The Case "Against" Social Capital

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This Draft: September 22, 1999

This paper was prepared for a debate with Samuel Bowles for Focus. I thank Jan Blakeslee, William Brock, Donald Hester, John Knowles, Susan Nelson, and James Robinson for helpful conversations and the Romnes Trust, NSF and John D. and Catherine T. MacArthur Foundation for financial support.

> She would have liked to tell them that behind Communism, Fascism, behind all occupations and invasions lurks a more pervasive evil and the image of that evil was a parade of people marching by with raised fists and shouting identical syllables in unison. But she knew she would never be able to make them understand. Embarrassed, she changed the subject.
>
> Milan Kundera, The Unbearable Lightness of Being

Introduction

This essay is designed to call into question the current boomlet in policy and academic circles for social capital. Social capital has become an explanation for an array of domestic problems in the United States as well as for understanding issues of third world development.[1] However, there is strong reason to ask whether the rise in interest in social capital is due to its demonstrated strength in elucidating socioeconomic phenomena or whether it is the intellectual equivalent of a stock market bubble. To be clear, social capital analyses have highlighted an important aspect of socioeconomic behavior which has been underemphasized by economists – the role of nonmarket relationships in determining individual and collective behavior.[2] So, I do not question continuing research on this phenomenon. Rather, I question both the importance which some have attributed to social capital as well as whether it is ultimately as benign a phenomenon as its advocates assume.

Conceptual ambiguity

One problem with the analysis of social capital is that it is ill-defined, with different authors attributing different meanings to the concept. Part of this ambiguity concerns whether social capital is defined in terms of its effects or in terms of its characteristics. The problem with a functional definition is that it renders analysis impossible, since as argued by Alejandro Portes, social capital becomes tautologically present whenever a good outcome is observed.[3] As a rhetorical device, one can see why this is effective. By defining the presence of social capital in terms of the presence of desirable outcomes, it is of course impossible not to treat social capital as an unalloyed virtue. Nevertheless, an alternative definition is appropriate if one is to make an assessment of social capital.

One possibility is to define social capital as "the influence which the characteristics and behaviors of one's reference groups has on one's assessments of alternative courses of behavior." The idea behind this definition is that social capital is present when a complete specification of how an individual makes decisions requires us to characterize what groups influence those decisions as well as to specify the causal mechanism by which this influence is transmitted. To take one case where this is true, consider James Coleman's famous example of wholesale diamond merchants in New York, in which bags of diamonds are lent for examination without any formal contracts or insurance, leaving the lender in danger of receiving counterfeits or lower quality diamonds when the diamonds are returned. Although opportunities for dishonesty are rare, they are virtually never observed. Here, social capital influences individual decisions on honesty because dishonesty by a given diamond merchant will induce responses by others which matter to his assessment of how to act.[4] This type of definition is consistent with Edward Laumann's and Rebecca Sandefur's idea that an individual's social capital "consists of the collection and pattern of relationships in which she is involved and to which she has access."[5]

To the extent that social capital is appropriately regarded as a set of mechanisms in which groups implicitly enforce certain behaviors among their members, it is clear that any presumption concerning its virtues is questionable. To see how social capital can lead to bad outcomes, consider the case of segregation in the South. One can make a plausible argument that social capital was important in perpetuating racial inequality. How? By creating enforcement mechanisms that precluded individual whites and blacks from deviating from the behavior which perpetuated Jim Crow laws and segregated social relations. Notice that just as diamond merchants in Coleman's example would be ostracized for contract violation, so would a white storekeeper who hired a black suffer from community reactions.

The example of the enforcement of segregation norms illustrates a more general principle: social mechanisms which enforce certain types of community behavior logically lead to correlated behaviors, but do not necessarily lead to socially desirable behaviors. Hence, discussions of social capital that do not specify how socially desirable versus socially undesirable behaviors are selected necessarily beg the question.

Social capital and social bads

The possibility that social capital can lead to undesirable behaviors is more than theoretical. Behaviors which enforce differential treatments of insiders and outsiders to a community are of course intimately linked to the nature of social capital; Portes and Patricia Landolt make clear how this distinction, when made in the context of zero-sum games such as hiring decisions, can lead to inequalities across groups.[6] Beyond this structural relationship, there is an attitudinal one. Strong group ties require members to think in terms of groups. Such a mindset will presumably carry over to contexts other than those in which group coordination is benign. Is it possible that an ethnic group with strong internal support mechanisms that insure members against economic dislocation exhibits discriminatory behavior in other spheres, such as hiring or choice of residential neighborhood? Although it is conceivable that group identification along one dimension does not lead to such thinking along others, such compartmentalization seems very implausible.

The potential for group-based identification to lead to intergroup hostility has been well documented in the social psychology literature. In what has been called "the most successful field experiment ever conducted on intergroup conflict" Muzafer Sherif and colleagues studied the effects of group identification in the famous Robbers Cave experiment, named after the state park where the experiment was conducted.[7] These experimenters studied the behavior of a group of teenage boys at an isolated retreat. The boys were broken into two groups who initially were not aware of the existence of one another. After one week, the groups were asked to assume names and chose Rattlers and Eagles respectively. A set of competitive activities was initiated between the two groups. Sherif documents in great detail how the two groups developed strong senses of group identity as well as differing internal behavior norms Further, each group exhibited great animosity toward the other, animosity which carried over beyond the competitive activities. It became commonplace for the boys to attribute negative stereotypes to the other group; overt hostility bordering on violence even emerged. The introduction of cooperative activities diminished the hostility, but the experiment clearly demonstrated that group identification can lead to intergroup hostility.

Related evidence abounds on the effects of group membership on perceptions and attitudes. Bernadette Park and Myron Rothbart found that sorority members tended to regard members of other sororities as less diverse than members of their own, an example of how strong intragroup relations can lead to stereotypical thinking about others.[8] In another classic set of experiments, individuals were randomly assigned to groups and asked to evaluate others along criteria for which no objective information was available. Subjects very typically exhibited strong in-group bias in these assessments.[9]

What sorts of groupings are likely to exist in environments that are rich in social capital? While there is no clear answer, again the psychology literature is very suggestive. Racial differences seem to be extremely salient in human cognition.[10] The research on race, and the case studies on social capital that have appeared, lead me to conjecture that ethnic homogeneity is a common feature of circumstances where social capital is strong.

It would be absurd to argue that parent teacher organizations, bowling leagues, and the like directly generate socially dangerous attitudes toward others. What does seem reasonable is the worry that, since those social structures in American society which promote community or group feelings are often (and possible even typically) ethnically and economically segregated, they can help to reinforce group-based thinking with the attendant effect of exacerbating intergroup hostility. Such a concern seems especially serious given the increasing economic and social stratification of American (and indeed world) society.[11] Indeed, I think it is no exaggeration to say that increasing egalitarianism in America has historically been associated with the breakdown of group identities (racial, ethnic, religious, regional) and so, one suspects, with a diminution of social capital, at least as conventionally characterized.

What leads to social capital?

A second lacuna in the social capital literature revolves around the reasons for its presence or absence. Although many social capital discussions have recognized that social capital formation is endogenous to a given socioeconomic environment, there has been relatively little attention to the implications of this for the interpretation of evidence or its overall social value.

To see how the endogeneity of social capital calls into question the sort of empirical evidence adduced to support its role in individual behavior consider, for example, a recent study by Frank Furstenberg and Mary Hughes.[12] In this analysis, the probabilities for a range of binary socioeconomic outcomes, including high school graduation and labor force participation, are shown to be related to community variables such as perception of a "strong help network" (which makes desirable outcomes more likely) and "child ever changed schools due to move" (which makes desirable outcomes less likely, presumably due to the attenuation of social connections). The problem in interpreting these and other such social capital measures as causal is that each is a choice variable, subject of course to constraints, and therefore will reflect any omitted family characteristics in an empirical analysis. To be concrete, does the negative influence of childhood moves on socioeconomic outcomes reflect the importance of social capital, or does it reflect differences in the unmeasured characteristics of families that do and do not move? This is a problem that is endemic to the literature on group effects, yet seems to be generally ignored in the empirical studies of social capital.[13] Further, studies of social capital have yet to make a clear case for the direction of causality. Do trust building social networks lead to efficacious communities, or do successful communities generate these types of social ties? As far as I know, no study has been able to shed much light on this question.

As for the implications of the sources of social capital for the interpretation of its value, consider the decline in memberships in parent teacher organizations. Reduced participation in parent teacher organizations most likely occurred at least partially because labor market opportunities improved for women. Hence, in this case, the desirable effects of this social capital were purchased at the cost of restrictions on individual opportunity.[14] More generally, it seems plausible, that if the carriers of social capital are groups which which are segregated by ethnicity, gender, or socioeconomic status, then increasing egalitarianism can cause social capital to decline.

Finally, a better understanding of the determinants of social capital may imply policy remedies that can generate some of the benefits of social capital, without the adverse effects which I have suggested may arise. Specifically, social capital seems to arise in circumstances when there are socioeconomic "frictions," by which I mean circumstances where there is a need for some sort of collective action to overcome the failures of uncoordinated individual decisions. An example of this is the emergence of social norms which prevent overexploitation of a common resource or the existence of revolving credit associations among certain ethnic groups to facilitate economic advancement. To the extent that social capital emerges in environments with externalities of various types, we know from economic theory that it may well be possible for government policies to alter individual incentives and aggregate outcomes in ways which do not alter social relations per se. Put differently, although I do not think we have much idea how government policies can build social capital in impoverished communities, we do know a great deal about how different types of government programs can influence community outcomes.

It is easy to imagine ways in which government policies can obviate the need for social capital. Increased school funding may overcome the need for parental involvement in education in poor communities, just as targeted credit subsidies may overcome the need for revolving credit associations. Conversely, such a focus on causal determinants may well also illustrate cases where government policies cannot efficiently replace social capital. It may be that government credit programs cannot assess individual creditworthiness so well as private associations, so that such programs will suffer from substantial waste; similarly, the use of legal penalties to enforce ethical conduct among diamond merchants is clearly more costly than a strong social norm for honesty.

One critical feature of the substitution of government policy solutions for those that arise from intragroup social norms is that the former can be produced through democratic governance. Further, government policy solutions can address problems in intergroup relations, a topic which I discuss next.

The implications for research

The specific concerns I have about social capital suggest an alternative direction in research. Social capital analyses focus on intragroup relationships. An equally important question is intergroup relations. Many of my concerns about social capital stem from the belief that although social capital might facilitate intragroup coordination, by enhancing group identity it promotes intergroup hostility. Such a worry is a long-standing one for students of racial relations; for example a primary concern of Gordon Allport's classic study *The Nature of Prejudice* was the identification of conditions under which intergroup racial interactions reduced rather than increased racial animosity.[15] Within social psychology (I have already used that literature for the examples of intergroup hostility which have been discussed), studies of such issues fall into what Thomas Pettigrew calls intergroup contact theory.[16] This is a rich literature, with many suggestions about how to structure intergroup interactions so as to promote benign attitudes. In the Robbers Cave experiment, it turned out to be possible to at least partially overcome Eagle and Rattler animosities through the creation of common goals requiring intergroup cooperation (in this case pushing a truck!). By making intergroup and intragroup relations parts of a more general framework, social scientists will be far better equipped to understand the complexities which underlie group outcomes.

Social capital has proven a useful lightening rod for the resocialization of the analysis of individual behavior in the social sciences, notably in economics. I suspect that humans feel strong urges to form and identify with groups for evolutionary reasons, and so ignoring social organization necessarily handicaps the study of many socioeconomic phenomena. If for no other reason, by forcing social scientists to deal with the rich effects of social interaction on individual behavior, social capital enthusiasts have performed a valuable service. Certainly, further study is warranted.

This essay suggests that the nature and consequences of social capital are far more complex than is acknowledged in the popular and academic communities and that social capital is not likely to be the panacea its advocates often claim. Relative to the current research on social capital, I believe that new theoretical and empirical work is needed on (1) the meaning of social capital, (2) its net effect on societal welfare, with appropriate attention to the possibility of its generating negative outcomes, (3) its empirical significance in influencing individual decisions, and (4) a balanced assessment of intergroup as well as intra group relations, so that the adverse effects of group identity on both members and others are properly assessed. These suggestions should not prove to be too onerous – after all, academics are a class of individuals who should be especially sensitive to the costs of enforced conformity.

> So listen here, professor, with your head in the cloud.
> It's often kind of useful to get lost in a crowd.
> So keep your universities I don't give a damn.
> For better or for worse it is the way that I am!
>
> "Little People"
> Les Miserables, London Production

Endnotes

[1]Putnam (1993, 1995); Collier (1998).
[2]Interestingly, the social capital concept was originally introduced by an economist, Glenn Loury (1977). Loury's goal was to show how the introduction of factors such as social networks into a model of intergenerational income mobility could lead to persistent differences in income levels across ethnic groups. As such, his analysis is immune to a number of the criticisms I make.
[3]Portes (1998).
[4]Coleman (1988). In the case of wholesale diamond merchants, Coleman argues that these types of cooperative behavior are sustained by the fact that the merchants are members of common religious and residential communities, and that dishonesty would break ties to those communities.
[5]Laumann and Sandefur (1998), quote pg. 498.
[6]Portes and Landolt (1996).
[7]Brown (1986), quote pg. 535; Sherif et al (1961).
[8]Park and Rothbart (1982).
[9]Tajfel (1981).
[10]Hirschfield (1997).
[11]See Massey (1996).
[12]Furstenberg and Hughes (1995). I single out this study because I regard it as among the best published on the role of social capital in influencing individual socioeconomic outcomes.
[13]See Brock and Durlauf (1999) for a review.
[14]This argument, which has been made by others such as Theda Skocpol (1996), has been rejected by Robert Putnam (1995) on the grounds that the participation rate of fathers also went down. However, this objection only carries weight if mother and father participation is uncorrelated within families and if individual participation is not an increasing function of total participation. Neither seems plausible.
[15]Allport (1954).
[16]Pettigrew (1998).

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