ON THE WEALTH OF NATIONS:

BOURDIEUONOMICS AND SOCIAL CAPITAL

by
Gunnar Lind Haase Svendsen, Senior researcher, MA, The Danish Centre for Rural Research and Development, Southern University of Denmark
and
Gert Tinggaard Svendsen, Associate Professor, Economic Department
The Aarhus School of Business, Denmark; Director of the Danish Social Capital Project

Theory and Society

Abstract:
Why are some countries richer than others? We suggest in the line of political economy theory that traditional production factors cannot explain the observed differences. Rather, differences in the quality of formal institutions are crucial to economic wealth. However, this type of political economy theory accentuating the role of formal institutions cannot stand on its own. This implies a socio-economic approach in the study where we supplement the formal institutional thesis with Bourdieu’s idea of material and immaterial forms of capital. Such new socio-economics – which might be termed a ‘Bourdieuconomics’ – implies the usage of a capital theory that, methodologically, operates with material and immaterial forms of capital at the same level. Here, we stress the particular importance of an immaterial form of capital, namely social capital, which facilitates informal human exchange thereby ‘lubricating’ civic society and the voluntary provision of collective goods such as trust and predictable behaviour. In this way, social capital reduces transaction costs in society thereby enhancing economic growth and consequently the creation of differences in the wealth of nations. Future research should therefore be directed towards analyses of a new and formerly disregarded production factor, social capital, within a new field of socio-economics, namely ‘Bourdieuconomics’.

Keywords:
Economic wealth, Pierre Bourdieu, political economy, informal institutions, social capital.

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Introduction

The question of why some countries are richer than others has puzzled social scientists for centuries. Already Adam Smith discussed this issue in his famous book ‘The Wealth of Nations.’ Smith and other social scientists have focused on the role of material capitals such as physical and human capital. Drawing heavily on classical social economic thinkers, such as Durkheim, Weber, Mauss and Polanyi, Pierre Bourdieu, in his article “The Forms of Capital”, has contributed to break this line of thought by answering the two questions: what capital is and what forms of capital exist. The result was an original reformulation of Marx’s concept of capital, where the term “capital” is expanded to include both non-material as well as material phenomena. Thus, our contribution is to highlight the role of non-material capitals when explaining differences in the wealth of nations.

In our view, such an expanded concept of capital has relevance to interdisciplinary social science research, which operates with a myriad of more or less exotic forms of capital, ranging from the religious, intellectual, and moral, to the natural and digital. Therefore, our goal is to enhance an operationalisation of Bourdieu’s expanded concept of capital as a general framework for an interdisciplinary research which seeks to dissolve a largely artificial distinction between economics and social science. In line with Bourdieu’s own original vision of “a general science of the economy of practices”, his expanded concept of capital can help us to unify and explain the existing “plethora of capitals” within a unified theoretical framework.

Anthropologist Alan Smart has characterized the Bourdieusian attempt to mediate between economy and culture in the following way:

One of the most influential efforts to reintegrate social and economic analysis has been Pierre Bourdieu’s theoretical project to develop a “general science of the economy of practices.“ Such a science would recognize market exchange and capitalist production, or the economic in a narrower sense, as only a particular type of economic practice and would explore the conversions that occur between the economic and the noneconomic (..) The central set of concepts in this ambitious program is an extended use of the term capital. What is conventionally considered to be capital is in Bourdieu’s approach only one form -
economic capital - while respect, obligations, and knowledge are seen as symbolic, social, and cultural capital. The study of the economy of practices would examine the distinctive logics and features of each form of capital, and the processes of conversion between the different forms.\(^7\)

Similar to Marx,\(^8\) who spoke about ‘heaped up labour’ (aufgehäufte Arbeit) or ‘stored up labour’ (aufgespeicherte Arbeit), Bourdieu\(^9\) has defined capital broadly as ”accumulated, human labour,” which can potentially produce different forms of profits. This work can be viewed as accumulated history,\(^10\) transferred through time in either objectified – i.e. material – form, or in embodied form, i.e., as part of a person:

Capital is accumulated labour (in its materialised form or its “incorporated”, embodied form), which, when appropriated on a private, i.e., exclusive, basis by agents or groups of agents, enables them to appropriate social energy in the form of reified or living labour.\(^11\)

However, in contrast to Marxian capital analysis, which is exclusively macro-economic, historical and one-dimensional (that is, being like all classical economic theories obsessed with visible substances), the Bourdieusian analysis is micro-sociological and investigates relations. Furthermore, it operates with a variety of material and non-material forms of interchangeable capital, i.e. forms of power\(^12\) within specific fields (economic, political, juridical, artistic, religious, scientific). These forms of capital, the number of which – like the number of fields – seems to be unlimited, range from financial, cultural, technological, juridical, organisational, commercial, symbolic to social capital.\(^13\)

Following Bourdieu, capital is inscribed in both objective and subjective structures and hereby becomes a guarantor for the regularity and stability of the social world.\(^14\) Indeed, at a given time, the various forms of capital can be said to be the very “immanent structures” of the social world, understood as “the set of constraints, inscribed in the very reality of that world, which governs its functioning in a durable way, determining the chances of success for practices”.\(^15\)

It costs time and energy for actors to build up and subsequently profit from a capital. The capital must, of course, also contain value and therefore be the object of interest. Capital therefore implies
investment strategies, both at the individual level as well as the group level.\textsuperscript{16} It constitutes “the games of society”,\textsuperscript{17} not only the purely economic game but also the more immaterial, i.e. all the games.

Such an expanded concept of capital is far from the traditional economic definition of the word as a resource which facilitates production and which is simultaneously not consumed in the production process, i.e., as a factor of production.\textsuperscript{18} In this sense, capital can in no way be separated from production, regardless of whether we are referring to physical capital (buildings, machinery, etc.), financial capital or human capital (education and requalification).

Within the social sciences, however, there has been a strong tradition for viewing exchange in a society as a totality, giving terms such as “interest” and “value” a high degree of ambiguity. Hence, social scientists from Mauss, Durkheim, Weber and Simmel to Malinowski, Lévi-Strauss, Eric Wolf and Benedict Anderson have each in their own ways sought to explain and account for a general connection between culture and economy. Most pathbreaking seems Durkheim,\textsuperscript{19} who, considering economic ideas and practices as collective representations in the form of the popular opinions dominating a society, strongly questioned what he termed the theory of economic materialism – a theory held by economists who could only conceive of external, objective realities, and which made the economic life the “underlying structure”\textsuperscript{substructure} of social life. Also, this critique is reflected in Mauss’ idea of a total, social fact (\textit{fait social total})

It is precisely this scientific tradition which has led to a critique of undersocialisation within classical economy theory, which is accused of reducing human actions to simple profit maximisation without cultural implications. In recent years, such a critique has been formulated by the economist Yoram Ben-Porath,\textsuperscript{20} who spoke of the “F-connection” (family, friends and firms) and subsequently by the sociologist Marc Granovetter,\textsuperscript{21} who has emphasised the embeddedness of economic transactions in changing, cultural contexts – an expansion of economic anthropologist Karl Polanyi’s\textsuperscript{22} original definition of the concept of “embeddedness”.

However, a much more serious and specific critique of doxa in the form of a highly irrational and unrealistic belief in natural given ‘markets’ and ‘rational’ economic practices, i.e., of the economistic economists’ homo oeconomicus, has been formulated in many works of Bourdieu in an
attempt to reach a more realistic definition of economic reasoning, “une définition réaliste de la raison économique”²³ and, lately, by Frédéric Lebaron,²⁴ who systematically questions the collective economic beliefs, termed *La croyance économique*, invented and reproduced by traditional economic thought.

As will be demonstrated in Section 3, Bourdieu’s expanded concept of capital can in fact be viewed precisely as an attempt to construct a consistent, general theoretical framework, which can bring together economic and social science theories in order to avoid reductionistic economics or, put otherwise, to enhance a more anthropological economics. This is made possible by a theoretical break with both economism and culturalism. Before focusing, in a sociological perspective, on the role of informal institutions and the Bourdieusian theoretical framework that allows us to do so, Section 2 points to the political economy approach and its focus on the role of formal institutions.

**Wealth of nations**

Per capita incomes in the richest countries are more than 20 times as high as in the poorest. How can this be explained? Here, political economy writers like North,²⁵ North and Weingast²⁶ and Olson²⁷ argue that the traditional production factors such as technology, land (natural resources), physical capital and human capital cannot account for these differences. Consequently, if these traditional factors are insufficient, we are forced to move in the direction of alternative analyses of more non-material, invisible and relation based forms of capital, including human organization. Thus, characteristically for this literature, North²⁸ writes that ‘The inability of societies to develop effective, low-cost enforcement of contracts is the most important source of both historical stagnation and contemporary underdevelopment in the Third World’. In the following, we restate standard arguments from the political economy literature against the four traditional production factors of technology, land (natural resources), physical capital and human capital pointing to the role of formal institutions as the missing explanation for the dramatic income level differences across countries.

First, technology could mean differences in access to the world’s stock of productive knowledge. Is technological knowledge generally accessible at little or no cost to all countries? Yes, if
unpatentable laws of nature and advances in basic science exist, this technological knowledge is a non-excludable public good available to everyone without charge. No, if patentable (or embodied in machines) knowledge exists, as non-purchasers can then be excluded. Are the gains from using modern productive knowledge in a poor country mainly captured by the innovating firms that hold patentable technology? Olson here uses the case of South Korea from 1973–79. Here, a survey showed that the foreign owners of productive knowledge obtained less than a fiftieth of the gains from Korea’s rapid economic growth. This supports the long-familiar assumption that productive knowledge is available to poor countries at very low costs. Therefore, differences in income cannot be explained by access to the available stock of productive knowledge.  

Second, what about land and natural resources? No, says Olson. If you look at density of population, many of the most densely settled countries have high per capita incomes, and many poor countries are sparsely populated. For example, Argentina fell from having one of the highest per capita incomes to third world status with only 11 persons per square kilometre. Similar cases are Zaire, Brazil and Kenya, with (respectively) 13, 16 and 25 persons per square kilometre. In contrast, more densely populated countries seem to be richer, e.g. Belgium, Japan, and Holland have, respectively, 322, 325 and 357 persons per square kilometre. Even more strikingly, Singapore has 4,185 and Hong Kong has over 5,000 persons per square kilometre. Both these densely populated countries have per capita incomes more than ten times as high as the poorest countries, and continue to absorb migrants. In fact, if all countries are taken into account, there is a positive relationship: the greater the number of people per square kilometre, the higher per capita income.  

Olson continues in arguing that most economic activity can now be separated from deposits of raw materials and arable land due to transportation technology. Most modern manufacturing and service exports are therefore no longer closely tied to natural resources. For example, Silicon Valley as computer centre, Frankfurt, London and Zurich as banking centres, Western Europe and Asia as manufacturing centres.  

Third, what about investments in physical capital? Here, firms should invest in developing countries where the wage is low. Olson refers to evidence showing that if, for example, an Indian worker and an American worker supplied the same quantity and quality of labour, the marginal product of capital in India should be 58 times as great as in the United States! Such gigantic
differences in return should generate huge migrations of capital from the high-income to the low-income countries. Capital should be struggling at least as hard to get into the Third World as labour is struggling to migrate into the high-wage countries.

Why not? Why is most of the world’s stock of capital ‘crowded’ into North America, Western Europe and Japan? Olson argues that this is due to shortcomings of the economic policies and institutions of poor countries. The political risks make foreign investors and foreign firms feel unwelcome, and provoke the flight of locally owned capital. Lending to these countries is exceedingly risky because they do not enforce and guarantee property rights.33

Fourth, what about human capital per capita? Can the differences in per capita income be explained by differences in the quality of marketable human capital? Clearly, culture, skills or education in a society must influence the level of its per capita income. Thus, Olson34 lists a number of authors arguing that several cultural preconditions may motivate humans to save up money and work hard, for example the ‘protestant ethic’ and Max Weber’s combination of the ancient Greek Heritage and Calvinism.35 However, Olson36 continues, the argument that culture is important for economic development, though plausible, is also vague: ‘culture’ has not been defined precisely or in a way that permits comparison with other variables in an aggregate production function. We add the cultural dimension when introducing the approach of Bourdieu and the notion of social capital in Section 3.

Concerning the skills and education linked to human capital, one can turn to natural experiments. As it happens, migration from poor to rich countries provides researchers with a marvellous (and so far strangely neglected) natural experiment, e.g. the Latin American who swims the Rio Grande. New immigrants carry some marketable human capital but the institutions are now those of the host country. For example, an engineer fleeing from East to West Germany would obtain a better salary. Also Hong Kong, Taiwan and South Korea pay better wages than China and North Korea. Such great differences in economic performance in areas of very similar cultural characteristics could surely not be explained by differences in marketable human capital.37 Olson38 refers to evidence showing that new immigrants from countries where per capita incomes are only one tenth as large as those in the United States have a wage more than half as large as their American counterparts. Likewise, Scandinavian countries were relatively poor in the nineteenth century and much
migration to the United States took place during this period. Since then, Scandinavian countries have been characterised by very open economies and free-trade policy.

Overall, Olson\textsuperscript{39} concludes that rich countries have vastly larger leads over poor countries in per capita incomes than can possibly be explained by differences in the marketable human capital of their populations. Since differences in the four classical aggregate factors of production do not explain much of the great variation in per capita incomes, we are left with the possibility of institutions. Great differences in the wealth of nations are mainly due to differences in the quality of their formal institutions and economic policies!

\textbf{Bourdieu}

\textit{‘Bourdieuconomics’}

Do Olson and similar political economists provide satisfactory answers to the basic question of why some countries are rich whereas others are poor? Both yes and no. On the one hand, we agree that institutions are crucial to economic growth. On the other hand, we find the political economy theory claiming the formal institutional set-up as the most important production factor insufficient. Therefore, we need to take the risk of considering an even lesser material, measurable and visible factor and, thusly, (re-)claim still another piece of a formerly pure culture area – a kind of exotic and rather obscure scientific reservoir, where things due to the black box ‘culture’ cannot be measured properly, i.e., in accordance with the laws of traditional economics, which is probably why it has been left behind to various tribes of social scientists.

In short, in the following we argue that the \textit{cultural} dimension of institutions should be added. In other words, we stress not only the importance of formal institutions in the form of written-down contracts \textit{but also} informal institutions in the form of the social capital belonging to a population or a group. People’s rational economic performance (if such a one exists) within various types of institutional set-ups does not fully explain the gulf between rich and poor countries. Another important production factor – informal institutions localised as social capital – should be added to
the traditional production factors mentioned by Olson (land, technological knowledge, physical capital, human capital, formal institutions).

This implies a socio-economic approach in the study of the relationship between economic growth and institutional set-ups, in order to reintegrate the economic and cultural sphere, formal and informal human exchange, in the analysis. To do so, we find it useful to supplement Olson’s institutional sclerosis thesis with Bourdieu’s idea of material and non-material forms of capital. Such new socio-economics – which might be termed ‘Bourdieuconomics’, in respectful remembrance of the great French sociologist – implies the usage of a capital theory that, methodologically, operates with visible, material forms of capital (i.e. substance) and invisible, non-material forms of capital (i.e. inhered in relations) at the same level.

Investigating a broader range of material and non-material forms of capital makes it possible – within such a neo-capital framework – to connect a micro oriented, sociological analysis of power relations (where different forms of capital are unevenly distributed among actors, who possess different habitus and different positions within specific fields) with a macro oriented, political economy analysis that explicitly measures social capital as a new production factor, primarily in the form of generalized trust that reduces transaction costs and thus increases economic growth.

A Bourdieuconomics should not be seen barely as a supplement to traditional economic or social scientific analyses. Rather, it forms a basis for all human sciences, because it directs focus to structural forces (evidenced by anthropological field work), which contribute to form the strategies of the actors in their attempts to gain capital. These forces consist of the influence from fields, i.e., the influence of historical products such as the influence of the economic field on economic practices, as well as the influence of the habitus, which also is a historical product and as such never more than conditioned spontaneity. As Bourdieu has told us again and again, this fact is continuously being overlooked within human science – either by people entrapped by interactionalism, like sociologist Marc Granovetter, or by Rational Action Theory like economic sociologist James Coleman and more conventional, ‘unrealistic’ economists like Gary Becker or the economists within New Institutional Economy. In short, a Bourdieuconomics surely acknowledges that actors on the one hand have strong interests and consciously seek to plan and execute strategies to fulfil these. However, on the other hand, being a product of individual and
collective history these strategies should rather be defined as relatively reasonable (*raisonnables*) than rational in the absolute meaning of the word.\textsuperscript{42}

Furthermore, in the outline of a Bourdieuconomics which is presented in this paper, we choose to stress the particular importance of one non-material form of capital – social capital – when explaining differences in economic growth and institutional set-ups. Thus, social capital can be localised as institutionalised but informal human exchange (‘unwritten rules of the game’). Social capital ‘lubricates’ civic society. The outcome is a voluntary provision of collective goods, such as common norms, predictability in human exchanges and trust. In this way, social capital reduces transaction costs and enhances economic growth.\textsuperscript{43} Therefore, we need to investigate further this new, important production factor which, until recently, has been the ‘missing link’ in political and economic debates, as demonstrated by Svendsen and Svendsen.\textsuperscript{44}

**Forms of capital**

*\textbf{A general science of the economy of practices}*

Early on, Bourdieu imagined a broad interdisciplinary-based human science whose goal was to reintroduce capital “in all its forms and not only in the one form which is recognised by economic theory”.\textsuperscript{45} It thus becomes possible to outline the practice of the social world as directed not only towards the acquisition of economic capital but of all forms of capital.

These various material and non-material forms of capital shall here be understood broadly as the resources within a society. The acquisition of these resources gives access to power and ultimately to material wealth. In this way, Bourdieu directs his focus toward the *economy* in practice, i.e., toward the economic calculation which lies behind not only obvious, economic practices but also the more hidden and symbolic practices. This clearly entails a break with culturalism – or semiologism, as Bourdieu also terms it – which has tended to oversocialise practice, ignoring “the brutal fact of universal reducibility to economics”.\textsuperscript{46} The project is described like this:
A general science of the economy of practices, capable of reappropriating the totality of the practices which, although objectively economic, are not and cannot be socially recognised as economic […] must endeavour to grasp capital and profit in all their forms and to establish the laws whereby the different types of capital (or power, which amounts to the same thing) change into one another.47

Bourdieu’s reformulation of Marx’s concept of capital thus consists of two original observations.48 First, many different forms of capital exist, from material (physical, economic) to non-material (cultural, symbolic, social). Second, with varying degrees of difficulty, it is possible to convert one form of capital into another.

This entails a second conceptual break, namely with the economism of Marx and the classical economists, a monopolisation of an economic sphere which derives from ethnocentrism, and which is made possible by artificially isolating an economical economy from a cultural economy.49 Clearly drawing on his anthropological field work studies of economic practices and strategies in Algeria50 and Béarn,51 Bourdieu’s alternative, as already mentioned, is to depart from such a substantialism and materialism by localising the economic forces behind all human actions, without necessarily seeing these as derived from naked self-interest, as the economists would have it.52 In other words, the analysis must not simply describe actions which can be capitalised in what Marx terms “callous cash payment”,53 but also actions marked by an apparent disinterestedness, behind which people seek to camouflage the economic drives which lie behind their efforts to acquire a capital. It is case of “a work of denial”.54 In this connection, Bourdieu distinguishes between ”archaic” economies, whose function is to limit and hide the callous brutality of economic interests, versus a capitalist economy, which allows room for “the clear, economic (i.e. economical) concepts of the undisguised self-interest economy”.55 An exception, however, is the world of art, which in the West has attained a special status as a disinterested field, but whose economic interestedness Bourdieu has sought to elucidate in Distinction.56

As noted above, for Bourdieu, all forms of capital can potentially be converted into economic capital. At the same time, he notes the paradox that while an economic calculation lies behind every action, every action cannot be reduced to economic calculation.57 In this way, Bourdieu seeks to mediate between economism and semiologism:
[On] the one hand [there is] economism, which, on the grounds that every type of capital is reducible in the last analysis to economic capital, ignores what makes the specific efficacy of the other types of capital, and on the other hand [there is] semiologism (nowadays represented by structuralism, symbolic interactionism, or ethnomethodology), which reduces social exchanges to phenomena of communication and ignores the brutal fact of universal reducibility to economics.⁵⁸

The point here is that for the actors it is a value in itself to participate and invest time, energy and money in “the economic game” which hereby – precisely as a culturally embedded game with written and unwritten rules – obtains a legitimacy in itself.⁵⁹ In sum, for Bourdieu as well, the term “interest” retains its ambiguity, such that he cannot be accused of being a rational choicer. ‘Economic’ is married to ‘social’, thus it is only possible to speak about a socio-economics. In a concluding remark about the shortcomings of traditional economics, Bourdieu formulates it in this way:

Economism knows no other interest than that which capitalism has produced, through a sort of concrete application of abstraction, by establishing a universe of relations between man and man based, as Marx says, on ‘callous cash payment’. Thus, it can find no place in its analyses, still less in its calculations, for the strictly symbolic interest which is occasionally recognized (when too obviously entering into conflict with ‘interest’ in the narrow sense, as in certain forms of nationalism or regionalism) only to be reduced to the irrationality of feeling or passion.⁶⁰

**Economic, cultural, symbolic and social capital**

As concerns the concrete analysis of the economy of practices in all its forms, Bourdieu proposes that we operate with four forms of capital: economic, cultural, symbolic and social.

Beyond economic capital, into which the other capitals can be capitalised, cultural capital should be understood here as cultural products which are embedded in the human mind and body, as well as in objects. Cultural capital thus appears in three states (*états*). In its objectified state (*état objectifié*),
cultural capital consists of humanly created objects such as pictures, books, instruments, machines, etc. In its institutionalised state (état institutionalisé), cultural capital consists of educational qualifications such as academic degrees. Finally, in its embodied state (état incorporé), cultural capital consists of permanent dispositions in the individual person, i.e., a habitus.61 Symbolic capital, in contrast, is a more hidden or camouflaged form of capital which is defined as “economic or political capital that is disavowed, mis-re-cognised and thereby recognised, hence legitimate, a ‘credit’ which, under certain conditions, and always in the long run, guarantees ‘economic’ profits”.62 In this connection, Loïc Wacquant speaks about the “hidden processes whereby different species of capital are converted so that economically-based relations of dependency and domination may be dissimulated and bolstered by the mask of moral ties, of charisma, or of meritocratic symbolism”.63

Although Bourdieu did not invent the concept of social capital, his definition succeeds in unifying the classical group theories (Marx, Durkheim, Weber) with the reciprocity theories (Mauss, Simmel). For a more detailed review, see Portes and Sensenbrenner.64 In his new formulation, network relations within a group are viewed as a potential, but nevertheless concrete and useful, resource from which the individual group member can profit – socially as well as economically. In this way, social capital becomes:

the aggregate of the actual or potential resources which are linked to possession of a durable network of more or less institutionalised relationships of mutual acquaintance and recognition – or in other words, to membership in a group – which provides each of its members with the backing of the collectively-owned capital, a “credential” which entitles them to credit, in the various senses of the word [...]. The network of relationships is the product of investment strategies [... ] aimed at establishing or reproducing social relationships that are directly usable in the short or long term65.66

Within the last few decades, the concept of social capital has become a central mediator between economics and the social sciences, as will be demonstrated in the following discussion.
Social capital

Social capital as derived from socialisation
Whereas Bourdieu has primarily made his analysis at the micro and meso-levels, thus linking his concept of capital to that of Marx, Durkheim and Weber, the American sociologist James Coleman focuses on social capital as reciprocal obligations and expectations between people, i.e. reciprocity, as well as on the norms and sanctions which ensure these relations. Coleman has sought to demonstrate this at both macro- and micro-levels.

At the macro level, one can thus say that the ability to co-operate derives precisely from shared values and ultimately out of mutual trust in a society. It is because these shared values and trust facilitate co-operation that social capital can be counted upon as a factor of production on an equal footing with other capitals. In this sense, Coleman argues that social capital is a collective good, i.e., a product which benefits persons other than the individual producer himself, including those whom the producer does not know. Coleman has documented this via microsociological investigations, where he has focused especially on socialisation processes. In a comparison of Catholic and non-Catholic schools in the United States, Coleman has statistically demonstrated that pupils in the Catholic schools have a lower dropout rate than pupils in non-Catholic schools. Why? Because the pupils in Catholic schools possess a larger stock of social capital in the form of networks of family, friends and neighbours. But this is not all: their family, friends and neighbours also know each other, just as they regularly meet and in this way ensure common norms and social control. Coleman summarises this concept with the term “closure.”

At a more general level, however, this discovery also entails that social capital is a fragile collective good. If one imagines that a key person in the production of social capital moves out of the area (e.g., a parent of one of the pupils), other persons besides the person leaving will experience the loss of closure-based networks. In other words, it is a case of an almost structurally conditioned underinvestment in social capital, inasmuch as “the actor or actors who generate social capital ordinarily capture only a small part of its benefits.”

Social capital as substance
Some of the most recent and most ambitious attempts to further develop the concept of social capital have been carried out by the American political scientist Robert D. Putnam. In contrast to Bourdieu and Coleman, Putnam has carried out his social capital studies largely on a quantitative and statistically oriented database in an effort to describe social tendencies at the macro-level. On this line, Putnam has focused, like Coleman, upon trust and collective goods. Thus, he has defined social capital as a production factor consisting of “networks, norms, and trust, that facilitate co-ordination and co-operation for mutual benefit”.

Unlike Bourdieu and Coleman, however, Putnam has avoided incorporating classic sociological problems such as social classification and socialisation. As a result, Putnam’s definition of social capital tends to be substantivist – amounts and numbers – compared to Coleman and especially Bourdieu, where social capital tends to be defined relationally, as an exchange, which – embedded in dynamic and complex social processes – produces individual and social identities. Where Putnam sees social capital primarily as quantifiable relations, Bourdieu and Coleman are interested in these relations’ emotional, cultural and social quality. Here we observe a classic opposition between inner, classificatory categories vis a vis the empirically quantifiable effect which derives from the classification.

Putnam’s basic idea of the quantity and substance of the relations is prominent in his two major works, *Making Democracy Work* and *Bowling Alone*. In both books, the primary objective is to measure the presence of social capital in a society in terms of an increase in civic involvement, whereas the absence of social capital is indicated by a decline in the civic population’s social activities.

*Making Democracy Work* is a comparative study of social capital in Northern and Southern Italy. Here Putnam measures social capital as traditions of civic engagement (in the form of voter participation, newspaper reading and the number of civic associations), which lead to an effective society in an economic sense. Putnam concludes that the two regions have evolved in diametrically opposed directions. In Northern Italy, associational life flourishes. The North functions well and democratically because of the mutual trust among the citizens. This difference explains why Northern Italy’s economic performance is so much higher than that of Southern Italy. “Trust
lubricates social life”, Putnam points out but only in “civic regions” such as Northern Italy. In “uncivic regions” such as Southern Italy, there is not much trust to work with. The South is afflicted by criminality and corruption, and people are unwilling to trust each other. Thus, Putnam localises the sources of a successful democratisation process in a group’s political history in the form of a historical legacy of democratic relations of co-operation:

These communities did not become civic simply because they were rich. The historical record strongly suggests precisely the opposite: They have become rich because they were civic. The social capital embodied in norms and networks of civic engagement seems to be a precondition for economic development, as well as for effective government.

In another article, Helliwell and Putnam insist that

there are major continuing differences among the Italian regions in how well government works [...] These differences date from the time when hired guns came into the South with authoritarian structures in hand, while the northern communities became linked instead by tower societies and other means of co-operative action involving more horizontal and open structures of government and society.

The existence of social capital in a society thus attains decisive socioeconomic importance. Social capital is an important factor of production. An example of loss of social capital can be seen in the decline of associational life in the United States from 1969 until the present. Here Putnam attempts to document that it is primarily television as a negative factor which has eroded the great reserve of social capital created in connection with the civil rights movements of the 1960s. The time which could have been used for social activities is now used in front of the television. Leisure time has become “privatised”.

Putnam’s macrohistorical approach has been strongly criticised by the American sociologist Alejandro Portes. Portes accuses Putnam of oversimplifying the historical data by his unilateral focus on the positive effects which derive from a reserve of social capital at the macro-level. Portes further argues that Putnam’s oversimplification is based on a general underappreciation of the fact that social capital among a population is not only unequally distributed but also varies in quality.
Thus, a population may contain both socially beneficial and socially destructive forms of network-based co-operation, either positive or negative social capital.\textsuperscript{83}

In this way, and interesting for this context, Portes in a very precise way hints to crucial differences among anthropologist and sociologist Bourdieu, who analyses social capital as strategies within hierarchically structured fields (relation perspective), economic sociologist Coleman who, in a more equilibrium oriented perspective, sees social capital as both qualitative relations and a measurable macro level production factor (relation \textit{and} substance perspective), and Putnam, who in a \textit{post hoc ergo propter hoc} way applies an – as a reviewer remarked – ‘armature’ of statistics in order to measure stocks of social capital (substance perspective). The evident gains e.g. Putnam obtains at the macro level are here partly outweighed by the deductive and somewhat posteriori character of the analysis, in contrast to anthropologists and sociologists like Portes who, inductively and in a process perspective, insist to study how and why real, specific persons create and destroy social capital \textit{in situ}.\textsuperscript{84}

\textbf{Positive and negative social capital}

Positive social capital derived from social control is typically found in the form of what Portes\textsuperscript{85} calls “rule enforcement”, “bounded solidarity” and “enforceable trust”. In this connection, Putnam,\textsuperscript{86} who at the general level emphasises voluntary, civic co-operation, speaks here of “bridging social capital”. As an empirical example, Portes cites the Vietnamese community in New Orleans, where everyone keeps an eye on each other under a “Vietnamese microscope”. If a child is truant from school or joins a street gang or if an unmarried girl becomes pregnant, great shame is brought upon the entire family. Therefore, one is always on guard, prepared to intervene before the damage is done.\textsuperscript{87} Such a form of social capital is useful for parents, teachers and police authorities, in that it helps to maintain effective discipline. Members of these kinds of networks are forced to acquiesce if they are not to risk being marginalised by society.

Beyond creating more obedience and reducing crime in a local community, social capital can also operate as a positive force in the individual families. This phenomenon was observed by Coleman. Parents and kinsmen who made up a solid support group for the children advanced these children’s
future possibilities. Another example are the Asiatic immigrant mothers in the United States, who not only remain home with their children but also procure school textbooks in order to help their children with their homework.\textsuperscript{88}

Finally, Portes speaks of the general benefits which derive from network based co-operation. What Bourdieu called the “profit” derived from belonging to a group reveals itself, in that those within the group enjoy certain privileges they have not necessarily earned. Members of the intellectual circle in Cologne endeavour to keep other, peripheral persons out in the cold.\textsuperscript{89} The same phenomenon occurs among immigrant enclaves monopolising certain business sectors, such as Chinatown in New York, Little Havana in Miami and Koreatown in Los Angeles.

It is thus a case of networks, no matter whether these are constituted by the ”strong ties” of kinship relations or the “weak ties” of friends, connections, and the like.\textsuperscript{90} The importance of the latter has convincingly been demonstrated by Granovetter\textsuperscript{91} who shows that it is the social circle beyond family and close friends who constitute the most important resources in obtaining a job. The point here is that in a complex society, it is extremely important to know people with another background and different experiences than one's own, i.e. a group of people who demand less engagement than family and close friends. Where this is not the case, a group can risk becoming isolated, as in certain black urban neighbourhoods, where industry and white middle class families “have left the remaining population bereft of social capital, a situation leading to its extremely high levels of unemployment and welfare dependency”.\textsuperscript{92}

This leads us to what Portes calls “negative social capital”, and what Putnam\textsuperscript{93} terms “bonding social capital”. The monitoring which takes place in certain local communities, and which results in a binding and forced solidarity, has a positive function of social control. However, it may also have a negative effect on the individual insofar as it limits freedom of action. In this connection, Boissevain reports on a village community on Malta, where neighbours know everything about everyone, and where the demand for participation in joint activities ultimately leads to a demand for conformity. The curtailed freedom of action which follows from this can help explain “why the young and the more independent-minded have always left”.\textsuperscript{94}
The networks can also assume a direct exclusionist and negative character. Beyond monopolisation, this may also lead to a group more or less consciously isolating itself from its surroundings. An example are the Puerto Rican drug dealers in New York, who do everything to keep each other within the drug milieu, such that it becomes treason to mix with the whites in an attempt at social upward mobility.95

**Operationalisation and economic growth**

Concerning operationalisation of the social capital concept and actual research, the preliminary results from a survey undertaken by Paldam and Svendsen96 suggest that it is indeed possible to measure social capital when using a mix of different trust measures. They have produced a questionnaire for catching the trust aspects of social capital by focusing on three theoretical approaches to measure social capital, namely: (1) membership of voluntary organizations, (2) general trust, and (3) trust in formal institutions. Concerning membership of voluntary organizations, Putnam97 first suggested that this indirect measure could be used for social capital because face-to-face interaction within the voluntary organizations would create trust that eventually would spread in society and generate social capital there. Putnam’s main result, when studying the density of organizational membership in Italy, was that on average a person in North Italy was a member of far more organizations than a person in the South. This difference should then explain the striking difference in economic wealth between the North and the South.98 The second and third trust measures directly address general trust among citizens and trust in formal organizations. Concerning general trust among citizens, people were asked whether they trust other people in general. Finally, trust in formal institutions was identified as an average of citizens’ trust in four types of formal institutions, namely (1) the legal system, (2) police, (3) administration, and (4) government. Our preliminary results demonstrate that when combining these three trust measures, the level of social capital differs highly among Western and Eastern European countries. For example, this combined trust measure indicates that the level of trust is about three times higher in Denmark and other Western European countries than the level of trust in former Eastern European countries such as Russia.99

Earlier surveys suggest that the traditional production factors listed above account for two-thirds of economic growth in OECD countries from 1960-90.100 In other words, the residual of one-third
cannot be accounted for. The missing one-third in explaining economic growth could arguably be due to a ‘missing link’ in terms of an institutional factor such as the presence of social capital. Future research should therefore try to relate the level of social capital carried by an individual to economic growth. Our own preliminary findings suggest that social capital is indeed instrumental to economic growth and social development and that social capital really turns out to be a new production factor in practice. However, more research in more countries over time is needed to test this and other preliminary propositions thoroughly. Thus, we will undertake surveys in about 20 different countries this year enabling us to carry out valid cross-country analyses.

**Conclusions**

Examining why some countries are rich and others poor have been a core issue in research for centuries. In Section 2, we suggested in the line of political economy theory and Mancur Olson that traditional production factors cannot explain the observed differences in wealth of nations. Rather, differences in the quality of formal institutions were arguably crucial to economic wealth. However, this type of political economy theory accentuating the role of formal institutions could not stand on its own. Also, the non-visible and non-material dimension of institutions had to be added.

Therefore Section 3 introduced a socio-economic approach in the study of the relationship between economic growth and institutional set-ups. This was to reintegrate the economic and cultural sphere, formal and informal human exchange, in the analysis. Here, we found it useful to supplement Olson’s formal institutional thesis with Bourdieu’s idea of material and non-material forms of capital. Such new socio-economics – which might be termed: ‘Bourdieuconomics’ – implies the usage of a capital theory that, methodologically, operates with economic and cultural forms of capital *at the same level*. Here, we stressed the particular importance of a non-material form of capital, namely social capital, when explaining differences in economic growth and institutional set-ups. Thus, social capital could be localised as institutionalised but informal human exchange (‘unwritten rules of the game’).
In other words, we stressed the importance of formal institutions in the form of written-down contracts as well as informal institutions in the form of the social capital belonging to a population or a group. People’s rational economic performance within various types of institutional set-ups do not fully explain the gulf between rich and poor countries. In summary, we suggest that another important production factor – informal institutions localised as social capital – should be added to the traditional production factors mentioned by Olson (land, technological knowledge, physical capital, human capital, formal institutions). The presence of social capital presumably ‘lubricates’ civic society and the outcome is a voluntary provision of collective goods, such as common norms, predictability in human exchanges and trust. In this way, social capital reduces transaction costs in society thereby enhancing economic growth and consequently the creation of differences in the wealth of nations. Future research should therefore be directed towards analyses of a new and formerly disregarded production factor, social capital, within a new field of socio-economics, namely ‘Bourdieuconomics’.

4 A data search of articles published within the latest few years shows that besides the familiar economic terms (financial, real, public, venture, human, social capital, etc.) scholars operate with at least 16 alternative forms of capital: religious, intellectual, natural, digital, psychological, linguistic, emotional, symbolic, cultural, moral, political, endogenous, network, family, knowledge and organisational capital.
5 Bourdieu, "The Forms of Capital".

Ibid.

Ibid.

Bourdieu, "The Forms of Capital", 43.


Ibid.

Bourdieu, "The Forms of Capital", 42.

Bourdieu, "The Forms of Capital", 249.


Olson, "Big Bills Left on the Sidewalk".

Ibid.

Ibid.

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Coleman, J.S. and T.B. Hoffer, Public and Private Schools: The Impact of Communities. (New York: Basic, 1987); Coleman, "Social capital in the creation of human capital".

Coleman, "The creation and destruction of social capital", 386ff.


Putnam, Bowling Alone.

Putnam, Making Democracy Work, 379.

Putnam, Making Democracy Work, 37.


Putnam, "The strange disappearance of civic America", 48.

Portes, "Social capital: origins and applications".


See also Svendsen and Svendsen, *The Creation and Destruction of Social Capital*.


Putnam, *Bowling Alone*.


Portes, "Social capital: origins and applications", 11.

Anheier et al. in Portes, "Social capital: origins and applications", 12.


Putnam, *Bowling Alone*.

Boissevain in Portes, "Social capital: origins and applications", 16.

Portes, "Social capital: origins and applications", 17.


Putnam, "The prosperous community".

Ibid.

Paldam and Svendsen. *Trust, Social Capital and Economic Growth*