

## **SOCIAL CAPITAL AND TRUST**

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Although the term “social capital” itself is a recent coinage, concern with the things that have been discussed under that label has been long standing in sociological theory.<sup>1</sup> James Coleman has been the most influential proponent of viewing these as systematically related. In his first treatment of social capital, he discussed it as follows:

Social capital is defined by its function. It is not a single entity but a variety of different entities, with two elements in common: they all consist of some aspect of social structures, and they facilitate certain actions of actors — whether persons or corporate actors — within the structure. Like other forms of capital and human capital, social capital is not completely fungible but may be specific to certain activities. A given form of social capital that is valuable in facilitating certain actions may be useless or even harmful for others. (Coleman 1988: S98; also see Coleman 1991: 302-304)

In his applications of the idea of social capital, Coleman considers the lower-level structures of ongoing relationships, family, work groups, and so forth (Coleman 1991: 300-321, 361-363, 590-593, 595-596). These structures enable us, as individuals or corporate actors, to do many things, including cooperate successfully with each other in manifold ways.

Other recent users of the term typically do not define it specifically but rather refer to instances of it or give very general characterizations of it. John Brehm and Wendy Rahn (1997: 999) define social capital as “the web of cooperative relationships between citizens that facilitates resolution of collective action problems.” Robert Putnam says social capital is

“features of social organization, such as trust, norms, and networks, that can improve the efficiency of society by facilitating coordinated action” (Putnam 1993: 167). Francis Fukuyama shares this general view with Brehm, Rahn, and Putnam. Of these scholars, he gives the most general statement of what social capital is: “the ability of people to work together for common purposes in groups and organizations” (Fukuyama 1995: 10).

For yet a third vision of the workings of social capital, one way to read the burgeoning literature on the relational theory of contract (and other) law is as an account of the ways social capital can enable us to cooperate without the use of the sanctions of the law as much more than a backdrop to protect us against the worst abuses we might experience (Macneil 1980; Macauley 1963; also see Williamson 1985). Hence, social capital (norms and relationships) can be used to displace what might be considered another form of capital (legal institutions) that is putatively less effective or efficient. Similarly, in much of the neo-institutional account of the success of firms, the focus is on the informal devices of social capital that displace or augment the formal devices of hierarchical control (Williamson 1975; 1981).

For the political scientists Brehm, Fukuyama, Putnam, Rahn, and others, the interest in social capital “is motivated primarily by the linkage between levels of social capital and collective outcomes; high levels of social capital appear to be crucial for such measures of collective well-being as economic development, effective political institutions, low crime rates, and lower incidences of other social problems such as teen pregnancy and delinquency” (Brehm and Rahn 1997: 1000). They focus on trust, norms, and networks, all of which seem to be at the individual level. But, for them, the central concern is with how individual-level factors *facilitate the working of institutions*, including the whole of government. Hence, at least initially the view of Putnam et al. is strikingly different from that expressed by Coleman in the passage quoted

above. They tend to reverse Coleman's characterization, in which various instances of social capital all "*facilitate certain actions of actors.*" Although he also mentions corporate actors as beneficiaries of social capital, in Coleman's actual instances of applying the notion, the function of social capital is to enable individuals (and groups of individuals) to achieve things they could not otherwise achieve so well, as in the examples he gives of student political groups, doctor-patient relations, neighborhood child care, and a Cairo bazaar (Coleman 1991: 302-304).

For the political scientists, it is social capital at the individual level that allows groups and societies to manage at the highest collective level. In particular, individual-level social capital contributes to the working of the institutions of government and the performance of the economy. The causal relation is a bit loose and, indeed, it is chiefly merely asserted from various correlations. The main correlation for Putnam and others, who are worried about the possible decline of government effectiveness over time, is a putative and simultaneous decline in so-called generalized trust and in trusting government over the past few decades in the United States. The main, somewhat loose correlation for Fukuyama is between cross-societal differences in general trusting and in economic performance.

Causally, the main difference between these political scientists and Coleman is the direction of their causal arrows. Coleman's arrow generally goes from the level of social relations (that ground social capital) to the individual level. For the political scientists the causal arrow goes from the individual level to the institutional level. The difference can be exemplified by the nature of the concern with trust in the two visions. For Coleman, various relationships enable individuals to trust each other; for the others, individual-level trust enables institutions to work well.

Hence, under the rubric of social capital, we seemingly cover several quite varied and

often amorphous *causal relations*: from the effects of lower-level social interactions that facilitate individual achievements for Coleman, from individual-level trust to social institutions and other collective-level outcomes in the recent work of political scientists, and the displacement of some institutional-level devices by individual-level relationships in the relational theory of law. Still others see social capital at work in facilitating the relations between organizations (e.g., Leeuw 1997: 484). Notably missing from the list is the *effects of institutions on lower-level interactions*.

Despite the variations, this recent wave of work on social capital may be one of the most interesting and potentially most important moves in recent social theory. And its multifaceted and possibly even incoherent character might reflect nothing more than the usual effort to grapple with a new idea before getting it nailed down and making it finally useful in our explanations. I think, however, that much of the variation in the discussions can be clarified easily and that, if it is, the concepts at issue become much more useful to our understanding of relevant causal effects.

The titles of works by Brehm and Rahn (1997), Fukuyama (1995), and Putnam (1993) suggest that, in their view, levels of social capital have a strong causal role in the general levels of governmental and economic performance. But the variant visions of social capital may be sufficiently diverse as to permit some aspects of such capital to go *into the utility function* as though they directly yield welfare rather than merely causally contribute to the production of other things that yield welfare. For example, my relationship with you might be a direct good to me, although it might also facilitate my achieving many things I would value. What makes it a good to me largely also makes it facilitative, so that it has both a role in my utility function and in the category of those things that produce utility for me. But the fact that some bit of my social

capital fits in this way in my utility function is not a concern of Coleman or the political scientists and its role there is not that which Gary Becker (1996) envisions.

In the discussions below, I will sometimes use the term *interpersonal capital* for the general category of the various things Coleman and the political scientists call social capital. That is a more informative label for what they mean, which is mainly the relationships with others that enable us to do various things. And whether particular things other than merely rich relationships, such as norms or trust, belong in interpersonal capital will turn on explanatory or causal understandings of these. Including them merely by definition makes using the concept relatively messy when, in Coleman's case, that concept is used to explain trust and, in the case of Putnam et al., it is supposed to include trust.

To keep discussion more precisely focused, I will more specifically refer to *organizational* and *network* capital rather than the more inclusive and amorphous social capital. There is a tendency to speak of social capital as though it were a particular kind of thing that has generalized value, as money very nearly does. But it must vary in the sense that what is functional in one context may not be in another. Consider an example. Teenagers network in two quite different ways (Heimer 1990, 379). In many communities, they come together by coordinating on a spot — for example, the local square where there might be cafes or other points of teenage interest, the local playground, or, in American cities, the outdoor basketball court of a local school. In other communities, especially including relatively well off and suburban communities, they come together by making deliberate arrangements over the telephone. Perhaps both groups create and use a kind of social or network capital, but the kinds are quite different. Moreover the skills involved in one kind might be more widely useful. In particular, the deliberate organization via telephone calls might be very good practice for the

kind of organizing one must do in typical bureaucratic settings, in neighborhood politics, in managing the lives of one's children in a school system, and so forth. Coordination on a spot for meeting is, in principle, quite generalizable, but in actual practice it is likely to be of use in relatively restricted contexts. Incidental investment in developing one kind of network capital may have much larger payoffs in the longer run than does investment in the other kind.

Investment in network capital through participation in socially directed organizations — that is, organizations with relatively social or collective purposes, such as some of those Putnam (1995a, b, 2000) discusses — may be displaced by the relatively more deliberate investment in networking for personal advantage. Indeed, those with political careers in view might participate in socially directed organizations *in order* personally to benefit from the network ties and reputational advantages they gain from such activity. In the end, therefore, there might be no overall decline in network capital, but there might be decline in some forms of such capital as people choose to change and to invest in other forms. This may follow simply because people's goals have shifted. It would be wrong therefore to conclude *prima facie* that the decline of network capital in socially directed organizations *leads* to changes in goals.

Note that there are two quite different values that can come from organizational and network capital. First, the organizations and networks can be directly enabling. That is to say, they can be the vehicles we use to accomplish various purposes. For example, I may use my network to get my son's school to respond better to him. Second, they can be an arena in which we develop particular forms of human capital. That is, they can teach us how to do certain things that might be more generally valuable to us outside the context in which we learn them. For example, I may learn how to run a meeting or how to organize a group of people to take action at the Parent Teachers Association (PTA) and then I might use those skills in many other contexts.

It makes good sense to reserve the terms social, organizational, and network capital for the first of these, for the organizations and networks as vehicles for accomplishing our purposes. In a sense, the organizations and the networks just are instances of social capital. The second value, the development of individual capacities, is clearly important, but it is a matter of human capital as traditionally discussed by Becker ([1964] 1975) and others.

The question for network and organizational capital is how they benefit us. Do they benefit us by what they can do, that is, what the network or organization can do? Or do they benefit us by what they enable us to do through the particular forms of human capital that we develop in particular networks or organizations? If there is a decline in the social capital represented by such groups as the PTA or bowling leagues, the results might be both to reduce human capital for managing other people in spontaneous contexts and also to reduce the availability of actual organizations and networks to help us accomplish various things.

Francis Fukuyama argues that participation in such networks and organizations prepares us psychologically for the demands of working in modern firms. Hence, he supposes social groups are good for the economy indirectly through the human capital that they produce (Fukuyama 1995). This sounds like an idea whose time has come. Unfortunately, its time may have come, but the idea has not quite come. Let us try to unpack it. The argument is that spontaneous sociability leads us to join various social organizations, and then participation in these prepares us psychologically for working in large firms. This argument might seem to apply to a developing nation or to a sub-population, such as various immigrant groups or ghetto poor, who have not been incorporated into the economy. But how are these groups different from the new labor forces that staffed the industrial revolution? The nascent industries of that era in Europe and North America evidently created their own human capital. It seems unlikely that

much of the relevant human capital was created in spontaneous social organizations of the time. Once underway, the developing economies of many nations in our time also generate the human capital they require.

Perhaps the kinds of human capital needed today are different and are likely to be produced in social organizations such as local political groups and sports clubs. Or, more plausibly, some variant of Fukuyama's argument would apply to the kind of human capital or psychology that is needed for successful entrepreneurial activity. Such activity is needed in the drive to develop various economies as market economies and the drive to convert many centrally run economies to market economies. Market economies need capitalists, and becoming a capitalist might require the development of special forms of human capital that are related or that include some of the human capital that one would develop in the activities of spontaneous social groups.

If this is roughly the idea whose time has come, it does not seem likely to be central to economic concerns in most of the advanced democracies, in which capitalist enterprises are alive and well and in which the generation of the relevant human capital is handled within university and other business schools, in experience on the job, and, probably, within entrepreneurial families, whose off-spring tend to be much more entrepreneurial than the average person. The entrepreneurs who have made the largest difference to the exploding computer and information industries have included teenagers such as Steve Jobs and Bill Gates.

So what is to be said of the somewhat anomalous case of North America, where the social capital implicit in spontaneous social group organization seems to be in sharp decline for about three decades? If this decline is problematic, that could be because we will simply have fewer such organizations to use for political and other ends, or because such organization will

produce less of the human capital that might be needed in the polity and the economy. These two effects may not both be important. Indeed, one of the plausible explanations for the decline of voluntary groups is that dual career marriages reduce available time for participation in such groups. But dual careers might give both partners many opportunities to learn how to manage people, even how to organize them for action. Hence, the decline in opportunities for developing such human capital through participation in voluntary social groups might be offset — even more than offset — by opportunities to learn such things in professional life. If so, then the main loss in declining organizational capital is from the loss of the availability to us of social organizations to be used for our wider purposes, political and otherwise.<sup>2</sup>

In sum, we want to know two quite different things about the apparent decline in organizational capital in North America. Does it disable us politically that we have less access to voluntary and social organizations that we might be able to use to further our political goals? And are we individually disabled by our declining incidence of participation in such organizations? Interestingly, for the first question, there seem to be two quite different issues at stake in the two quite different kinds of organizations in which participation seems to be in decline. Voluntary *political organizations*, such as neighborhood action groups, seem likely to be much more readily useful in helping us achieve political goals than are *social organizations* such as choral groups and bowling leagues. Yet, the data on the declines in these two broad classes of groups seem to be quite similar (Putnam 2000). The explanation for their decline therefore evidently has much less to do with their purposes than with the characteristics of participation in them, as is suggested by many of the proposed explanations for their decline. We are not dropping out of specifically political organizations but out of voluntary organizations in general.

In what follows I wish (1) to highlight several conceptual issues that tend to get in the

way of coherent argument and (2) to focus attention on causal issues. I will organize discussion around the conceptual issues first in several sections below. Causal issues come up throughout these discussions, and I will turn to them most specifically in the section on “Trust and interpersonal capital” and in concluding remarks on the larger programs of all these scholars.

### **Interests, Consumptions, Welfare**

We speak, sometimes almost interchangeably, of interests, consumptions, and welfare. But these are conceptually quite different. Our interests are what put us in a position to consume and consumption typically brings welfare. I have an interest in amassing resources, but resources are of no value per se — I want them only in order to be able to consume. Obviously, interests and consumptions trade off with each other. If I consume some things, I must expend some of my resources. Some social theorists argue that we should ground our normative theories in resources rather than in welfare, that certain conceptual problems in welfare make it finally an unworkable normative principle (Sen 1982, pp. 353-369). Without resolving that issue, we may all readily grant that resources are means without intrinsic value and that what gives them instrumental value is the welfare they can bring us. In some contexts, however, resources can stand proxy for consumptions, as is commonly true, for example, when we speak of the interests of various groups that want higher income or profit.

Having resources is in our interest because they can be used to enable consumptions, which produce or have utility. Interests are therefore merely proxy for the utility of eventual consumptions. Interests are a useful proxy for alternative consumptions just because they constitute a far less varied category than do consumptions and because they are fungible across many possible consumptions (Hardin 1988: 200). This suggests that a utility function in interests

alone would be even simpler than Becker's fundamental form of the utility function. But the costs of consumptions need not be linearly related to their utility or the enjoyment of them, in part for reasons of Becker's social and personal capital, but also because price and benefit are not at all equivalent for any particular consumption and because there may be complementarities and substitutabilities among consumptions.

Using interests as a proxy for consumptions is therefore potentially misleading, although it might often be relatively sensible. The cardinal value theory of John von Neumann (von Neumann and Morgenstern 1953: Appendix) and Thomas Bayes might apply to simply conceived interests but not so readily to a panoply of consumptions with their complementarities and substitutabilities. To put this the other way around, focusing on interests allows us, perhaps wrongly, to think cardinally; focusing on consumptions virtually forces us to think ordinally.

If we include all consumptions now and into the future in our choice function, as in Kenneth Arrow's ([1951] 1963) fully determined states of affairs, interest drops out (see further, Hardin 1987). Note that interests and consumptions trade off against each other. It is against my interest to consume an opera tonight; but if I could not do such things, I would have little reason for living. It is the very point of my interest in various resources that they enable me to consume various things, and the point of consuming them is that consumption brings benefits or welfare. The Japanese novelist Yasunari Kawabata (1974, p. 49) elegantly frames the relation between interests and consumptions: "When one spends money, one remembers spending it even after it's gone. But when one loses the money one has saved, the very thought of saving is a bitter memory."

## Capital

We may distinguish several forms of capital, including financial, physical, human, interpersonal, and Becker's social and personal capital. All of these contribute to our welfare because they enable us to purchase or produce goods for consumption or to turn those goods into welfare for ourselves and others. In traditional accounts, there were only financial and physical capital. Theodore Schultz (1963) and Becker ([1964] 1975) are the main early developers of the analysis of human capital, which is principally education and training that enable us to produce, as physical capital in machines enables us to produce. Financial capital enables us to purchase other kinds of capital, to invest in other ways, or to purchase consumption goods directly. Physical and human capital have the quality that they do not convert into goods for consumption but that they enable us to produce goods for consumption, in a sense, far more cheaply. Hence, for example, with a relevant machine and training I can produce far more of some good in any given period of time than I could without the machine or the training. An instructive way to put this claim is that such capital is often superadditive with other inputs, such as effort.

Hence, money is often different from other forms of capital such as physical and human capital and, unless it is used to purchase those forms of capital, it typically does not have the multiplier or productive effects of those other forms. It is also different in that it is typically more fungible than, say, material capital in machinery or human, social, or personal capital. Physical, human, social, and personal capital all have potential multiplier effects.

Human capital differs from social and personal capital in a significant way. Human capital, such as education and training, is itself useful directly in the production of goods. Social and personal capital come in later at the point of converting the consumption of goods into welfare. Financial capital is embodied in money and other financial instruments, physical capital

typically in machinery, and human capital in educated abilities and knowledge. In Coleman's phrasing, social capital is "embodied in the *relations* among persons" (1991: 304). Indeed, he suggests it is dependent on iterated interactions, even perhaps iterated prisoner's dilemma or exchange interactions (743).

These differences can be summarized by instantiating them. The (alas, paltry) bit of money in my pocket is an instance of financial capital. The computer on which I write this is obviously an instance of physical capital. The years I spent in education and the evenings I spent in the Becker-Coleman seminar at the University of Chicago contributed to my human capital (although they also provided many moments of immediate pleasure). My ongoing relations with colleagues and many others ground instances of interpersonal capital — or social capital in the sense of Coleman and Putnam et al.<sup>3</sup> Taken together, most instances of such capital benefit me through the consumptions they enable me to enjoy, through the things they help me accomplish.<sup>4</sup>

All of these effects on consumption and its enjoyment not only interact with each other causally, but they also sometimes interact through my welfare and at cost to my interests. For example, I may indirectly gain great benefit from writing something (I must publish or perish) while also gaining great pleasure from it directly. Hence, keeping the separate categories of capital or the categories of capital, welfare, consumptions, and interests completely separated analytically is often difficult or impossible.<sup>5</sup>

On an expansive reading of Coleman's general statement characterizing social capital (quoted above), a well functioning family structure, a system of norms to regulate cooperation and social interactions to the benefit of typical individuals, a working legal system for enforcing contracts, and a working language might all seem to be instances of social capital. In his actual discussions of instances of social capital, however, only the first two of these come up. Similarly

in the work of Putnam et al. the focus is on interpersonal considerations grounded in informal networks of interaction. Hence, these scholars evidently do not count the more substantial institutional structures of government and large organizations as instances of their version of social capital, although these structures may contribute to its creation in other contexts. And the mastery of a native language may or may not be an instance of social capital for them, although having English rather than, say, Navaho as a native language is enormously more enabling for many purposes, although Navaho was extremely valuable for secret communication by American troops during World War II.

Yet, institutions and language enable us in many ways. For example, the legal institutions that stand behind contracting enable us to enter into exchanges that would be prohibitively risky without legal enforcement of relevant obligations. We may call this *institutional capital*. It is very different from financial, physical, and human capital in that it does not directly produce goods or benefits. But it is like these insofar as it indirectly enables us to produce through protecting us against intrusions into our efforts and it provides infrastructures that make production more efficient. It is sometimes more nearly like social and personal capital in that it enables us to make the most of whatever goods we do produce and consume. But it also differs from human, social, and personal capital in that it is largely outside us. The theorists of relational law and the new institutional economists might claim that the institutional capital in the legal system is far less than we might have thought, because very much of what makes, say, contracts work is interpersonal capital.

The institutional capital in the government of the United States is enormously enabling to me. As far as I am concerned, however, it is essentially a matter of external luck that that government exists and governs over my territory. I may contribute slightly to the continued

existence and power of that government and to its specific workings in particular contexts, much as I might contribute to the improvement of a machine I use in production. And, of course, it would be hard finally to abstract that government from the inputs and supports of 280 million Americans. But the contribution of any one of us is too slight to make the government seem modally to be anything other than external to us.

In sum, various forms of capital, ranging from financial to social and personal capital, cross the distinctions of interests, consumptions, and welfare. Financial capital constitutes mere resources or interests. Physical and human capital produce or enhance the production of resources and consumptions. Interpersonal and institutional capital enable us more readily to produce consumptions.<sup>6</sup> And human capital enhances our enjoyment of our consumptions (as Becker 1996 argues).

### **Trust and Interpersonal Capital**

Institutional capital suggests the concern of the ancient Greek “Anonymous Iamblich” (1995: 294), according to which: “The first result of lawfulness is trust, which greatly benefits all people and is among the greatest goods. The result of trust is that property has common benefits, so that even just a little property suffices, since it is circulated, whereas without this even a great amount does not suffice.” The context of the remark is a list of the benefits of lawfulness. Law (or government) enables people to trust each other enough to risk exchanges with each other, to their great benefit. The anonymous Greek author shared the central vision of Thomas Hobbes ([1651] 1968), for whom stable government was necessary in order to enable us to profit from our own efforts by protecting us from the depredations of others.

For Putnam et al., it is interpersonal relationships of trust that enable us to trust

government, which enables government to work. Or, perhaps we can only say that for them the problematic concern is with the seeming correlation between levels of interpersonal trust and levels of trust in government — and possibly with levels of performance of government. This correlation is problematic because it may suggest declining performance in the United States and some other western nations and obstacles to performance in many developing nations (but see Hardin 1999a). What is wanted is still an explanatory account of why these correlations appear to be what survey research suggests they are (for graphic representation of the correlations in the United States, see Putnam 1995a, 2000).

A central issue for understanding levels of trust in various societies is to grasp whether trust follows from interpersonal capital of other kinds or whether it is itself a major category of interpersonal capital. Fukuyama, Putnam, and many others seem to see it as a major category of interpersonal capital. There is likely some conceptual confusion in their claims, because the actual interpersonal capital, if there is any with respect to trust, is *those things that enable people rationally to trust, not the trust itself*. That we perhaps successfully teach our children to be trustworthy, that we design institutions to give added incentive to be trustworthy, and that we have ongoing networks of relationships with others give us grounds to trust people in many contexts. The ongoing networks are part of our interpersonal capital.

We might also suppose that the learned capacity to judge trustworthiness, both in judging specific other individuals and in judging the context in which we are dealing with them, constitutes a form of interpersonal capital. That capacity can vary substantially across individuals and may depend heavily on early upbringing (see the learning model of Hardin 1992 and 2002, chapter 5). Hence, families and societies that give infants and children a sense of the trustworthiness of others may thereby create substantial interpersonal capital that enables their

children later to enter into cooperative arrangements relatively optimistically.

In an ongoing (roughly iterated) exchange relationship I may be able to trust you with respect to some matter in the sense that I can expect it to be your interest to take my interest in your fulfilling the trust into account. There are many visions of what trust is, but this one — trust as encapsulated in the interest the trusted has to fulfill the trust (Hardin 1991 and 2002, chapter 1) — gives rich explanations of many phenomena of apparent trusting and trustworthiness. In particular, it compellingly fits the pattern of those whom we trust, who are those with whom we are in especially rich ongoing interactions of essentially iterated exchange. If, as in this model, trust is grounded in a rich ongoing relationship, the trusted has substantial incentive to be trustworthy in order to maintain the relationship.<sup>7</sup> But then it is not trust but rather the ongoing relationship (which enables trust by encouraging trustworthiness) that constitutes our interpersonal capital. It is that relationship that allows us to trust and to be trusted. It is important, of course, for me to be able to be trusted, because then I can enter into cooperative arrangements with others.

A commonplace claim is that trust does not fit the encapsulated interest model because it is inherently normative. Perhaps seeing it as normative would fit it into interpersonal capital. To address this possibility, note that, more generally, Coleman and Putnam et al. include norms in what they call social capital and what I have here labeled interpersonal capital. Becker includes them in his social capital. Do norms work in such different ways as to fit them in some of their workings into Becker's notion and in some into the notion of interpersonal capital? For Becker, norms belong in social capital only to the extent that they affect my valuations of my consumptions. For Putnam et al., they belong in interpersonal capital only to the extent that they facilitate cooperative activities at the interpersonal level. Note, oddly, that norms work *on the*

*individual* in Becker's social capital but work on the interpersonal relationships — that is to say, *on others* — in interpersonal capital. For Coleman and Putnam et al., it is the norms that guide the behavior of others that benefit me.

It seems likely that norms commonly do have both these functions, so that, in different ways, they belong in both Becker's social capital and in interpersonal capital. Norms, loosely defined, might make me shrink from doing many things, such as eating pork, and hence might radically affect my welfare from various consumptions, so that they fit as functional terms in Becker's extended utility function.<sup>8</sup> They might also cause me to be a calculating Kantian, who cooperates only if enough others do in various endeavors, so that they contribute to the interpersonal capital of those in my milieu by facilitating our cooperation.

But what of trust as a norm? There clearly cannot be a sensible norm merely to trust, because far too many people would be utterly untrustworthy in various contexts in which trusting them would cause harm to the truster or others. There might be a norm to be trustworthy. If so, then cooperative endeavors would prosper more readily because trustworthiness would beget trust. This follows because *your being trustworthy gives me incentive to trust you* in some context in which doing so would lead to cooperation that would be beneficial to me. Hence, trustworthiness might be part of interpersonal capital. It is part of that capital *not so much to the trustworthy person as to others*, who are enabled by it. Trust that is relatively blind, rather than grounded in the incentives of an ongoing relationship or in the normative trustworthiness of another, would enable others also. But it would enable them to take one-sided advantage of the gullibly trusting. Hence, trust is either a conceptual proxy for trustworthiness in the claims of Putnam et al., or it does not belong in interpersonal capital (see further, Hardin 1996).

This conclusion draws the supposedly normative sting of their analyses in part,

because it could hardly come as news that trustworthiness is a good thing. They should therefore be concerned to assess declining trustworthiness rather than its resultant declining trust.

Moreover, on the encapsulated interest vision of trust, their interpersonal capital is predominantly to be seen as grounded in the rationality of maintaining a cooperative stance in ongoing relationships. This, of course, recommends the use of institutional capital as well as, to a likely limited extent, norms to secure cooperation at the interpersonal level.

### **Concluding Remarks**

All of the forms of capital discussed here can interact with each other, either causally or functionally or both. The institutional capital represented by the American government is enormous in its impact on American and other lives and their welfare. Indeed, a large part of the difference between, say, Russian and American economic and social life turns on the differences in the quality of the two nations' institutional capital. The interpersonal capital that contributes to successful collective endeavors at lower levels might, through these lower level activities and also perhaps directly, also be enormous in its impact on the workings of that government. The program of the political scientists Putnam et al. is to work out this particular causal role. To date they have given us some limited arguments for how interpersonal capital can causally affect institutional performance and capital. Certain forms of interpersonal capital enable individuals to perform their tasks within institutions better than they could do otherwise and, hence, contribute to those institutions and the institutional capital that they represent.

Coleman is right that interpersonal capital is important for facilitating lower-level interactions. Williamson is right that institutional harnessing of interpersonal capital to work around hierarchical and legal constraints can be efficient. The relational lawyers are likely right

that interpersonal capital often does much of the work of facilitating contracts. Because it can make particular firms more efficient and can help to overcome the inefficiencies of legal devices, Fukuyama is likely right that interpersonal capital positively affects overall economic success. It would also be right, therefore, to suppose that interpersonal capital is important in making specific government agencies work more efficiently and effectively because of the way such capital is harnessed *within* the agencies.

But is it right that interpersonal capital is important for making democracy work? That it is important in this way is in essence the claim of Putnam et al. While the Colemanesque argument seemingly works for the other cases of facilitating cooperation — firm success, governmental agency success, and economic performance — there is as yet no argument that unpacks, in this micro-level way, the relationships between interpersonal capital and the general performance and responsiveness of democratic government. Perhaps getting the arguments and the causal relations clearer will lead to insights into what the micro-level relationships are.

Suppose interpersonal capital does affect institutional success in the general way that Putnam et al. suppose. Then there may be substantial feedback between it and institutional capital, which enhances the prospects of interpersonal cooperation. If so, then we might expect both political and economic development to have self-reinforcing qualities that, once started, allow them to take off suddenly. This would follow already from the arguments of Williamson, the relational lawyers, and Fukuyama. And it would be reinforced still further if the arguments *manqué* of Putnam et al. could be put into compelling form. If confidence in government in the United States is partly the result of a decline in social capital, the central part of the notion at issue is participation in various public-spirited and social-group organizations. Such participation seems to be in decline in the United States (Putnam 2000) and some, but not all, other advanced

democracies (Pharr and Putnam 2000).

This seems roughly to be the story of the beginnings of the new regime of the United States under its constitution of 1788. James Madison's design of institutions under that constitution and Alexander Hamilton's monetary policies as Secretary of the Treasury through the early years of the new government were the crucial moves in building institutions that could underwrite individual confidence in dealings with others across a very broad range of actors. Any given individual must have had many trustworthy partners for various undertakings, but the institutional devices of Madison and Hamilton greatly expanded the range of people with whom the typical individual engaged in the economy could deal. That those institutions were so beneficial may then have encouraged support for them.

Note that all of these forms of capital are commonly invoked as enabling. Often, however, as Becker emphasizes, they are constraining. As Becker says, past "experiences, and the attitudes and behavior of others, frequently place more far-reaching constraints on choices than do mistakes and distortions in cognitive perceptions" (Becker 1996: 22).<sup>9</sup> They do so by contributing social capital that can detract from the benefits of various consumptions.

Interpersonal and institutional capital can similarly get in our way. Widespread customs and even very local practices of personal networks can impose destructive norms on people, norms that have all of the structural qualities of interpersonal capital. Institutional capital can also wreak its destructive hold, as in the eastern nations that are now trying to build new economies and political systems while partially still in the grip of old institutions.

Hence, in general, social capital has no normative valence. It is about means for doing things, and the things can be hideously bad as well as good, although the literature on social capital focuses almost exclusively on the good things it can enable and it often lauds social

capital as itself a wonderful thing to develop (against this tendency, see Portes and Landolt ? ). Members of such groups as the Nazi party and members of the Ku Klux Klan have substantial social capital that enables them to accomplish the grim results they produce. One is reminded of the obstinate focus on the good aspects of community in the massive communitarian literature, in which it is virtually seen as offensive to note that community can be exclusionary and vicious, both to outsiders and to insiders (such as the women of many fundamentalist groups). Community and social capital are not per se good.

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## Notes

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<sup>1</sup> James Coleman attributes the term to Glenn Loury (1977; 1987). But it was used even earlier in roughly the relevant sense by Jane Jacobs (1961: 138) and Lyda Judson Hanifan (1916). See Ostrom and Ahn (2003) for a collection of major contributions to the debate.

<sup>2</sup> The supposition that the production of relevant forms of human capital — forms that might be especially important in our political lives — is being increasingly handled through the experiences of our professional lives in organizations may be false. It may be that we are actually

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increasingly in deficit, relative to earlier generations, in developing such politically relevant human capital. This will not be an easily resolved empirical question.

<sup>3</sup> And the social influences of my peers, community, or reference group on my tastes are instances of my social capital in Becker's sense. What I have directly experienced that has affected my tastes for some consumption goods is an instance of personal capital.

<sup>4</sup> Becker's personal and social capital affect me through their influence on how much I benefit from various consumptions, through psychological effects they have on my enjoyments of, for example, music of a certain kind.

<sup>5</sup> The interpersonal capital of Coleman and Putnam et al. is essentially a resource. Hence, it cannot be put into Becker's extended utility function.

<sup>6</sup> As noted earlier, Becker's social and personal capital work on consumptions to produce welfare. The logics of these forms of capital are therefore quite varied.

<sup>7</sup> The incentive might be trumped by other considerations, so that even the best of trusting relationships can fail when the stakes get high.

<sup>8</sup> The Rabbi Joshua J. Hammerman (1998) notes that the Oreo cookie has now become kosher and that, in contemplating that middle-Americanization of his diet, he begins "to understand that a faith community cannot live by food taboos alone." But he still has pork as a barrier to total assimilation.

<sup>9</sup> This comment is made in a brief discussion of the large body of recent work on irrational aspects of choice behavior. Much of this work focuses on anomalies and gives sly and sometimes cute explanations of them.