THE IMPORTANCE OF HUMAN, SOCIAL AND CULTURAL CAPITAL

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Abstract

In the terminology of Economics, the term "capital" is one of the factors of production. As opposed to other factors such as land and labour, capital has a special significance: as it comes into existence by means of economic activity it can be a basis of further production. Economic data justify the fact that apart from the division of labour, capital ownership was the major motive of social differentiation.

Keywords: human, social and cultural capital.

Human capital

It is a widely accepted supposition that an accountant, named W. Petty (1676) was the first to introduce the notion of human capital when he compared the loss of warships, military machines and other equipment to the loss of humans.

A. Smith (1776), philosopher and economist considered the gross of acquired knowledge and useful abilities of the citizens to be one of the fundamental resources of national capital and basic source of economic welfare. He was the first to point out in his work called "The economy of nations" how the investment into human capital and marketable working abilities influence the standards of personal income and wage structure.

In spite of this, the opinion of the prestigious A. Marshall (1920) was the generally accepted view, according to which it does not make sense to apply the notion of capital for humans. This view supported the classical theory about workforce, which considered it to be purely a kind of simple working ability that requires minor knowledge and manual skills that are equally owned by each labourer. Later Marshall himself changed his point of view and emphasized the fact that investment into human capital is a long-term process, and family has a key role in the execution of investment.

Other authors who published in this subject are A. Lotka and L. Dublin, who elaborated on the first quantitative application of human capital (LOTKA - DUBLIN 1930). Their calculation was modernized by H. Miller, who pointed out that there is a strong and systematic connection between learning and personal economic success (MILLER 1960).
J. R. Walsh was the first to calculate the costs of producing human capital (WALSH 1935). F. Knight elaborated on the role of the society’s productive knowledge in compensating the law of diminishing returns and the way it is realized in developing economy (KNIGHT 1944).

In the 1950s and 1960s began the processes in modern Economy that resulted into the complex understanding of the concept of capital. Among the scholars who initiated the above described processes we must refer to Nobel prize-winning T. Schultz. In his treatise titled „Investment into human capital” (SCHULTZ, T.W. 1961, 1983), which was an important milestone in the history of Economy, he made a parallel analysis of investment into human resources and real capital. According to Schultz and the intellectuals who shared the same view the economic entity invests into human capital on the basis of rational thinking since the increments will be higher than the costs of investment. Analyzing the benefits and costs of investment Schultz discovered one of the most important macroeconomic application of the human capital, which is the explanation of economic growth. In Schultz’s opinion, people can increase the number of their possible options by investing into themselves. This is one possible way of reaching higher level of welfare. The labourers can become capital owners by acquiring economically valuable knowledge and qualification. This knowledge and qualification comes into existence as a result of conscious investment and this, together with other investments, contributes to higher level of productivity in technologically developed countries. In the case of countries that are regarded poor because of their lack of capital the injection of capital must cover the investments into humans besides ensuring the expenses of building, equipment and stocks. This is the only way to assure that human abilities are able to keep up with qualitative and quantitative growth of capital and do not set back growth. In Schultz’s understanding education is consumption in a certain extent as it satisfies our given needs. From another point of view education is rather an investment with the aim of acquiring abilities of satisfying our future needs by expected growth of personal income. As education can be regarded as a sort of investment and it produces a specific kind of capital Schultz named the increment, which is part of the participating person, human capital. This kind of capital cannot be alienated as it is an organic unit of the personality but it still can be considered to be a kind of capital because it has the capacity of providing valuable service. The basis of education in Schultz’s understanding is the supposition that the growth of national capital is mainly a result of the development in human capital.

Based on empirical facts J. Kendrick, a follower of Schultz, proved that the increment rate of investments into human capital is similar in its magnitude to the increment of non-human capital (KENDRICK 1976).

Another scholar who drew important conclusions on human capital and its multiple approaches was S. Rosen, who introduced the effectivity of human capital models in connection with important empirical research orientations (ROSEN 1977): here we can mention the researches about the correspondences of labour income and age, as well as gender, or reports about discrimination on labour market and the related educational implications. In Rosen’s point of view capital is a resource which can be valued as a source of output and income flow in the present and future. In this relation human capital is a kind of capital that consists of abilities and productive knowledge of individuals. Consequently the increment of investment into human capital is the growth of professional knowledge and income-earning ability of the individual, as well as the effectivity of economic decision-making. Rosen states that those individuals who are in the state of permanent poverty have
less or less valuable qualifications than those who live in better financial condition. In his opinion the best way to reduce the extent of poverty is providing resources for the poor through education and training.

Rosen and other researchers payed special attention to the correspondences between human capital and economic demography. Results of respective researches prove that in the course of the career the level, nature and productive character of human capital changes. Since the tasks and responsibilities of younger and older employees are basically different, the offer and competition of different forms of human capital on labour market strongly depends on the labourer’s age. For instance, when those people entered the labour market in the 1970s who were born in the USA in the 1950s during the demographic boom caused an increase in the offer of educated young employees. This fact reduced the wage rate and the increment rate of learning. Thus the examinations proved the impact of the number of employees on increments and wage rate. These facts prove that one must take into consideration the development of acquired abilities in the course of the career.

Social and cultural capital

By use of empirical data J. Coleman (1986) analysed the most essential component of human capital accumulation, the act of learning, embedded in network of interpersonal relationships. It is an important result of the research that interpersonal relationships occuring in different social areas, such as family bounds or religious relations, greatly effect the success of the individual’s learning efforts. Coleman points out that the concept of social capital is self-defining: it comprises groups of different entities that facilitate the actions of certain social groups or individuals. The social capital is also characterized by productivity making possible the fulfilment of otherwise unattainable goals and there are limited possibilities for its replacement. As compared to other categories of capital, social capital is manifested in the structure of relations between actors. In Coleman’s understanding human capital is realized in the acquired abilities and knowledge of the individual. It is created by transforming people, thus enriching them with skills and abilities for new types of activities and cognitive knowledge matter. This way the individuals can improve their abilities of successful interest representation and management. Social capital is materialized in interpersonal relations and it is generated when the relation between individuals changes, facilitating actions. The notion and function of social capital determines the basic characteristics of social structure that can be applied for interest representation.

Every network of social relations and each kind of social structure fosters a sort of social capital, since the participants maintain their deliberately developed relations until they are advantageous. Social capital has an extremely important impact on the production of the next generation’s human capital.

The representatives of modern economic sociology, such as A. Portes and J. Sensenbrenner (1993) pointed out that considering networks of social relations as resources proves that economy is a socially embedded concept. In their understanding the concept of social capital does not concentrate merely on privileged situations but also provides explanations for the occurence of social advantages and disadvantages.

Contributions to the development of theories and identification of different kinds of social capital include É. Durkheim’s elaboration on value orientation and G. Simmel’s
sociologic explanation on mutual exchange. Other important treatises are K. Marx’s theory of bounded solidarity and M. Weber’s economic sociological concept of enforceable trust.

É. Durkheim (1893) states that value orientation is one of the primary sources of social capital since it motivates individuals not to let their behaviour controlled by greediness. This type of behaviour becomes a resource for the public. This approach of resource is still a central element of sociological thinking and it is often cited as an example of social structures’ impact on economic events.

In his classic work G. Simmel (SIMMEL 1955) emphasizes the significance of exchange theory by analyzing the dynamism of belonging to a group. According to his theory the social existence is a sequence of primary transactions. In the course of these transactions information, values, mutually supporting expressions (favours, appreciations) are exchanged. The social capital develops from these transactions and it is the accumulation of mutually exchanged items. In this case it is not expected from the individual to conform to a meta-level behaviour according to the group’s expectations, but as opposed to this, the individual must focus on his/her own goals. In the course of these transactions supposed by Simmel, abstract social goods are exchanged instead of money or other material objects.

K. Marx’s theory on ‘bounded solidarity’ (MARX and ENGELS 1948) is another source of social capital. This can be connected to the circumstances that facilitate group-oriented behaviour in a given situation which relies on basic principles, independently from value introjection. The classic example of this concept is provided by the analysis of the development of working-class consciousness and the process of class-formation. Internal solidarity is the working class’s weapon against bourgeois exploitation. This solidarity brings forth the transformation of individually existing opposition between employer and employee into a collective mission. By this train of thought Marx reaches to social ideas from the analysis of market competition. In his conception, though, social sensitivity is the collective self-defence of the classes that lose in market competition. Thus the source of bounded solidarity is neither the introjection of accepted values nor the mutual exchange of individuals, but collective answer of people who have to face the same problem and find the common solution in individually different situation. As long as the collective feeling proves to be strong enough it will call forth mutual support which becomes a resource for the individuals who focus on their own goals.

Another source of social capital is „enforceable trust”, which was introduced by M. Weber (WEBER 1947). It can be best explained by differentiating between formal and material rationality; these categories were also invented by Weber. While formal rationality is in connection with transactions based on general norms and open exchange, material rationality comprises definite commitments against monopolies that are advantageous for a certain group. The main point is that members of the group consider their own needs less important than collective demands and at the same time they expect to benefit from long-term advantages of group membership. Thus the development of social capital is a result of the members’ coming up to common expectations of the group. In this case the motivation is not the acknowledgement of values but the perspective of benefits attained by belonging to the group. The main motivation is usefulness, however, the behaviour of the acting person does not target another individual, but the network of social relations existing on the level of the whole community.

M. Weber, one of the classic scholars of sociology, provided several points of view to help the research of social layers and mobility, which have an organic relationship with
the concepts of human and social capital. According to Weber’s model on social layers, the individuals’ chances of living in society are determined by ruling power structure. According to this, the more power an individual has, the more capacity that person has to improve his or her chances of life. Weber divided power into three categories: economic, symbolic and political power. With regard to the division of power classes, orders and parties have important role since the members of these entities own a certain extent of economic, symbolic and political power.

On the basis of Weber’s theory, H.D. Flap’s and N.D. De Graaf’s treatise, titled “Social capital and occupational status” (FLAP, H.D.-DE GRAAF, N.D. 1985) elaborates on networks of social relations and their role in distribution processes. International publications on labour market behaviour mechanisms has already stated several times that a lot more people get jobs through personal relationships and private channels than it is generally supposed. The authors add the category of social power to Weber’s power concept. Networks of personal relationships between people and resources mobilized through these can be regarded as social capital. If we consider social relations as a sort of social capital, we can suppose that the more social capital one has the better standard of living he or she will have. In other words, people who have good social relations are able to get better jobs, consequently they have higher wages. Considering the social representation of the previous statement we can say that inequality in owning social capital is in direct proportion with inequality in the distribution of attractive jobs.

Besides researches on the acquirement of social and labour market status and prestige, the concept of social capital became important for examinations analysing international migration. Apart from the previously mentioned Portes and Sensenbrenner, the social embeddedness of migration was clearly explained by P. Fernandez-Kelly. He broadened his economic sociological analysis with anthropological characteristics to elaborate on the significance of social and cultural capital. Fernandez-Kelly emphasized the importance of social relationship networks. He stated that functions and other characteristics of interpersonal networks must be taken into consideration in every research on social basis of economic actions. In the understanding of the author networks of social relations are complicated formations that help the individuals and groups filter and understand the information of the outside world. They associate different meanings to these, allocate resources and take control of behaviour. A further relevant attribute of the above described networks is multiplexity, which means the proportionality of individuals with different social status, connected in multiple ways to each other, playing complex roles in different activities.

The diversity of connections and roles causes the overlap of institutions. Through their personal relationships, groups of different size and formation integrate into a whole, which is represented by society. The high extent of the above described multiplexity is important because it increases the probability that different informations on resources (e.g. an attractive job) and specific knowledge (e.g. business know-how) becomes available for the individuals.

Through systematic analyses P. Bourdieu (1972) elaborated on the concepts of economic, social and cultural capital and the division of cultural capital into incorporated, objectivated and institutionalized cultural capital. He introduced a complex class concept incorporating different forms of capital. His field theory – based on the theorems of Marx and Weber – positions the actors in social structure by their social and cultural characteristics. The
actors of one particular field are supposed to compete for social positions. This kind of competition is capable of creating the social structure described by Bourdieu, which can be regarded as a social map positioning the actors on the basis of the amount and combination of the capital they possess. He states that capital occurs in three basic forms: as economic, cultural and social capital. The way it is manifested depends on the actual scope of its use as well as costs of transformation that are necessary for its effective operation. While in Bourdieu’s theory economic capital can be directly transformed into money and primarily favours institutionalization based on private ownership, cultural capital under certain circumstances can be converted to economic capital and tends to get institutionalized on the basis of qualification. As compared to these social capital under specific conditions can also be changed to economic capital and it generates institutionalization on the basis of nobility and other honorary titles.

Based on the theories of Bourdieu H.K. Anheier, J. Gerhards and F. P. Romo (1995) applied standard network analyzing methods to research the structure of Bourdieu’s cultural field and social diversification of cultural elite. According to their observations economic, social and creates different structural patterns. Economic capital differs from social capital in its hierarchy, while the distinctive feature between economic and cultural capital is their segmentation. Social and cultural capital can be differentiated on the basis of their hierarchy.

P. DiMaggio (1985) linked the concept of cultural capital to mate selection and study results by applying model building and hypothesis testing methods.

While the notion of cultural capital in most cases is identical with or very closely related to Bordieu’s category of institutionalized capital or the qualification-based individual characteristic in quantitative analyses, R. Ulin’s (1986) historical-antropological approach shows completely different definiteness. Ulin explored the collectivistic concept through qualitative research.

G. Becker (1996), who also received Nobel-prize, introduced the notion of personal capital, which integrates human and social capital and presents them as mutual prerequisites of each other. By further elaboration on Schultz’s instructions, Becker focused on the increment rate of the investment. The rational actor continues the investment until the point when its marginal increment rate equals to opportunity costs of money base. Since Becker focused on the improvement of the individual’s qualification and income production capability, his approach to human capital is a theory on 'permanent income' and property. It is very important to mention Becker’s differentiation between the kind of human capital that appears only through certain intra-company relation and the other that has a general value beyond the company limits. The concept of company-specific capital is very closely related to the category of organizational capital, which is generated by the individuals’ contribution to the organization’s operation. Its value gets lost with the termination of employment and the vacancy must be compensated with new investment. As opposed to organizational or company-specific capital, human capital, in its general sense, represents a kind of qualification which is not related closely to a definite organization and can be applied in other enterprises without notable depreciation. It is the concept of company-specific capital that is in the background of present investigations on labour market- and other contracts and their relation to transaction costs.
Summary

Researches on different categories of capital gave way to interdisciplinary border development between sociology and economy. It is the merit of sociologists that the original economic understanding of capital was enriched with new interpretations of major significance in the 1970s and 1980s. Beyond the horizon of economy social and cultural phenomena also became subject to resource analysis. As a result of this we find that, besides the concept of human capital, the notions of social and cultural capital got also involved into international publications.

References

AZ EMBERI, A TÁRSADALMI ÉS A KULTURÁLIS TŐKE JELENTŐSÉGE

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Összefoglaló

Gazdaságtörténeti tényadatok alapján tudjuk, hogy a munkamegosztás mellett a tőkejavak birtoklása jelentette a társadalmi differenciálódás legfőbb mozgatórugóját. Sokáig a tekintélyes A. Marshall által való vélekedés – miszerint nem célszerű a tőke fogalmát az emberekre alkalmazni – volt uralkodó nézet a kérdés szempontjából. Ez a vélekedés konzerválta a munkaerőről alkotott klasszikus felfogást.

Az 1950-es, 60-as években kezdtek körvonalazódni a modern közgazdaságtanban azok a folyamatok, amelyek a tőke fogalmának többirányú értelmezéséhez, kiterjesztéséhez vezettek. A tőkefajtákkal kapcsolatos kutatások kitűnő lehetőséget teremtettek a közgazdaságtan és a szociológia közti interdiszciplináris határmezsgyék létrehozására.

Szociológosok érdeme, hogy az eredeti, közgazdászok által előterjesztett tőkefelfogások az 1970-es, 80-as évekre újabb, nagymértékű értelmezési távlatokat hódítottak meg. Túl a gazdasági horizonton, a társadalmi és kulturális jelenségvilág is az erőforrás-vizsgálatok színterevé váltak. Ennek köszönhető az emberi tőke fogalma mellett a társadalmi- és kulturális tőke fogalmak nemzetközi szakirodalomban való meghonosodása.

A modern gazdaságszociológia képviselői rámutatták, hogy a társadalmi kapcsolathálók erőforrásként történő aposztrofálása a gazdaság társadalmi beágyazottságának természetes mivoltát bizonyítja. A társadalmi tőke fogalma fontossá vált a társadalmi és a munkakerületi státus és presztízs megszerzésével foglalkozó kutatások mellett a nemzetközi migráció elemző vizsgálatok esetében is.


Kulcsszavak: emberi, társadalmi, kulturális és vállalatspecifikus tőke