their understanding of the social and the economic will these conundrums be addressed. But then little if nothing of social capital as it is today could possibly survive such an exercise.

The current influence of social capital derives from the belief of many of those who use it that they are adding social sophistication to economics by bringing back the social as well as combating neo-liberalism.[16] Yet, it is apparent from the current direction of economic theory that economists do not need to be reminded of the social. On the contrary, they are using their neoclassical tools to rampage across social concepts and relations. The point, then, is not merely to challenge the lack, or deficiency, of the treatment of the social by neoclassical theory. It is also necessary to provide an alternative economics itself, a well-founded political economy of capitalism, something that social capital has never even attempted. And nor is it paramount simply to attack neo-liberalism, for it is already on the wane on the intellectual frontier and even in the rhetoric of the World Bank and IMF, which previously promoted it so enthusiastically. The issue is not so much to rehearse the case for and against the market, important though this is, as to establish a political economy with which the market is to be understood. Related to this, and from the point of view of scholarship, there is a need to dispel the extraordinary and paradoxical myth perpetrated by the advocates of social capital, namely that the role of civil society in economic and social development has not previously been satisfactorily addressed.

Social capital has evolved from rational choice and functionalist foundations. It rests on empirically and conceptually flawed scholarship, but draws strength from the wish to add social and/or political elements to neoclassical economics. Yet, it does not challenge the theoritical foundations of neoclassical economics. The most that can be said in its favour is that it has helped to make again the case for a political economy of capitalism. But for that, it is necessary to understand capital as a set of specific social and economic relations that involve control over resources and are motivated fully by money profit. There is certainly a social character to capital, resting on social stratification and control over resources. But it is a fallacy indiscriminately to include all kinds of social relations into capital. Trust, honesty, confidence, integrity, reliability, and the like, are not capital, and they might be generated in contexts that have nothing to do with the economy. Yet, they are also capable of acquiring a specific character that derives from capital, which pivots on money-making and could influence economic performance. The approach of social capital

16. Most notably Bebbington et al. (2002) who, from within the World Bank, argue that social capital is to be used strategically both to incorporate economists and enhance poverty alleviation programmes, even if this means making intellectual compromises.

cannot reveal the character of these social relations. Instead, by collapsing these relations into a clumsy notion of capital, it obscures their the character and fails satisfactorily to broaden the analysis of the economy from non-market or social perspectives.

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