

Foundations of Social Theory

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*The Belknap Press of Harvard University Press
Cambridge, Massachusetts, and London, England*

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Printed in the United States of America

First Harvard University Press paperback edition, 1994

Library of Congress Cataloging-in-Publication Data

Coleman, James Samuel, 1926-

Foundations of social theory / James S. Coleman.

p. cm.

Bibliography: p.

Includes index.

ISBN 0-674-31225-2 (alk. paper) (cloth)

ISBN 0-674-31226-0 (pbk.)

I. Sociology—Methodology. I. Title.

HM24.C63 1990

301'.01—dc20

89-33792

CIP

The Demand for Effective Norms

Much sociological theory takes social norms as given and proceeds to examine individual behavior or the behavior of social systems when norms exist. Yet to do this without raising at some point the question of why and how norms come into existence is to forsake the more important sociological problem in order to address the less important. Whatever the reason for neglect of this question (and it differs for different theorists), I will show in this chapter and the next that two simple conditions, taken together, are sufficient for the emergence of norms. The first of these, to be examined in this chapter, is a condition under which a demand for effective norms will arise. The second, to be examined in the next chapter, is a condition under which that demand will be satisfied. Both conditions may be described as social-structural.

As much as any other concept in the social sciences, a norm is a property of a social system, not of an actor within it. It is a concept that has come to play an extensive role in theories developed by some sociologists. The reasons are fundamental. The concept of a norm, existing at a macrosocial level and governing the behavior of individuals at a microsocial level, provides a convenient device for explaining individual behavior, taking the social system as given. This device has been especially useful for those sociologists characterized by Sorokin (1928) as members of the sociologistic school of social theorists, of which Emile Durkheim was the most prominent member. Durkheim began with social organization and in a part of his work asked, "How is an individual's behavior affected by the social system within which he finds himself?" Answering this requires not the three components of social theory that I outlined in the first chapter of this book but only one—the transition from macro to micro. For many social theorists, Durkheim among them, the concept of a norm provides a means for making this transition.

For another school of social theory, of which Talcott Parsons is the most prominent member, the concept of a norm provides a basis for a principle of action whose role in the theory is comparable to that of maximizing utility in rational choice theory. The principle, something like "Persons behave in accordance with social norms," leaves examination of the content of norms as the theoretical task at the macro level. Whereas rational choice theory takes individ-

ual interests as given and attempts to account for the functioning of social systems, normative theory takes social norms as given and attempts to account for individual behavior.

Apart from its role in social theory, the use of the concept of a norm is important in describing how societies function. This is especially so for the description of traditional stable societies. A description of the functioning of the caste system in India that did not use the concept of dharma, which means something like "duty" or "appropriate behavior" or "behavior in accordance with accepted norms," would hardly be possible.¹ Stable or slowly changing norms constitute an important component of a stable society's self-governing mechanisms.

Both the evident importance of norms in the functioning of societies and the importance of a norm as a concept throughout the history of social theory underlie the importance of this concept in contemporary social theory. It has not one but two entries in the *Encyclopedia of the Social Sciences* (both written by sociologists), and one of them begins with this sentence: "No concept is invoked more often by social scientists in explanations of human behavior than 'norm.'" For example, Dahrendorf (by no means one of those sociologists most wedded to the concept), in an essay on the origin of social inequality, states, "The origin of inequality is thus to be found in the existence in all human societies of norms of behavior to which sanctions are attached . . . the derivation suggested here has the advantage of leading back to presuppositions (the existence of norms and the necessity of sanctions) which at least in the context of social theory may be taken as axiomatic" (1968, p. 104).

Norms may be taken as axiomatic by many sociologists, but for others they constitute an unacceptable deus ex machina—a concept brought in at the macrosocial level to explain social behavior, yet itself left unexplained.

Some rational choice theorists, armed with maximization of utility as a principle of action, regard the concept of a norm as altogether unnecessary. To take this stance, however, is to ignore important processes in the functioning of social systems and thus to limit the theory. It is one thing to refuse to take norms as starting points for social theory; it is quite another to ignore their existence altogether. In this book I refuse to take norms as given; in this chapter I ask how norms can emerge and be maintained among a set of rational individuals.

Social norms enter the theory developed here in the following way: They specify what actions are regarded by a set of persons as proper or correct, or improper or incorrect. They are purposively generated, in that those persons who initiate or help maintain a norm see themselves as benefiting from its being observed or harmed by its being violated. Norms are ordinarily enforced by sanctions, which are either rewards for carrying out those actions regarded as correct or punishments for carrying out those actions regarded as incorrect.

1. See O'Flaherty and Derrett (1978).

Those subscribing to a norm, or, as I will say, those holding a norm, claim a right to apply sanctions and recognize the right of others holding the norm to do so. Persons whose actions are subject to norms (who themselves may or may not hold the norm) take into account the norms, and the accompanying potential rewards or punishments, not as absolute determinants of their actions, but as elements which affect their decisions about what actions it will be in their interests to carry out.

In the preceding paragraph I do not give an explicit definition of a norm but only indicate its function. The explicit definition is, however, important because it derives from the conception of rights discussed in Chapter 3 and because it may not include everything that is ordinarily meant by the concept of a norm. I will say that a norm concerning a specific action exists when the socially defined right to control the action is held not by the actor but by others. As discussed in Chapter 3, this implies that there is a consensus in the social system or subsystem that the right to control the action is held by others. By the definition of authority, this means that others have authority over the action, authority that is not voluntarily vested in them, either unilaterally or as part of an exchange, but is created by the social consensus that placed the right in their hands. The right that is relevant to the definition of a norm is not a legally defined right or a right based on a formal rule imposed by an actor having authority. It is, rather, an informal or socially defined right. It may exist in the absence of a legally defined right or in opposition to a legally defined right, as is the case when a norm is in conflict with a law.

With this definition, the question concerning the conditions under which an effective norm will arise becomes a question concerning the conditions under which there will come to be a consensus that the right to control an action is held by persons other than the actor, and the conditions under which that consensus can be enforced.

It is important to note that this definition is a very specific and perhaps narrow one. No norm exists as long as the individual actor holds the right to his own action, and no norm exists if no right has come into existence. A norm exists only when others assume the right to affect the direction an actor's action will take. But *when* does this happen? This chapter is aimed at answering this question. There are, however, additional questions to be answered if norms are to be fully understood.

A norm may be embedded in a social system in a more fundamental way: The norm may be internal to the individual carrying out the action, with sanctions applied by that individual to his own actions. In such a case a norm is said to be internalized. An individual feels internally generated rewards for performing actions that are proper according to an internalized norm or feels internally generated punishments for performing actions that are improper according to an internalized norm. How and when does this happen?

There is interdependence among norms such that many norms are part of a

structure of norms. The most elaborate of such structures are those described by dharma in India and analogous systems in other societies with long cultural traditions. How do these structures come into being?

These questions pose substantial tasks for the theorist. First is the task of establishing the conditions under which a norm with a particular content will arise. This includes determining why a norm does not always arise when the existence of an effective norm would be in the interests of all or most persons. Related to this are the tasks of specifying who will come to hold the norm and whose actions will be the target of the norm. Another task is determining the strength and prevalence of sanctions, recognizing that applying a sanction may entail costs for the sanctioner. Related to this is determining what kinds of sanctions will be applied, since there are a variety of sanctions that may be applied (and it is empirically evident that various kinds of sanctions are applied, ranging from those that damage or enhance reputations to those that impose physical damage or provide material benefits). In addition, there are theoretical tasks concerning the internalization of a norm. Why do persons attempt to induce internalization in others in the first place? Under what conditions will those who hold a norm attempt to induce internalization, and under what conditions will they use only external sanctions? Why will a person be receptive to attempts by others to internalize norms? Finally, there is the task of describing and accounting for interconnections among norms. What kinds of relationships exist among norms, how do those relationships arise, and how is the role that norms play in a social system affected by these relationships?

It is useful to begin by locating the concept of a norm, as well as the theoretical activity of this chapter, in the context of the three components which I have proposed as necessary to social theory: the macro-to-micro transition, purposive action at the micro level, and the micro-to-macro transition. Norms are macro-level constructs, based on purposive actions at the micro level but coming into existence under certain conditions through a micro-to-macro transition. Once in existence, they lead, under certain conditions, to actions of individuals (that is, sanctions or threat of sanctions) which affect the utilities and thus the actions of the individuals to whom the sanctions have been or might be applied. Thus norms constitute a social construction which is a part of a feedback process, involving either negative feedback, which if effective discourages and dampens certain actions, or positive feedback, which if effective further encourages certain actions.

The emergence of norms is in some respects a prototypical micro-to-macro transition, because the process must arise from individual actions yet a norm itself is a system-level property which affects the further actions of individuals, both the sanctions applied by individuals who hold the norm and the actions in conformity with the norm. A diagram analogous to Figure 1.2 but illustrating the emergence of a norm begins at the micro level and ends there as well, with individual sanctions and conformity to the norm, as shown in Figure 10.1.

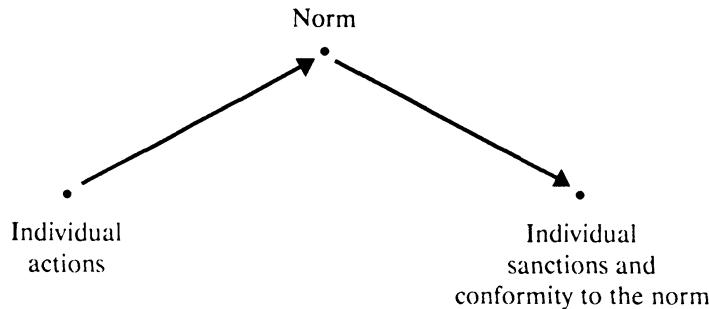


Figure 10.1 Relations of micro and macro levels in the emergence of a norm.

Examples of Norms and Sanctions

Some sense of what is meant by norms and sanctions can be gained by considering several examples.

1. A three-year-old child, walking with its mother on a sidewalk in Berlin, unwraps a small piece of candy and drops the cellophane on the sidewalk. An older woman who is passing by scolds the child for dropping the cellophane and admonishes the mother for not disciplining the child. A three-year-old child, walking with its mother on a sidewalk in New York City, unwraps a piece of cellophane and drops the paper on the sidewalk. An older woman is passing by but says nothing, not even noticing the action of the child. Several questions are raised by this example: Why does the woman in Berlin assume the right to scold the child and admonish the mother? Why does a woman in a similar circumstance in New York City not do the same? Does the woman in New York not feel she has the right to scold the child, or does her failure to act arise from other sources?
2. In an organization which provides free coffee and tea to its employees, one employee who drinks tea goes down with his cup to the hot water dispenser. All the tea bags are gone, but he expresses no dismay, remarking to another person standing there, "This often happens, but I have taken some tea bags back to my office just for such occasions." The other person responds in a disapproving way, "It's people like you, stashing tea bags away, who create the problem." This example also raises questions: How did the second person come to acquire a right to express disapproval? And why did the first person leave himself open for such a comment, by his remarks? Furthermore, why does he accept the disapproval of the second person, apparently acknowledging the right of the second person to impose this sanction?
3. A high-school girl on a date at a beach house finds herself in a crowd in which the others, including her date, are smoking marijuana. The others encourage her to do so as well, showing disapproval and disdain of her reluctance. That reluctance, in turn, is produced by her knowledge that her parents would disapprove. This example raises questions about conflict: Can there be two conflicting

norms governing the same action? If so, then what determines which one, if either, will govern? And if conflicting norms do occur, in what class of situations do they arise?

4. Among the Sarakatsan nomads in northwestern Greece, norms are very strong. Campbell reports (restated in Merry, 1984, p. 283): "In one very poor family, the father failed to defend his son against the insult of being pelted with dung by another little boy, displaying to onlookers his inability to protect the honor of his family in more important ways. The same man looks dirty and uncouth despite gossip about his unkempt appearance, and his wife is criticized for laughing and joking, as it implies that she may be guilty of sexual immodesty. Although their daughter is apparently virtuous and chaste, she is tainted by her mother's immodesty, and no honorable man seeks her hand." This example raises a question about the effectiveness of norms. There are apparently normative sanctions imposed by others against various actions of this family, but the sanctions appear less effective than one might expect.

5. In Gush Emunim settlements of the West Bank in Israel, strong norms require the men of the community to form a minyan of ten or more and pray in the synagogue each day. Some men do, and some don't. Those who don't claim to be busy with their work. They stay indoors at the time when others are going to pray. This example raises the issue of the conflict between the demands of daily life and the demands of norms. How are norms maintained in the face of such conflicts? The demands of daily life are ever present and are associated with interests that have material consequences. Norms often demand, such as in cases like this, actions which are unrelated to consequences that the individual, or even the whole group, will experience. How are the norms maintained?

6. Elias (1982) traces the evolution of norms concerning table manners in French provinces, using writings about etiquette. Elias shows how these norms, which began by proscribing only the most offensive actions (such as coughing up a piece of meat at the table) evolved into the most elaborate prescriptions of what to do at the table. Furthermore, the norms differed in different social groups, and there was a hierarchy of elaboration, corresponding to social status and having its peak at the king's court. This example raises questions about how and why norms become increasingly elaborate over time, as well as why manners are more elaborate in groups of higher social status.

Distinctions among Norms

The diversity among the examples above suggests that it is useful to make some classifications of norms. Although this cannot be fully done at this point in this exposition, a start may be made.

First, norms are directed at certain actions, which I will call focal actions. In the example about the three-year-old and the cellophane candy wrapper in Berlin, the focal action is dropping the wrapper on the sidewalk (more generally, any action that has the effect of littering the sidewalk).

Some norms discourage or proscribe a focal action, and I will call these proscriptive norms. Other norms, such as the norm to smoke marijuana among the young people at the beach house or the norm among members of Gush Emunim settlements to form a minyan and pray every day at the synagogue, encourage or prescribe a focal action. I will call these prescriptive norms. Proscriptive norms provide negative feedback in the system, damping out the focal action; prescriptive norms provide positive feedback, expanding the focal action. When there are only two possible actions, of course, one is prescribed and the other is proscribed by the same norm. For example, the norm of walking to the right when encountering another pedestrian walking in the opposite direction is simultaneously prescriptive and proscriptive. The distinction is meaningful only when the number of alternative courses of action is greater than two.

For any norm there is a certain class of actors whose actions or potential actions are the focal actions. The statement "Children should be seen and not heard" specifies a norm for which children constitute this class. I will call members of such a class targets of the norm, or target actors. There is also a class of actors who would benefit from the norm, potentially hold the norm, and are potential sanctioners of the target actors. These are actors who, if the norm has come into being, assume the right to partially control the focal action and are seen by others who would benefit from the norm to have this right. For the norm specified by the statement above, parents, or adults more generally, are those who hold the norm. It is possible that children also hold the norm, but the operation of the norm and its supporting sanctions does not depend on this. I will call those who would benefit from the norm and thus assume the right to control the target action (who are also ordinarily the potential sanctioners) beneficiaries of the norm. The current beneficiaries of the norm may be those who initiated it, or they may have merely continued the enforcement of a norm initiated by persons who preceded them.

For some norms, such as the one concerning children mentioned above, the targets of the norm and the beneficiaries are not the same persons. The norm benefits one set of actors and is directed toward actions of another set. I will label such norms disjoint norms because the set of beneficiaries and the set of targets are disjoint, resulting in a physical separation of opposing interest. The beneficiaries have an interest in the norm being observed, and the targets have an interest in the focal action being unmodified by the norm.

For many norms, however, including all those described in the earlier examples (except for the norm about not smoking marijuana held by the parents of the high-school girl), the set of beneficiaries of the norm coincides with the set of targets. In such cases, the interests favoring observance of the norm and those opposing its observance are contained within the same actors. Each actor is simultaneously beneficiary and target of the norm. I will call norms of this sort conjoint norms.

The distinction between disjoint and conjoint norms reflects only the extremes of the variations that may occur. Figure 10.2 shows those extremes, along with

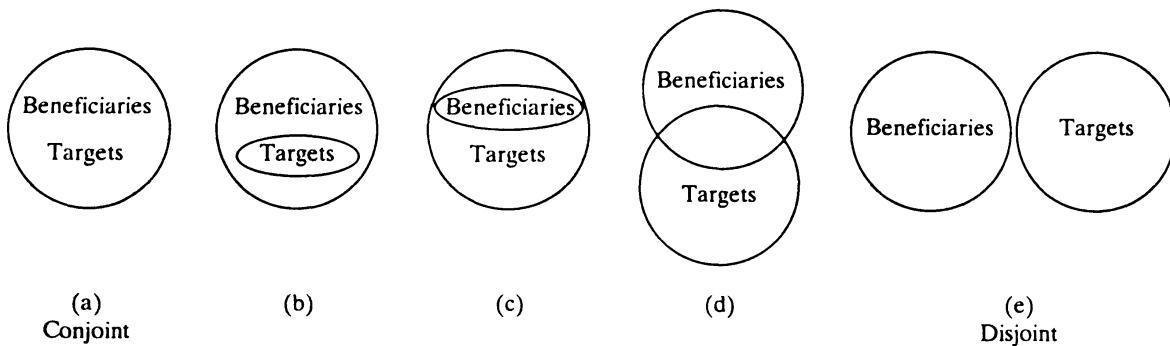


Figure 10.2 Inclusion relations of beneficiaries and targets of a norm for different types of norms.

intermediate cases. In cases b, c, and d, some persons are both beneficiaries and targets. In case b there are also some beneficiaries who are not targets. An example is the norm against sexual relations before marriage, which is held not only by unmarried persons, the targets, but also by married persons. In case c there are targets who are not beneficiaries. For example, norms about proper behavior held by members of a community are directed not only at community members as targets, but also at strangers. In case d some beneficiaries are not targets, and some targets are not beneficiaries.

A clarification of what is meant by the term “sanction” is also useful. If holding a norm is assumption of the right to partially control a focal action and recognition of other norm holders’ similar right, then a sanction is the exercise of that right. A sanction may be negative, directed at inhibiting a focal action which is proscribed by a norm, or positive, directed at inducing a focal action which is prescribed by a norm. I will use the terms “sanction” and “effective sanction” interchangeably, indicating by either an action on the part of a beneficiary which has some effect in moving the focal action in the direction intended by the sanctioner.

One final distinction concerns selection of a focal action, an action to be discouraged or encouraged by a norm, from a set of mutually exclusive actions. In some cases the selection of the focal action is largely arbitrary, but in others it is not. The former is exemplified by the convention of driving on the right side of the road (or, in England and Australia, on the left). It is arbitrary whether the action defined as correct is driving on the right or driving on the left. Once the convention has been established, however, all are better off if each follows the convention. The interests in a particular direction of action depend on whether it is the action being carried out by others. If a convention has established the direction of a norm, I will call the norm a conventional norm.²

2. Ullmann-Margalit (1977, p. 97) calls these coordination norms and distinguishes between those that arise through convention and those adopted by decree. I will not make use of this distinction.

For many norms the focal action has not been arbitrarily selected. The targets' interests lie in the direction of action opposing observance of the norm, and the beneficiaries' interests lie in the direction of action favoring observance of the norm. These interests in particular directions of action would remain, whether or not the norm existed and independent of others' directions of action. In this case the direction of the norm depends on more than convention. I will call these essential norms. This last distinction can be illustrated, as Ullmann-Margalit (1977) has done and as I will do shortly, using simple payoff matrices from the theory of games.³

The First Condition: Externalities of Actions and the Demand for a Norm

In Chapter 2 I indicated that one distinction which is important for the functioning of social systems is that between events that have consequences only for those who control them and events that have external consequences (that is, externalities) for actors who have no control over them. The latter events are intrinsically of interest to actors other than those who control them. When such events are actions, there are two kinds of externalities of actions: When an action benefits others, the action has positive externalities; when an action is harmful to others, the action has negative externalities. If an action benefits some and hurts others, then its externalities are positive for the first set of actors and negative for the second.

An action that has externalities generates interests in the action among those actors who experience the externalities. Yet there is no general way in which the consequences of the action for those affected actors can enter the utility function of the actor taking the action. Actors harmed by an action that benefits the actor in control of it experience negative externalities, as exemplified by nonsmokers sitting near a smoker. Those benefited by an action that benefits the actor controlling it experience positive externalities, as exemplified by passersby who benefit from a householder's removing snow from the sidewalk in front of his house. The problem for those other actors in the first situation is how to limit the action which is harming them (and how much to limit it). The problem in the second situation is how to encourage and increase the action (and to what level it should be encouraged).

A special case of the latter problem is that of paying the cost of a public good when each actor's action has beneficial consequences for others, by helping to bring about the public good, but the benefits to himself are less than the costs he will incur. Only if enough actors can be induced jointly to carry out the action to

3. Ullmann-Margalit distinguishes three kinds of norms, which she calls prisoner's dilemma norms, coordination norms, and norms of partiality. These correspond approximately to what I have termed essential norms, conventional norms, and disjoint norms, respectively. Essential norms, however, to use my terminology, may be disjoint or conjoint, whereas Ullmann-Margalit's three classes are mutually exclusive.

make the benefits exceed the costs for each will the public good be provided. A parallel problem exists for a public bad; for example, in overgrazing of a commons, each herd-owner's increase in grazing will increase his own benefits, but at a cost to others. Only if all the herd-owners with access to the commons can be induced to limit grazing by their animals will the grazing be reduced to the level at which the land will produce maximum nutrition.

When an action generates externalities for others, they may be able to make their interests felt through wholly individualistic means. For example, one of them may engage in an exchange with the actor whose action imposes the externalities, offering or threatening something to bring about the outcome he desires. But this may not be possible if the externalities are spread among several actors, no one of whom can profitably make such an exchange.

When exchange is possible, this gives a solution which is a special case of that described by Coase in "The Problem of Social Cost" (1960). The general solution is a market in rights of control, in which the actors who do not have control of the action may purchase rights of control from those who do, the former being limited only by their interest in the action and their resources. It is easy to see that if there are no transaction costs in such a market, the outcome will be a social optimum (which is defined only relative to the initial endowments of resources of the various parties in the market), at which no further exchanges are mutually beneficial. Those hurt by the level of action existing at the outcome would be even more hurt by parting with the resources that the actor controlling the action would take to limit it further.

In the case of a public good, each of the actors who is benefited by the actions of others would exchange rights of control of his own action for rights of partial control of the action of each of the others. For example, each resident in a town might agree to the building of a public park and to contribute an equal fraction of the cost. This constitutes a multilateral exchange in which each gives up the right not to contribute in return for the giving up of the same right by each of the others. (I put aside for the present the question of how such a multilateral exchange might be organized.)

Similar markets have been developed in regulation of environmental pollution. The amount of total pollution allowed is not set by market forces, but marketing of rights to pollute occurs among those who operate pollution-generating plants (see Noll, 1983). Yet there are many activities in society in which markets in rights of control cannot easily come into being, for one reason or another. In a social situation in which one person is smoking and another finds it irritating, the second can hardly say to the first, "How much will you take to stop smoking?" A high-school girl at a party where all others present would like her to smoke marijuana but who knows her parents would not can hardly ask for bids from the two opposed sets of others for control of her action. There is a wide range of situations in which an action has extensive externalities but a market in rights of control of the action is either impracticable or illegal.

The condition under which interests in a norm, and thus demands for a norm,

arise is that an action has similar externalities for a set of others, yet markets in rights of control of the action cannot easily be established, and no single actor can profitably engage in an exchange to gain rights of control. Such interests do not themselves constitute a norm, nor do they ensure that one will come into being. They create a basis for a norm, a *demand* for a norm on the part of those experiencing certain externalities.

The externalities created by the action may, as indicated earlier, be positive or negative. In high schools, for example, positive externalities are created by athletes who contribute to the success of a team, which in turn contributes to the school's general standing in the community (which in turn contributes to the other students' feelings of well-being or pride). Often a norm does arise, one which encourages potentially good athletes to devote their energies to interscholastic sports. In contrast, students who get especially high grades create negative externalities for other students, insofar as the teachers grade on the curve. High-performing students increase for other students the effort necessary to receive good grades, thus making matters more difficult for others. Often a norm arises in this case also; students impose a norm that restricts the amount of effort put into schoolwork.⁴

How a norm actually comes into being once a demand is created by externalities is a matter which I will examine in Chapter 11. But the genesis of a norm is based in externalities of an action which cannot be overcome by simple transactions that would put control of the action in the hands of those experiencing the externalities.

Several points follow from this central premise. One implication is that the potential beneficiaries of the norm will be all those who are affected in the same direction by the action. If a norm does arise, it will be those persons who will claim a right to have partial control over the action and who will exercise their claim by attempting to impose normative sanctions on the actor performing the action to induce the direction that benefits them, often at that actor's expense. A further implication is that a potential conflict of norms arises when an action has positive externalities for one set of persons and negative externalities for another. In the example of the high-school girl whose friends' approval is contingent on her smoking marijuana and whose parents' approval is contingent on her not doing so (or on their ignorance of her doing so), there are such opposing externalities. If she does not smoke, she dampens the party, destroys the consensus, and perhaps reminds some of those present of their similar normative conflicts. If she does smoke and her parents learn of it, they are made unhappy as their pride and trust in her are undercut.

The structure of interests created by externalities in which norms have their genesis may be presented more systematically by using simple situations whose

4. Of course, when academic activities are organized interscholastically, this can generate a prescriptive norm concerning studying. Striking cases of this may be found in a description of statewide competition in academic subjects among rural schools in Kentucky (Stuart, 1950, p. 90).

Table 10.1 Payoff matrix for two-person joint project.

		A_2	
		Contribute	Not contribute
A_1	Contribute	3, 3	-3, 6
	Not contribute	6, -3	0, 0

outcomes can be described by payoff matrices such as are used in theory of games. For example, suppose that two persons are told separately, "You may take either of two actions: contribute \$9 to a common project, or contribute nothing. For each \$3 that is contributed, an additional \$1 will be earned by the project (that is, there will be a return of \$4 for each \$3 contributed). The final total will be divided equally between the two of you, regardless of who made a contribution." Each can assess the net gains or losses for himself and for the other, for each combination of actions. These are expressed in Table 10.1, where the values of the outcome (in dollars) for each of the persons (A_1 and A_2) are given in each cell.⁵

If neither contributes, there is no gain or loss for either. If A_1 contributes and A_2 does not, A_1 's contribution of \$9 plus the \$3 earned will be divided equally, giving \$6 to each. For A_2 this will be a net gain, as indicated in the upper-right-hand cell of the table. But for A_1 the original \$9 contribution must be subtracted, giving him a net loss of \$3. The gain and loss are reversed for the case in which A_2 contributes and A_1 does not.

This situation creates a pair of actions, each having externalities for the other actor. As Table 10.1 indicates, A_1 's action (of contributing or not contributing) makes a difference of \$6 (between 3 and -3 or between 6 and 0) to A_2 , and A_2 's action makes a difference of \$6 to A_1 . Furthermore, in both cases the externalities go in the direction opposite to the actor's own interests. Each actor is better off by not contributing (whichever action the other takes), but not contributing makes the other actor worse off. Finally, the external effects of the other's action are greater for each than are the direct effects of his own action.

5. This payoff structure is that of a prisoner's dilemma. See Luce and Raiffa (1957) or Rapoport and Chammah (1965) for a discussion of this game.

A_1 's action makes a difference of only \$3 to him, but A_2 's action makes a difference of \$6—and similarly for A_2 .

The result of this situation is that each has an incentive not to contribute (since he will lose \$3 by so doing), and if both do not, each gets nothing. Yet if both did contribute, each would gain \$3. The optimal action for each actor gives a social outcome which is not an optimum. Both would be better off if both took the action which is *not* individually optimal, that is, if both contributed to the project.

Much has been written about this structure of outcomes, but most of it is not of interest here. (For references to some of this literature, see Axelrod, 1984.) What is of interest is Ullmann-Margalit's (1977) discussion of this structure as calling for or generating one type of norm, which she calls prisoner's dilemma (or PD) norms. Her argument is that such a structure of outcomes creates an incentive for all parties involved to set up a norm that will constrain the behavior of each in the direction of carrying out the action that is better for the others (in the example above, contributing to the joint project). In the terminology introduced earlier, such a structure of interdependence of actions creates externalities for each and thus an interest on the part of each in the creation of a norm.

In situations of this sort, however, where two persons' actions affect each other in the way shown in Table 10.1, a norm is not necessary at all. Either person can propose an exchange in which each gives the other rights of control to his action and gets rights of control of the other's action.⁶ Each has resources (his own action) that are of more value to the other than the resources held by the other (the other's action). Thus by exchanging rights of control each gets something that is worth more to him than what he gives up. Each will exercise the control over the other's action in the direction which benefits himself, and in so doing will bring about a social optimum. In the example above A_1 will contribute A_2 's \$9, A_2 will contribute A_1 's \$9, and both will gain \$3 as the outcome.

Where there is a pair of interdependent actions for which the self-interested action of each imposes negative (or positive) externalities on the other that are greater than the benefits (or costs) that the other's own self-interested action brings, a mutually profitable exchange is always possible in principle. Logistics may, of course, preclude such exchange. In the game-theoretic analysis of the prisoner's dilemma, the possibility of exchange is excluded, because by assumption the players cannot communicate. But no such constraint is necessary here. Norms can arise only where there is communication; thus bilateral exchange is possible in all those two-actor cases where the possibility for a norm exists.

6. As far as I know, Erling Schild and Gudmund Hernes were the first (independently, in 1971) to point out that the simplest social solution to the prisoner's dilemma is exchange of control between the two players, an action which is rational for each. Bernholz (1984) has shown that Sen's paradox of a Paretian liberal (discussed in some detail in Chapter 13), where the payoff structure is that of a prisoner's dilemma, is solved in the same way. If the exchange is not instantaneous, of course, but requires a promise on the part of one or both, it becomes necessary to introduce some form of retribution.

There is an apparent exception in those cases where communication exists before and after the action, but not during the action itself. However, any agreements reached before the action or any retributions taken after the action need make no reference to a norm, but can be treated wholly within the framework of bilateral exchange—although possibly of course requiring introduction of notions of trust and mutual trust, as discussed in Chapter 5.⁷

The one true exception, in which the social optimum is not attained by an individualistic solution or by a bilateral exchange, is where the actions are pairwise, but the two actors are not in contact either before or after the action (or will meet only in the distant future), and thus have no opportunity either to make an agreement or to carry out the terms of a prior agreement.⁸ In that case a norm, in which sanctions are imposed by others who are in contact with the actors after the action, can bring about a social optimum; bilateral exchange cannot.

It is best to clarify what the word “exchange” implies in the current context, for the example may otherwise be misleading. The imagery evoked by exchange in the context of this example is that one actor approaches another with an offer, “You let me make your decision, and I will let you make mine” or “Let us contribute together” or something similar. This is certainly what happens in some cases. In an examination of the emergence of norms, however, it is appropriate to conceive of a succession of comparable projects, extending over time, in which a new decision arises each time. This expands the possibilities to incorporate exchanges, implicit or explicit, that cover two or more projects (for example, “If you fail to contribute this time, I will not contribute next time”). This conception is especially relevant for those cases in which it is not logically possible to exchange control or rights to control on a given occasion. It is also relevant for those cases in which there is no project involving simultaneous contribution but separate actions of each actor which exhibit the same pattern of internal and external effects. For example, a person must decide whether to take an action, such as watching his neighbor’s house while the neighbor is away, that has a net cost for him but benefits his neighbor. His neighbor, in a similar situation, must make the same decision.

7. Whether or not such bilateral exchanges are considered to be norms is purely a matter of convention. I choose not to consider them to be norms because they do not exhibit the fundamental problem that must be overcome when no mutually profitable two-person exchange is possible but some n -person exchange is possible, where n is greater than 2. This fundamental problem, called the second-order free-rider problem, is discussed in Chapter 11.

8. This is a fundamental point on which Axelrod (1984, p. 49), who discusses the growth of cooperation between two players in iterated prisoner’s dilemmas, exhibits confusion. At some points he seems to be asserting that pairwise interactions in large populations, where the same two parties will meet only very infrequently, will generate the same cooperation as found in his pairwise “tournaments.” In general, however, Axelrod’s work in that book demonstrates the point made here: that bilateral exchanges, explicit or implicit, are sufficient, without introduction of a norm, to arrive at a social optimum in pairwise interactions with externalities. See Coleman (1986b) for examination of social-structural conditions under which contact among individuals does not allow such agreements, implicit or explicit, to be effective.

Another type of implicit exchange, which may be more common empirically, is not precisely equivalent to those described above. If two actors have a social relationship, which as described in Chapter 12 consists of a set of obligations and expectations (assumed for the present to be symmetric), various actions by each may affect the outcome of an exchange. If A_1 wants to prevent an action of A_2 , which imposes a cost on him of \$6 but benefits A_2 by only \$3, A_1 has only to introduce into the negotiations some other event which he controls that has a cost for him of less than \$6 and a benefit for A_2 of more than \$3. A promise or a threat with respect to this event may serve A_1 as well as, or better than, the action which is analogous to the action of A_2 he wants to control. To state it differently, one actor need not use as a sanction for another actor the same kind of action as the action he is sanctioning. For example, if one actor is late for a meeting, the other need not show up late for the next meeting; he can express disapproval, or he can threaten to break off the meetings altogether (if the meetings are of sufficient interest to the first actor to make this a credible threat). The other events may include some for which the costs to the sanctioning actor are very small yet the other actor's interest may be sufficiently great that the sanction is effective.

It is important to recognize these additional possibilities that actors may have for sanctioning one another because they lend importance to the existence of other events linking the actors. Attention to these additional possible sanctions is also important because of the potential asymmetries in sanctioning that may result from inequalities in actors' control of events of interest to others.⁹

Systems of More Than Two Actors

It is when pairwise exchanges cannot bring about a social optimum that interests in a norm arise. This may be illustrated by expanding the joint project described earlier to a common project involving three actors. Again, each has the alternative of contributing \$9 or nothing. For every \$3 contributed, the product will be \$4. The total product will be divided equally among the three. Table 10.2 shows the outcomes for each combination of actions. Since the situation is symmetric for the three actors, these outcomes can be summarized more compactly, as shown in Table 10.3.

The situation here is fundamentally different from that shown in Table 10.1. It is not possible for two of the three actors to exchange control over their actions and gain by so doing. If there are no contributions, giving no net gain or loss to each, and then A_1 exchanges control with A_2 , each contributing for the other,

9. Another source of asymmetry is hidden by the symmetry of this example. Even for activities for which all actors' similar actions impose externalities on the others, the externalities may be unequal, providing sanctioning opportunities for some actors that do not exist for others. This is related to interpersonal comparison of utilities, and, as will be evident later, a correct untangling of that issue will be important for the analysis of norms as well as other aspects of the social system.

Table 10.2 Payoff matrix for three-person common project.

		A_3			
		Contribute		Not contribute	
		A_2	Contribute	Contribute	A_2
A_1	Contribute	3, 3, 3	-1, 8, -1	-1, -1, 8	-5, 4, 4
	Not contribute	8, -1, -1	4, 4, -5	4, -5, 4	0, 0, 0

they end up losing \$1 while A_3 gains \$8. If A_3 is contributing, A_1 and A_2 each gain \$4 without an exchange. If they exchange control, with each contributing for the other, the gain for each is \$3, making each of them \$1 worse off than they would be without the exchange.

Only if *both* A_2 and A_3 can be induced to change their actions from not contributing to contributing, contingent on A_1 's contribution, does it become profitable for A_1 to join in such an arrangement. In such a case the outcome for each changes from no gain to a gain of \$3. Thus a compact among the three is necessary to bring about a gain to each. One form of compact is a norm, by which the right to contribute or not is no longer held by each actor, but for each is held by the other two. It is in this way that it can be said that each comes to have interests in a norm.

The structure of interdependence in this case is one in which, if a norm arises at all, it will be a conjoint norm, with the same actors being targets and beneficiaries. It will be an essential norm, not a conventional one, because there

Table 10.3 Summary of outcomes for three-person common project.

Number of contributions	Gains or losses to—	
	Contributors	Noncontributors
0	—	0
1	-5	4
2	-1	8
3	3	—

is one direction of action that benefits each (contributing) and one that does not. It would be possible to construct a similar artificial example and matrix of outcomes for which interdependence would generate interest in a conventional norm. But that is straightforward and self-evident, and I will not present it here.¹⁰ For a disjoint norm the matter is somewhat different, and I will put aside examination of such norms until a later point. It is, however, useful to examine a question that arises concerning some conventional norms, where the externalities imposed by one actor's action on the others are not immediately apparent.

Do Norms Arise Only When There Are Externalities of Actions?

There are some norms which seem not to be generated by an action's imposition of externalities on others. For example, in high schools certain subgroups of girls or boys will have strong norms about how their members dress.¹¹ In the 1950s ducktail haircuts constituted observance of a norm by certain groups of boys. Certain groups of girls wore bobby socks (or even a particular color of bobby socks); certain groups of boys wore white bucks, and others black leather jackets. In Jerusalem some women keep their heads and arms covered, and some men wear black yarmulkes, reflecting membership in an orthodox Jewish community characterized by a particular set of religious observances. In Cairo some women dress wholly in black with heavy black veils covering their faces, reflecting membership in a Muslim community characterized by a particular set of religious observances. In rural Pennsylvania some women wear bonnets and plain-colored clothes without buttons, reflecting membership in an Amish community characterized by a particular set of religious observances.

10. A table of payoffs that can generate a conventional norm, exemplified by the norm of walking to the right or to the left when passing on a sidewalk, is as follows:

		A_3	
		Left	Right
		A_2	A_2
		Left	Right
	A_1	Left	Left
		0, 0, 0	-4, -6, -4
		-4, -6, -4	-6, -4, -4
	Right	Right	Right
		-6, -4, -4	0, 0, 0
		-4, -4, -6	-4, -6, -4

11. See *The Adolescent Society* (Coleman, 1961) for various examples among high-school students.

All these norms about dress are conventional norms, despite the doctrinal rationale for the direction that some of them take. But how is it that a member's action in conformity with the particular norm creates a positive externality for other members of the group? For persons who have come to constitute a group and want to differentiate themselves from others, common dress constitutes a very efficient means of doing so. Each member's obeying the norm strengthens the expression of group solidarity and the differentiation from others. Observance of rules about dress is similar to observance of dietary norms, rules of etiquette, and other differentiating characteristics (see Goode, 1960; 1978).¹² Observance by fellow members aids and supports each member, and failure to observe constitutes a threat to the solidarity of the group. This is an instance in which a derivation from theory can aid research. Measurement of the strength of dress codes and their degree of observance in a particular subgroup can show the strength of interest of the members in subgroup membership.

Dress codes illustrate a form of conventional norm for which externalities do not exist prior to and independent of the norm. They contrast with conventions such as driving on the right, for which negative externalities exist in the absence of the norm and the norm provides benefits by reducing them. Dress codes exist where the strength of members' interest in group membership is sufficiently great that an opportunity for positive externalities exists. The dress code makes possible those positive externalities by prescribing dress that will declare one's group identity to other members and to nonmembers.

Status Groups, Norms of Etiquette, and Standards of Speech

Norms of etiquette, such as those studied by Elias (1982) and mentioned earlier in this chapter, are somewhat different from norms about dress maintained by a group such as a religious group. As Elias showed, elementary norms of etiquette are essential norms, constraining the target actor's behavior so that it is attentive to the interests of those interacting with that actor. At the same time, however, norms of etiquette create a status group composed of those who conform to them. Because their actions attend to the interests of others in the vicinity, they can make a claim to be "better" than those who do not observe the norms. Action in conformity with a norm of etiquette creates a positive externality for members of the status group, who hold the norm, by differentiating them from those who do not hold it—just as in the case of religiously prescribed dress codes. Since membership in the status group is defined by conformity to the norm, however, anyone who acts in conformity with the norm can enter the group. The norm will not give a positive externality for members of the group unless conformity to the norm is sufficiently difficult that outsiders cannot easily enter the group.

12. Dietary restrictions may be more than conventional. Some have arisen for reasons of health or reasons of scarcity. For an examination of the use of rules of etiquette in differentiating one group from another, see Elias, 1982.

Thus the norm, which at the outset only constrains actions having negative externalities, has the potential to induce actions that bring positive externalities by creating a status group of those who hold the norm. That potential is realized, however, only if the norm is elaborated in such a way to make entry into the status group difficult. If a set of actors is capable of establishing a norm of etiquette to meet the demand for reducing negative externalities in interaction, then this set of actors, comprising a status group, is also capable of elaborating the norm to maintain the distinctiveness of that group. (The question of whether the set of actors will be able to establish a norm of etiquette is, of course, an open one, which cannot be answered merely by specifying that persons have common interests in eliminating negative externalities or encouraging positive ones. I will examine that question in Chapter 11.)

It is not only norms of etiquette that can be generated and used by status groups as described above. Standards of speech, elaborate norms of dress, or norms of fashion are used in the same way. A social system may contain a hierarchy of status groups, in which members of a group that is neither at the top nor at the bottom attempt both to conform to the norms of the next higher group and to maintain the norms of their group in order to keep out those below.

What I have outlined in this section indicates that sets of persons develop norms not only to serve as protective devices against actions that impose negative externalities, but also to perform positive services. This is more conjectural than much of the theory in this book and clearly requires empirical study, in order to test the theory and elaborate its details.

A Note on the Concept of Function in Social Theory

In the preceding examination of the use of norms by sets of actors, I have avoided using the term "function," although it would be natural to have written, for example, that "sets of persons develop norms not only to serve a protective function against actions that impose negative externalities, but also to perform positive functions for them." I have avoided using the term because of the confusion surrounding its use in social theory. In particular, radical versions of functional analysis have purported to explain the existence of a phenomenon by its function. In this context that would mean explaining the emergence of a norm by the functions it serves for the set of actors who hold it.

It should be clear, however, that the functions a norm serves for those who hold it, or, in the terms I have used, their interests in the norm, are not sufficient as an explanation of its emergence or continued existence. The fact that a set of actors is interested in gaining the right to control the actions of individual actors is not sufficient as an explanation for their coming to gain that right. In the explanation of the emergence of norms given in this book, that is only the first of two necessary conditions. The condition under which those interests will be realized, to be examined in the next chapter, is the second half of the explanation.

The common tendency of many theorists carrying out “functional analyses” to explain a phenomenon solely by its function is the principal failing of functional analysis as a theoretical paradigm. For a theorist to go beyond this, to examine how a phenomenon has come into existence, requires going from the macrosocial level down to the level of actors, thus abandoning the paradigm of functional analysis for a paradigm that, like the one used in this book, contains actors and a theory of action.¹³

What Constitutes Social Efficiency?

Most of the analysis of the preceding sections has been concerned with conjoint norms, for which the set of persons experiencing externalities from the focal action is the same as the set of persons who carry out the focal action and thereby impose externalities on others. In such a circumstance and with a group which is homogeneous, exemplified in Table 10.2, the concept of social efficiency, or a social optimum, is straightforward, because interests for and against the action are contained within the same actors. If the benefits that each obtains from his own action are less than the costs imposed by all others' similar action, then the emergence of a norm is socially efficient. All will be better off if there is a norm.¹⁴ The achievement of social efficiency in this case lies in a redistribution of rights of control over each action to the group as whole.¹⁵ But with a group that is not homogeneous, it becomes more problematic to define social efficiency. The balancing of positive and negative interests in each actor's action is no longer straightforward. The difficulty is most easily seen by turning to disjoint norms, where the externalities are imposed by a set of actors disjoint from those experiencing the externalities, who are the potential holders of the norm.

How can one say whether a norm is socially efficient? In the case of a conjoint norm within a homogeneous group, the establishment of the norm either brings a gain to each member and is socially efficient or brings a loss to each and is inefficient. But establishment of a disjoint norm makes the beneficiaries better off (through the rights they gain) and the targets worse off (through the rights they lose). At this point Coase's 1960 paper on the problem of social cost becomes directly relevant. Coase was not concerned with norms but with the question of how cases involving externalities imposed by one actor on another should be decided in law. Who should pay the social costs? That problem is

13. See Nagel (1970) and Stinchcombe (1968) for examinations of the logic of functional analysis.

14. By a socially efficient state or a social optimum, I mean the analogue to economists' notion of economic efficiency. I do not mean the much weaker concept of a Pareto optimum. For a disjoint norm, both the existence of the norm and its absence are Pareto-optimal points, since no move from either state to the other can be made without hurting either the beneficiaries of the norm or its targets. Only one of the two states, however, is socially efficient. See Chapter 2 and Chapter 29 for fuller discussions of social efficiency.

15. This statement is given greater precision in Chapter 30.

closer to the problem of disjoint norms than is at first apparent—for law and social norms are close relatives in the family of social control mechanisms, and the structure of the situation examined by Coase (one actor or set of actors imposing externalities on a different set) is, according to the theory presented in this chapter, exactly that in which a demand for a disjoint norm arises.

Coase (1960) argued that legal allocation of rights to the actor or actors carrying out the activity that produced the externalities or to the actor or actors experiencing them was irrelevant to the question of whether the activity would continue (the Coase theorem). If the activity was economically efficient, it would continue (with rights to impose the externalities purchased by the actor producing them, if necessary); if the activity was not economically efficient, it would not continue (with rights to produce the externalities purchased from the actor producing them, if necessary). There are conditions attached to the Coase theorem, such as absence of transaction costs, the existence of a market value for the costs imposed by the activity, and negligible effects of the legal allocation of rights on the distribution of resources within which economic efficiency must be defined. The theorem is directly relevant to the case of disjoint norms, however, for Coase's point is that there is an economic value to the activity that produces the externalities and an economic cost created by the externalities, and if (but only if) the former exceeds the latter, the activity will continue, independent of who pays the costs. The possibility of transactions outside the context of the externalities themselves (that is, the possibility of purchase of rights by one party or the other) is what brings this about.

The implication of this theorem for disjoint norms is that if the externalities imposed by the activity are sufficiently great that the persons experiencing them are motivated to induce the actor to cease, and if those persons have the resources to make that motivation effective, then they will do so, whether or not a norm is in existence (that is, whether or not the informal rights to control the action are held by them). This implies that a norm (or a law) is superfluous and would make the existence of norms or laws inexplicable.

How is the logic of Coase's argument consistent with the existence of norms and laws? The answer lies in the assumption on which the Coase theorem is based—that there are no transaction costs in inducing the actor to cease carrying out the action when he has the rights.¹⁶ There are, however, transaction costs in real social systems, and a norm can reduce the transactions necessary to achieve socially efficient outcomes. When rights are held by those experiencing the

16. There are other problems with the Coase theorem. If rights allocation does not matter, then the right to steal or to kill without fear of sanction should lead to outcomes no different from the outcomes arising in the absence of such rights: The potential victim need only buy off the predator at a mutually satisfactory price. In such a social system physical strength and access to weapons become the principal resources of value. More generally, the Coase theorem neglects the fact that rights allocations can affect the incentive to impose externalities on others (for example, in the form of threats); it treats externalities as necessary by-products of activities carried out for other purposes.

externalities and those rights are recognized by the target actor, then the action is inhibited without any transaction occurring. Sanctions are unnecessary and will be applied in only two circumstances: when a target actor misinterprets the situation and incorrectly believes his power is sufficient to allow him successfully to ignore the norm; and when the target actor does have sufficient power, but the norm holders misinterpret the situation, believing they can successfully sanction the action.

The Importance of Other Resources for Disjoint Norms

Enforcement of what is socially optimal through the reallocation of rights and the threat of sanctions implies the possibility that the actors who experience the externalities can use their control over events *other than* the actions creating the externalities—events in which the target actor has an interest. It is their control of such events that allows the events to be used as sanctions or potential sanctions, and it is the importance (or “value”) of those events that determines whether the sanctions will be effective.

When the social optimum is that an action not take place, the action will be constrained and the social optimum achieved only if those experiencing the externalities have the requisite social relationships to both bring a potentially effective norm into existence and make it effective. I will discuss this problem in the next chapter and will show some of the ways in which the potentially effective demand for a norm may be realized. The absence of social relationships among those experiencing the externalities will prevent the social optimum from being attained, if that optimum is observance of the relevant norm.

There is, however, a more important qualification, which concerns the existing distribution of rights and resources, that is, of control of events by actors. Just as in the case of economic efficiency, the social optimum is defined relative to an existing distribution of rights and resources (see Chapter 30). If that distribution is highly unequal, this implies that the interests of some actors count for much more than do the interests of others. Those actors having more power will be able to impose disjoint norms to govern the actions of those having less power, and they will be able to counter effectively norms imposed to govern their actions and to resist sanctions applied to enforce those norms.

This situation is illustrated by two kinds of examples from traditional societies. One concerns norms governing the actions of women. In many such societies there are stringent and effective norms governing the behavior of unmarried women, the behavior of married women, and the behavior of widows, but not similar norms governing the behavior of men. The target actors are women, but the actors benefiting from the constraints and ensuring that sanctions will be applied to violators are generally men of all ages and women older than the target actors, that is, actors other than the targets. Do these norms, together with their observance, give a social optimum? Social anthropologists with a functionalist

orientation argue that they do (see Gluckman, 1955; 1963). That answer is correct, but only for the distribution of power that exists in such societies, a distribution in which men and older women have a great deal of power. If that highly unequal distribution of power were not taken as given, it could not be said that the norms result in a social optimum. (See Chapter 30 for further discussion.)

The second example that illustrates this point is the fact that even when a norm exists for which they are among the target actors, wealthy and powerful members of traditional societies are often not subject to effective sanctions. Their actions are less impeded by the norm because, given the distribution of power, the sanctioner or sanctioners cannot apply the sanctions without losing more than is gained by bringing about observance of the norm. This result is not due to an inability to share the cost of the sanction; it occurs because the total costs of applying the sanction to a powerful person are greater than the benefits achieved by the sanction, merely because of the differential power.

Do Similar Results Hold for Conjoint Norms?

In the case of disjoint norms, control over events other than the focal action is important. What about conjoint norms? In examining those norms, using the example of the common project, I directed attention principally to the focal action itself, with the social optimum defined only in terms of those actions which produced a public good or public bad. The implications of the preceding section, however, are that *all* the events controlled by target actors or by beneficiaries of the norm that are of interest to actors in the system become relevant in defining the social optimum. Analyzing conjoint norms as if the only resource an actor has at his disposal is the action of contributing or failing to contribute to a common project ignores those other events.

The resources relevant to defining the effective demand for a norm consist of actions that have nothing to do with the norm. They are primarily disapproving statements and withdrawal of respect, actions which are of differential interest to a target actor depending on who the sanctioner is and who the target actor is.

Consider an example introduced earlier, the one about tea bags. Assume that observance of an antihoarding norm makes each person better off.¹⁷ The norm is a conjoint norm. Suppose that there is one person in the organization who has sufficient power (the boss) that his disapproval of a sanction would outweigh the benefits of the sanction; there is no distribution of sanctioning costs that will make the benefits for each outweigh the costs to each. If that is the case, this actor, the boss, could hoard tea bags without being sanctioned, but all other tea drinkers in the organization would be sanctioned by one another. Only if the

17. This may not be the case. Hoarding merely transfers the common stock to individual stocks. But absence of the norm may reduce availability in another way, since individuals may use stock from their hoards elsewhere.

boss had internalized a norm against such an action would he not hoard. This scenario bears a striking resemblance to those traditional societies in which the wealthy and powerful are able to ignore certain norms without being sanctioned.

The question, then, is this: Is a social optimum achieved if the norm is violated by this one actor, through an unsanctioned action which reduces availability of tea bags for all others? The answer is yes, just as it was for the case of a disjoint norm discussed earlier. The social optimum is the state in which the powerful actor does not ever experience reduced availability of tea bags, but even has them during temporary shortages, and each of the others experiences slightly reduced availability. But, just as in the example from traditional societies, this social optimum is based on the existing distribution of rights and resources (that is, control over events) held by members of the organization. The statement that a social optimum is achieved when the availability of tea bags to the average actor is maximized is incorrect if it contains the implicit assumption that the availability of tea bags to each actor should be weighted equally in arriving at the availability to the average actor. Only if the powerful actor is given a weight proportional to his power in the system is there a correct definition of availability. In the mathematical model described in Part V, the differential weights are derived from the power of different actors: the equilibrium (that is, the socially efficient state, or the social optimum) is based on the initial distribution of resources.

Certain implications that are not obvious follow from the differential power of actors to exercise sanctions and to violate a norm. Perhaps the most straightforward is the implication that those who because of greater power would be likeliest to impose a sanction on others (because an equally effective sanction would cost them less) would also be those most likely to violate the norm (because others would have less power to sanction them). The same implication follows from differential interest in the focal action. For example, a person for whom the availability of tea bags is especially important should be more likely to violate a norm against hoarding and should also be more likely to sanction others for violating such a norm. There is, however, the fact that violating a norm can put one at a disadvantage with respect to sanctioning others, so norm violation and sanctioning tend to preclude one another. Thus it is probably more correct to state these implications as follows: Norm violation and sanctioning should both be positively associated with power in the system, although possibly not with each other; and norm violation and sanctioning should both be positively associated with interest in the focal action, although possibly not with each other.

The various issues surrounding the emergence and observance of norms and sanctioning as discussed in this chapter are difficult to describe precisely with words. This is especially true for issues involving relative power and the use of resources that go beyond the focal action. The results given here, together with others that require formal derivation, are shown more precisely in Chapter 30, where these questions are reexamined with the aid of a formal model.

Systems of Norms

Throughout this chapter I have examined norms one by one, as though they existed independently. Some norms are relatively independent, but this is not generally true. Norms, like laws, are related to one another; in some cases these relations are hierarchical and in some cases due to overlapping jurisdictions. The exploration of such relations constitutes a major task in itself, one that is beyond the scope of a treatment of the foundations of social systems.

A question that necessarily arises in such an investigation is whether an analysis of systemic relations of norms must make the descent from macro to micro level and the ascent from micro to macro level. That is, must actors be brought in as intervening elements, or can a system of norms be analyzed as relations among norms per se? The question is comparable to one concerning the relations among laws that make up a system of common law: Does the study of common law have to go outside the body of laws itself and examine the actions of individual actors? One answer to this question is obtained by observing the way construction of legal theory is actually carried out. It is carried out by examination of cases, cases involving actors taking actions, other actors experiencing the consequences of those actions, and judges giving justifications for the resolution of disputes about liability for those consequences. In carrying out such examination, legal theorists infer a general principle (that is, the common law) from the resolution of specific cases. Each of these cases involves a descent to the micro level, even though the law itself, the principle as it has evolved, is a system-level property.

In the examination of jurisdictional questions and questions involving conflicts between different laws, legal theorists proceed in the same way, carrying out examinations at the micro level of specific cases of actors and events, control and interests, in order to make generalizations about the relations between laws.

These purely methodological issues do not enter into the substance of theory concerning systems of laws or systems of norms. The conclusion I draw from the character of legal scholarship is that research on systemic relations among norms is also best carried out not through analyses (whether formal or not) of the abstract content of norms, but by moving back and forth between micro and macro levels at each interface between two norms, examining the way the conflict (or other contact) between norms comes about and how actors resolve normative conflict.

« 12 »

Social Capital

In preceding chapters I have examined certain kinds of relations among actors in society. Actors are seen as beginning with resources over which they have some (possibly total) control and in which they have interests. Social interdependence and systemic functioning arise from the fact that actors have interests in events that are fully or partially under the control of other actors. The result of the various kinds of exchanges and unilateral transfers of control that actors engage in to achieve their interests is, as shown in preceding chapters, the formation of social relationships having some persistence over time. Authority relations, relations of trust, and consensual allocations of rights which establish norms are the principal ones that have been examined here.

These social relationships which come into existence when individuals attempt to make best use of their individual resources need not only be seen as components of social structures, however. They may also be seen as resources for the individuals. Loury (1977; 1987) introduced the term "social capital" to describe these resources. In Loury's usage social capital is the set of resources that inhere in family relations and in community social organization and that are useful for the cognitive or social development of a child or young person. These resources differ for different persons and can constitute an important advantage for children and adolescents in the development of their human capital. (See also Bourdieu, 1980, and Flap and De Graaf, 1986, who have used this term in a similar fashion.) The relations of authority and of trust and the norms examined in earlier chapters are forms of social capital. This chapter will examine more directly various kinds of social capital and the ways in which it is generated.

There is a broadly perpetrated fiction in modern society, which is compatible with the development of the political philosophy of natural rights, with classical and neoclassical economic theory, and with many of the intellectual developments (and the social changes which generated them) that have occurred since the seventeenth century. This fiction is that society consists of a set of independent individuals, each of whom acts to achieve goals that are independently arrived at, and that the functioning of the social system consists of the combination of these actions of independent individuals. This fiction is expressed in the economic theory of perfect competition in a market, most graphically in Adam Smith's imagery of an "invisible hand."

This fiction derives in part from the fact that the only tangible actors in society are individuals and in part from the extraordinary impact that Adam Smith and other classical economic theorists, as well as political philosophers of the seventeenth and eighteenth centuries, have had on the way we think about social and economic life. It also derives in part from the fact that social changes have moved modern society toward a structure in which individuals act more independently than they did in the past, in which individuals' goals are more independently arrived at than they were in the past, and in which individuals' interests are more self-directed than they were in the past.

Hobbes and his followers, political philosophers of the seventeenth and eighteenth centuries, extolled the virtues of self-interest as an antidote to the passions generated by religious and ethnic identity, as Hirschman (1977) describes.¹ Self-interest was not only seen as a beneficial force that moderated fierce group loyalties; it was justified by a philosophy that natural rights inhered in each person. That philosophical position continues to the present.² The philosophical and economic arguments of the seventeenth and eighteenth centuries were followed by extensive social changes in the direction of individualism, and these changes have not abated.

Despite these changes the fiction is just that—for individuals do not act independently, goals are not independently arrived at, and interests are not wholly selfish.

Recognition of this individualist bias in neoclassical economics has led to a number of economists to attempt some modification. As mentioned above, Loury introduced the concept of social capital into economics to identify the social resources useful for the development of human capital. Also, Ben-Porath (1980) has developed ideas concerning the functioning in exchange systems of what he calls the F-connection. The F-connection is composed of families, friends, and firms; and Ben-Porath, drawing on sources in anthropology and sociology as well as economics, shows the way these forms of social organization affect economic exchange. Williamson has, in a number of publications (for example, 1975; 1981), examined the conditions under which economic activity is organized in different institutional forms, that is, within firms or in markets. There is a whole body of work in economics, referred to as the new institutional economics, which attempts to show, within neoclassical theory, both the conditions under which particular economic institutions arise and the effects of these institutions (that is, of social organization) on the functioning of the system.

1. Holmes (1989) extends Hirschman's examination, showing the role these philosophical positions played in transforming the common view of the fundamental nature of man.

2. It is true, of course, that the opposition of the philosophical ideals of self-sufficiency, self-interest, and individualism on the one hand, and social responsibility, benevolence, charity toward others, and humanitarianism on the other goes back to the Greeks. The Epicureans set forth the first set of virtues. The second set were held by the Stoics during the Hellenistic period and were taken over by the Romans during their empire-building period (see Sabine, 1937, pp. 132-153).

There have also been recent attempts by sociologists to examine the way social organization affects the functioning of economic institutions. Baker (1983) has shown how relations among floor traders in the highly rationalized market of the Chicago Mercantile Exchange develop, are maintained, and affect trading activity. More generally, Granovetter (1985) has engaged in a broad attack on the "undersocialized concept of man" that characterizes economists' analyses of economic activity. Granovetter criticizes much of the new institutional economics as crudely functionalist because it often explains the existence of an economic institution merely by the functions it performs for the economic system. He argues that there is a failure even in the new institutional economics to recognize the importance of concrete personal relations and networks of relations—what he calls the embeddedness of economic transactions in social relations—in generating trust, in establishing expectations, and in creating and enforcing norms.

Granovetter's notion of embeddedness may be seen as an attempt to introduce into the analysis of economic systems social and organizational relations, not merely as a structure that springs into place to fulfill an economic function, but as a structure with history and continuity that give it an independent impact on the functioning of the system.

Lin, in a number of papers (Lin and Vaughn, 1981; Lin, 1982; 1988), has built on Granovetter's work showing how persons use social resources in accomplishing their goals, particularly in occupational attainment. Lin has shown that persons act instrumentally, using their social ties (especially more extended, or "weak," ties) to gain occupational mobility beyond that predicted by their structural position. Flap and De Graaf (1986) have extended this work in their comparative examination of the United States, West Germany, and the Netherlands.

I want to incorporate this general set of ideas into the framework presented in earlier chapters. I will conceive of these social-structural resources as a capital asset for the individual, that is, as social capital. Social capital is defined by its function. It is not a single entity, but a variety of different entities having two characteristics in common: They all consist of some aspect of a social structure, and they facilitate certain actions of individuals who are within the structure. Like other forms of capital, social capital is productive, making possible the achievement of certain ends that would not be attainable in its absence. Like physical capital and human capital, social capital is not completely fungible, but is fungible with respect to specific activities. A given form of social capital that is valuable in facilitating certain actions may be useless or even harmful for others. Unlike other forms of capital, social capital inheres in the structure of relations between persons and among persons. It is lodged neither in individuals nor in physical implements of production.

Defining social capital more precisely will be facilitated by first considering several examples which illustrate some of its different forms.

1. The *International Herald Tribune* for June 21–22, 1986, had a front-page article about radical student activists in South Korea. The article describes the

development of such activism: "Radical thought is passed on in clandestine 'study circles,' groups of students who may come from the same high school or hometown or church. These study circles . . . serve as the basic organizational unit for demonstrations and other protests. To avoid detection, members of different groups never meet, but communicate through an appointed representative." This description of the basis of organization of this activism illustrates social capital of two kinds. The "same high school or hometown or church" provides social relations on which the study circles are later built. The study circles themselves constitute a form of social capital—a cellular form of organization which appears especially valuable for facilitating opposition to a political system that is intolerant of dissent. Any organization which makes possible such oppositional activities is an especially potent form of social capital for the individuals who are members of the organization.

2. Traditionally, the relation between physician and patient has been one in which the patient places trust in the physician, and the physician employs medical skills in the interest of the patient. Recently in the United States that trust has broken down, as evidenced by the great increase in the number of malpractice suits brought by patients against physicians who have treated them. This has led to an increase in the cost of medical care for certain treatments, due to the cost of malpractice insurance, to abandonment of private practice by some physicians, and in at least one town to the refusal of obstetricians to accept female attorneys or wives of male attorneys as patients. This decline in trust and the increased willingness to file suit against a physician after a medical treatment has had a bad outcome result from a lack of those social relations on which trust depends and lead to increased cost and reduced availability of medical care.

3. A mother of six children, who moved with her husband and children from suburban Detroit to Jerusalem, describes as one reason for doing so the greater freedom her young children have in Jerusalem. She feels it is safe to let her eight-year-old take the six-year-old across town to school on the city bus and to let her children play without supervision in a city park, neither of which did she feel able to allow where she lived before. The reason for this difference can be described as a difference in the social capital available in Jerusalem and in suburban Detroit. In Jerusalem the normative structure ensures that unattended children will be looked after by adults in the vicinity, but no such normative structure exists in most metropolitan areas of the United States. One can say that families in Jerusalem have available to them social capital that does not exist in metropolitan areas of the United States.

4. In the central market in Cairo, the boundaries between merchants are difficult for an outsider to discover. The owner of a shop which specializes in leather, when queried about where one can find a certain kind of jewelry, will turn out to sell that as well—or what appears to be nearly the same thing, to have a close associate who sells it, to whom he will immediately take the customer. Or a shopkeeper will instantly become a money changer simply by turning to his colleague a few shops down. For some activities, such as bringing a customer to a friend's store, there are commissions; others, such as money

changing, merely create obligations. Family relations are important in the market, as is the stability of proprietorship. The whole market is so infused with relations of the sort just described that it can be seen as an organization, no less so than a department store. Alternatively, the market can be seen as consisting of a set of individual merchants, each having an extensive body of social capital on which to draw, based on the relationships within the market.

As these examples indicate, social organization constitutes social capital, facilitating the achievement of goals that could not be achieved in its absence or could be achieved only at a higher cost. There are, however, certain properties of social capital that are important for understanding how it comes into being and how it is destroyed or lost. A comparison of social capital with human capital followed by an examination of different forms of social capital will be helpful for seeing these.

Human Capital and Social Capital

Probably the most important and most original development in the economics of education in the past thirty years has been the idea that the concept of physical capital, as embodied in tools, machines, and other productive equipment, can be extended to include human capital as well (see Schultz, 1961; Becker, 1964). Just as physical capital is created by making changes in materials so as to form tools that facilitate production, human capital is created by changing persons so as to give them skills and capabilities that make them able to act in new ways.

Social capital, in turn, is created when the relations among persons change in ways that facilitate action. Physical capital is wholly tangible, being embodied in observable material form; human capital is less tangible, being embodied in the skills and knowledge acquired by an individual; social capital is even less tangible, for it is embodied in the *relations* among persons. Physical capital and human capital facilitate productive activity, and social capital does so as well. For example, a group whose members manifest trustworthiness and place extensive trust in one another will be able to accomplish much more than a comparable group lacking that trustworthiness and trust.

The distinction between human capital and social capital can be exhibited by a diagram such as Figure 12.1, which represents the relations of three persons (A, B, and C); the human capital resides in the nodes, and the social capital resides in the lines connecting the nodes. Social capital and human capital are often complementary. For example, if B is a child and A is an adult who is a parent of B, then for A to further the cognitive development of B, there must be capital in both the node and the link. There must be human capital held by A and social capital in the relation between A and B.

Forms of Social Capital

Using the concept of social capital will uncover no processes that are different in fundamental ways from those discussed in other chapters. This concept groups

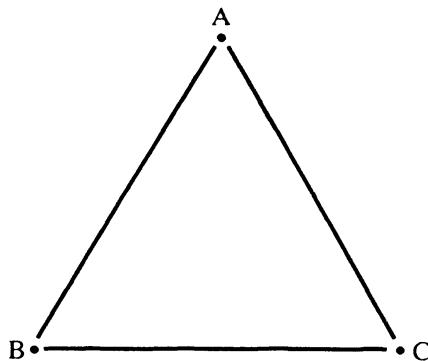


Figure 12.1 Three-person structure: human capital in nodes and social capital in relations.

some of those processes together and blurs distinctions between types of social relations, distinctions that are important for other purposes. The value of the concept lies primarily in the fact that it identifies certain aspects of social structure by their function, just as the concept “chair” identifies certain physical objects by their function, disregarding differences in form, appearance, and construction. The function identified by the concept “social capital” is the value of those aspects of social structure to actors, as resources that can be used by the actors to realize their interests.

By identifying this function of certain aspects of social structure, the concept of social capital aids in both accounting for different outcomes at the level of individual actors and making the micro-to-macro transition without elaborating the social-structural details through which this occurs. For example, characterizing the clandestine study circles of South Korean radical students as constituting social capital that these students can use in their revolutionary activities is an assertion that the groups constitute a resource which aids in moving the students from individual protest to organized revolt. If a resource that accomplishes this task is held to be necessary in a theory of revolt (as it is in Chapter 18), then the study circles can be grouped with other organizational structures, of different origins, which have fulfilled the same function for individuals with revolutionary goals in other contexts, such as the *comités d'action lycéen* of the French student revolt of 1968 or the workers' cells in czarist Russia described and advocated by Lenin (1973 [1902]).

It is true, of course, that for other purposes one wants to investigate the details of such organizational resources, to understand the elements that are critical to their usefulness as resources for a given purpose, and to examine how they came into being in a particular case. But the concept of social capital can allow showing how such resources can be combined with other resources to produce different system-level behavior or, in other cases, different outcomes for individuals. Whether social capital will come to be as useful a quantitative concept in social science as are the concepts of financial capital, physical capital, and human capital remains to be seen; its current value lies primarily in its usefulness for

qualitative analyses of social systems and for those quantitative analyses that employ qualitative indicators.

In other chapters (principally in Part III) the concept of social capital will be left unanalyzed (as it was in the brief descriptions given above as examples). In this chapter, however, I will examine just what it is about social relations that can constitute useful capital resources for individuals.

Obligations and Expectations

As described in Chapter 5, if A does something for B and trusts B to reciprocate in the future, this establishes an expectation in A and an obligation on the part of B to keep the trust. This obligation can be conceived of as a "credit slip" held by A to be redeemed by some performance by B. If A holds a large number of these credit slips from a number of persons with whom he has relations, then the analogy to financial capital is direct: The credit slips constitute a large body of credit on which A can draw if necessary—unless, of course, the placement of trust has been unwise, and the slips represent bad debts that will not be repaid. In some social structures (such as, for example, the neighborhoods discussed by Willmott and Young, 1967) it is said that people are "always doing things for each other." There are a large number of these credit slips outstanding, often on both sides of a relation (for these credit slips often appear to be not fungible across different areas of activity, so credit slips from B held by A and those from A held by B are not fully used to cancel each other out). The market in Cairo described earlier in this chapter constitutes an extreme case of such a social structure. In other social structures where individuals are more self-sufficient, depending on each other less, there are fewer of these credit slips outstanding at any time.

Two elements are critical to this form of social capital: the level of trustworthiness of the social environment, which means that obligations will be repaid, and the actual extent of obligations held. Social structures differ in both of these dimensions, and actors within a particular structure differ in the second.

A case which illustrates the value of trustworthiness is the rotating credit association found in Southeast Asia and elsewhere. These associations are groups of friends and neighbors who typically meet monthly; each person contributes the same amount of money to a central fund, which is then given to one of the members (through bidding or by lot). After n months each of the n persons has made n contributions and received one payout. As Geertz (1962) points out, these associations serve as efficient institutions for amassing savings for small capital expenditures, an important aid to economic development. Without a high degree of trustworthiness among the members of the group, such a credit association could not exist—for a person who received a payout early in the sequence of meetings could abscond, leaving the others with a loss. One could not imagine such a rotating credit association operating successfully in urban areas marked

by a high degree of social disorganization—or, in other words, by a lack of social capital.

Another situation in which extreme trustworthiness facilitates actions that would not otherwise be possible is that of heads of state. Various accounts of the experiences of heads of state suggest that for persons in this position it is extremely valuable to have an extension of one's self, an agent one can trust absolutely to act as one would in a given situation. Many heads of state have such a person, who may not occupy a formal position of power but may be a member of a personal staff. The fact that these persons are often old friends, or cronies, rather than persons who have distinguished themselves in some political activity, is derivative from this: The most important attribute of such a person is that trust can be placed in him, and this requirement often dictates choosing a long-term personal friend. Such persons often come to have enormous power due to their proximity to a head of state and the trust placed in them; and there are many recorded accounts of the use of that power. What is of interest here is the social capital this relation provides for the head of state, assuming that the trust is well placed. The trusted other is virtually an extension of self, allowing the head of state to expand his capacity for action.

Still another case that illustrates the importance of trustworthiness as a form of social capital is a system of mutual trust. The extreme example of such a system is a couple, each of whom places extensive trust in the other, whether they are deeply in love or not. For both members of such a couple, the relation has extraordinary psychological value. Each can confide in the other, can expose inner doubts, can be completely forthright with the other, can raise sensitive issues—all without fear of the other's misuse of the trust.

Differences in social structures with respect to the extent of outstanding obligations arise for a variety of reasons. These include, besides the general level of trustworthiness that leads obligations to be repaid, the actual needs that persons have for help, the existence of other sources of aid (such as government welfare services), the degree of affluence (which reduces the amount of aid needed from others), cultural differences in the tendency to lend aid and ask for aid (see Banfield, 1967), the degree of closure of social networks, the logistics of social contacts (see Festinger, Schachter, and Back, 1963), and other factors. Individuals in social structures with high levels of obligations outstanding at any time, whatever the source of those obligations, have greater social capital on which they can draw. The density of outstanding obligations means, in effect, that the overall usefulness of the tangible resources possessed by actors in that social structure is amplified by their availability to other actors when needed.

In a farming community such as that of the example in Chapter 5, where one farmer got his hay baled by another and where farm tools are extensively borrowed and lent, the social capital allows each farmer to get his work done with less physical capital in the form of tools and equipment. Such a social structure is analogous to an industrial community in which bills of exchange (that is, debts) are passed around, serving as money and effectively reducing the

financial capital necessary to carry out a given level of manufacturing activity. (See Ashton, 1945, for a description of this in Lancashire in the 1790s, before a centralized monetary system was well established in England.)

Individual actors in a social system also differ with respect to the extent of credit slips on which they can draw at any time. For example, in hierarchically structured extended family settings, a patriarch often holds an extraordinarily large set of such credit slips, which he can call in at any time to get done what he wants done. Another clear example occurs in villages in traditional settings that are highly stratified, where certain wealthy families, because of their wealth, have built up extensive credits on which they can call at any time. (It is the existence of such asymmetries that can make some families immune to sanctions that can be used to regulate the actions of others in the community, as occurred in the example about the Sarakatsan nomads of Greece in Chapter 10.)

Similarly, in a political setting such as a legislature, a legislator in a position that brings extra resources (such as the Speaker of the House of Representatives or the Majority Leader of the Senate in the U.S. Congress) can, by effective use of those resources, build up a set of credits from other legislators so that it becomes possible for him to get legislation passed that would otherwise be defeated. This concentration of obligations constitutes social capital that is useful not only for the powerful legislator, but also in increasing the level of action of the legislature. Thus those members of legislatures who have extensive credit slips should be more powerful than those who do not because they can use the credits to produce bloc voting on many issues. It is well recognized, for example, that in the U.S. Senate, some senators are members of what is called the Senate Club, and others are not. This in effect means that some senators are embedded in a system of credits and debts, and others (outside the Club) are not. It is also well recognized that those in the Club are more powerful than those outside it.

Another example showing asymmetry in the sets of obligations and expectations is the one presented earlier about the crisis in medical care in the United States due to liability suits. Traditionally physicians have been in control of events having literally life-and-death importance to patients, who in turn often felt unable to adequately compensate them for the extreme benefits they brought about. Part of a physician's payment was in the form of gratitude, deference, and high occupational prestige. These constituted a felt obligation to the physician, a form of social capital which inhibited patients dissatisfied with the outcome of their medical treatments from taking action against the physician.

But several factors have changed. One is that physicians' monopoly on medical knowledge has been lessened by an expansion of education. A second is a reduction in the likelihood that there is a personal relation between physician and patient, since a patient is less likely to use a family doctor or even a general practitioner and more likely to see specialists for particular medical problems. A third is the high income of many physicians, which reduces the perceived asymmetry between service and compensation. A fourth is the increased use of liabil-

ity insurance, which transfers the financial cost of a lawsuit from physician to insurer. The combination of these and other factors has reduced the social capital that protected the physician from becoming a target when patients experienced undesirable medical outcomes.

WHY DO RATIONAL ACTORS CREATE OBLIGATIONS? Although some of the variation in the extent of outstanding obligations arises from social changes of the sort described above, some appears to arise from the intentional creation of obligation by a person who does something for another. For example, Turnbull (1972), who studied the Ik, a poverty-ridden tribe in Africa, describes an occasion when a man arrived home to find his neighbors, unasked, on the roof of his house fixing it. Despite his not wanting this aid, he was unable to induce them to stop. In this case and others there appears to be, not the creation of obligations through necessity, but a purposive creation of obligations. The giving of gifts has been interpreted in this light (see Mauss, 1954), as have the potlatches of the Kwakiutl tribe in the Pacific Northwest. In rural areas persons who do favors for others often seem to prefer that these favors not be repaid immediately, and those for whom a favor is done sometimes seem anxious to relieve themselves of the obligation.

Although the motives for freeing oneself from obligations may be readily understood (especially if the existence of obligations consumes one's attention), the motives for creating obligations toward oneself are less transparent. If there is a nonzero chance that the obligation will not be repaid, it would appear that rational persons would extend such credit only if they expect to receive something greater in return—just as a bank makes a loan only at sufficient interest to realize a profit after allowing for risk. The question then becomes whether there is anything about social obligations to make a rational person interested in establishing and maintaining such obligations on the part of others toward himself.

A possible answer is this: When I do a favor for you, this ordinarily occurs at a time when you have a need and involves no great cost to me. If I am rational and purely self-interested, I see that the importance to you of this favor is sufficiently great that you will be ready to repay me with a favor in my time of need that will benefit me more than this favor costs me—unless, of course, you are also in need at that time. This does not apply when the favor is merely the lending of money, since a unit of money holds about the same interest to a person over time.³ When the favor involves services, expenditure of time, or some other nonfungible resource, however, or when it is of intrinsically more value to the recipient than to the donor (such as help with a task that can be done by two persons but not by one), this kind of mutually profitable exchange is quite

3. It is interesting that, for persons whose interest in money fluctuates wildly over time, this sort of exchange is possible. In a rural county in West Virginia, the county clerk would lend money to the three town drunks when their need for money was great and then collect from them, with exorbitant interest, when they received their welfare checks, when money was of less interest to them.

possible. The profitability for the donor depends on the recipient's not repaying the favor until the donor is in need.

Thus creating obligations by doing favors can constitute a kind of insurance policy for which the premiums are paid in inexpensive currency and the benefit arrives as valuable currency. There may easily be a positive expected profit.

There is one more point: A rational, self-interested person may attempt to prevent others from doing favors for him or may attempt to relieve himself of an obligation at a time he chooses (that is, when repaying the favor costs him little), rather than when the donor is in need, because the call for his services may come at an inconvenient time (when repaying the obligation would be costly). Thus in principle there can be a struggle between a person wanting to do a favor for another and the other not wanting to have the favor done for him or a struggle between a person attempting to repay a favor and his creditor attempting to prevent repayment.

Information Potential

An important form of social capital is the potential for information that inheres in social relations. Information is important in providing a basis for action. But acquisition of information is costly. The minimum it requires is attention, which is always in short supply. One means by which information can be acquired is to use social relations that are maintained for other purposes. Katz and Lazarsfeld (1955) show how this operates for women in several areas of life; for example, a woman who has an interest in being in style but not at the leading edge of fashion can use certain friends, who do stay on the leading edge, as sources of information. As another example, a person who is not deeply interested in current events but who is interested in being informed about important developments can save the time required to read a newspaper if he can get the information he wants from a friend who pays attention to such matters. A social scientist who is interested in being up to date on research in related fields can make use of his everyday interactions with colleagues to do so, if he can depend on them to be up to date in their fields.

All these are examples of social relations that constitute a form of social capital in providing information that facilitates action. The relations in this case are valuable for the information they provide, not for the credit slips they provide in the form of obligations that one holds for others' performance.

Norms and Effective Sanctions

Chapter 10 discussed the problems of establishing and maintaining a norm and the sanctions which give it effectiveness. When an effective norm does exist, it constitutes a powerful, but sometimes fragile, form of social capital. Effective norms that inhibit crime in a city make it possible for women to walk freely outside at night and for old people to leave their homes without fear. Norms in a community that support and provide effective rewards for high achievement in

school greatly facilitate the school's task. A prescriptive norm that constitutes an especially important form of social capital within a collectivity is the norm that one should forgo self-interests to act in the interests of the collectivity. A norm of this sort, reinforced by social support, status, honor, and other rewards, is the social capital which builds young nations (and which dissipates as they grow older), strengthens families by leading members to act selflessly in the family's interest, facilitates the development of nascent social movements from a small group of dedicated, inward-looking, and mutually rewarding persons, and in general leads persons to work for the public good. In some of these cases the norms are internalized; in others they are largely supported through external rewards for selfless actions and disapproval for selfish actions. But whether supported by internal or external sanctions, norms of this sort are important in overcoming the public-good problem that exists in conjoint collectivities.

As all these examples suggest, effective norms can constitute a powerful form of social capital. This social capital, however, like the forms described earlier, not only facilitates certain actions but also constrains others. Strong and effective norms about young persons' behavior in a community can keep them from having a good time. Norms which make it possible for women to walk alone at night also constrain the activities of criminals (and possibly of some noncriminals as well). Even prescriptive norms that reward certain actions, such as a norm which says that a boy who is a good athlete should go out for football, are in effect directing energy away from other activities. Effective norms in an area can reduce innovativeness in that area, can constrain not only deviant actions that harm others but also deviant actions that can benefit everyone. (See Merton, 1968, pp. 195-203, for a discussion of how this can come about.)

Authority Relations

If actor A has transferred rights of control of certain actions to another actor, B, then B has available social capital in the form of those rights of control. If a number of actors have transferred similar rights of control to B, then B has available an extensive body of social capital, which can be concentrated on certain activities. Of course, this puts extensive power in B's hands. What is not quite so straightforward is that the very concentration of these rights in a single actor increases the total social capital by overcoming (in principle, if not always entirely in fact) the free-rider problem experienced by individuals with similar interests but without a common authority. It appears, in fact, to be precisely the desire to bring into being the social capital needed to solve common problems that leads persons under certain circumstances to vest authority in a charismatic leader (as discussed in Chapter 4 and in Zablocki, 1980, and Scholem, 1973).

Appropriable Social Organization

Voluntary organizations are brought into being to further some purpose of those who initiate them. In a housing project built during World War II in a city in the

eastern United States, there were many physical problems caused by poor construction, such as faulty plumbing, crumbling sidewalks, and other defects (Merton, n.d.). Residents organized to confront the builders and to address these problems in other ways. Later, when the problems were solved, the residents' organization remained active and constituted available social capital which improved the quality of life in the project. Residents had available to them resources that were seen as unavailable where they had lived before. (For example, despite the fact that there were *fewer* teenagers in the community, residents were *more* likely to express satisfaction concerning the availability of babysitters.)

Members of the New York Typographical Union who were monotype operators formed a social club called the Monotype Club (Lipset, Trow, and Coleman, 1956). Later, as employers looked for monotype operators and as monotype operators looked for jobs, both found this organization to be an effective employment referral service and utilized it for this purpose. Still later, when the Progressive Party came into power in the New York Typographical Union, the Monotype Club served as an organizational resource for the ousted Independent Party. The Monotype Club subsequently served as an important source of social capital for the Independents, sustaining their party as an organized opposition while they were out of office.

In an example used earlier in this chapter, the study circles of South Korean student radicals were described as being groups of students who came from the same high school or hometown or church. In this case also, organization that was initiated for one purpose is appropriable for other purposes, constituting important social capital for the individuals who have available to them the organizational resources.

These examples illustrate the general point that organization brought into existence for one set of purposes can also aid others, thus constituting social capital that is available for use.⁴ It may be that this form of social capital can be dissolved, with nothing left over, into elements that are discussed under other headings in this section, that is, obligations and expectations, information potential, norms, and authority relations. If so, listing this form of social capital is redundant. But the phenomenon of social organization being appropriated as existing social capital for new purposes is such a pervasive one that separate mention appears warranted.

Intentional Organization

A major use of the concept of social capital depends on its being a by-product of activities engaged in for other purposes. A later section will show why this is so, why there is often little or no direct investment in social capital. There are,

4. A classic instance of this is described by Sills (1957). The March of Dimes was originally dedicated to the elimination of polio. When Salk's vaccine virtually eradicated polio, the March of Dimes organization did not go out of existence but directed its efforts toward other diseases.

however, forms of social capital which are the direct result of investment by actors who have the aim of receiving a return on their investment.

The most prominent example is a business organization created by the owners of financial capital for the purpose of earning income for them. These organizations ordinarily take the form of authority structures composed of positions connected by obligations and expectations and occupied by persons (as described in Chapter 4). In creating such an organization, an entrepreneur or capitalist transforms financial capital into physical capital in the form of buildings and tools, social capital in the form of the organization of positions, and human capital in the form of persons occupying positions. Like the other forms of capital, social capital requires investment in the designing of the structure of obligations and expectations, responsibility and authority, and norms (or rules) and sanctions which will bring about an effectively functioning organization.

Another form of intentional organization is a voluntary association which produces a public good. For example, a group of parents whose children attend a school forms a PTA chapter where one did not exist before. This organization constitutes social capital not only for the organizers but for the school, the students, and other parents. Even if the organization serves only the original purpose for which it is organized and is not appropriated for other purposes, as is the case for organizations described in an earlier section, it serves this purpose, by its very nature, for a wider range of actors than those who initiated it. Such an organization is, concretely, of the same sort as those described earlier. The PTA is the same kind of organization as the Monotype Club, the residents' association formed to deal with faulty plumbing, and the church groups of South Korean youth. All are voluntary associations. As it functions, however, the organization creates two kinds of by-products as social capital. One is the by-product described in the preceding section, the appropriability of the organization for other purposes. A second is the by-product described here: Because the organization produces a public good, its creation by one subset of persons makes its benefits available to others as well, whether or not they participate. For example, the disciplinary standards promulgated by an active PTA change a school in ways that benefit nonparticipants as well as participants.

Relative Quantities of Social Capital

It is possible to state more precisely the resources that social capital provides for those who have it. That will be done in Chapter 30, but I will introduce here some of the results of that chapter. In Figure 12.1 the nodes A, B, and C represent persons and the lines connecting them represent relations; human capital is found in the nodes and social capital in the lines. But the "relation between A and B" is to be taken to mean, as indicated in earlier chapters, that A controls some events of interest to B and B controls some events of interest to A. If the events controlled by each actor are seen as credit slips held by that actor, expressing obligations of the other, then this diagram corresponds directly

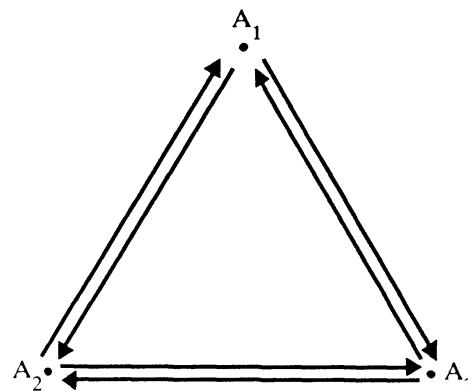


Figure 12.2 A three-actor system with full closure.

to the first form of social capital discussed earlier, obligations and expectations. Other interpretations of events correspond to other forms of social capital, although the correspondence is not perfect.

If an arrow from A_1 and A_2 denotes A_2 's interest in events controlled by A_1 or A_2 's dependence on A_1 , a system of three actors with full closure is represented by Figure 12.2.

If there is no relation between A_2 and A_3 , relations among the three can be represented as shown in Figure 12.3.

If A_3 depends on A_2 , but A_2 has no dependence on A_3 , the diagram of Figure 12.3 is modified as shown in Figure 12.4.

For Figure 12.2, if each actor controls events of equal interest to each of the others, then the power of each, as calculated in Chapter 25, will be equal, by symmetry. In Figure 12.3, A_2 and A_3 are in reciprocal relations with A_1 but have no relations with one another. If these relations are thought of as credit slips (that is, expectations and obligations), then the situation diagrammed in Figure 12.3 can be described by saying that the debits and credits of each pair of actors

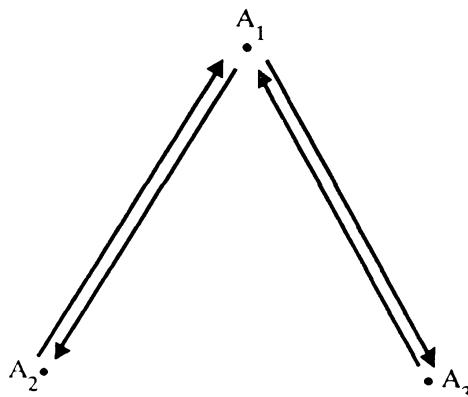


Figure 12.3 A three-actor system without closure.

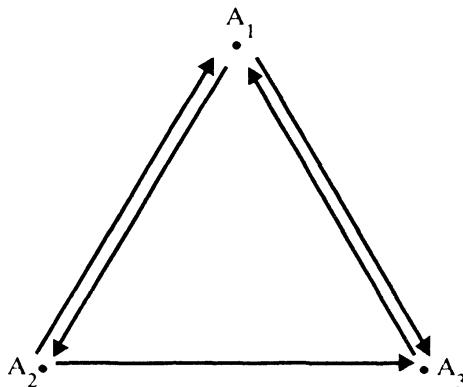


Figure 12.4 A three-actor system with near closure.

are balanced, but A_1 has twice the volume of debits and credits that A_2 and A_3 have. Figure 12.3 represents, then, a situation in which A_1 has more social capital available to him than does either of the other actors. The equilibrium state of the linear system of action is used in Chapter 25 to show that the power of A_1 in the system reflects this. Calculations in that chapter show that if the events that A_1 and A_2 control are of equal interest to each other and similarly for A_1 and A_3 , the power of A_2 or A_3 in this system is only .707 times that of A_1 .

For Figure 12.4, which is like Figure 12.2 except that A_2 has no obligations to A_3 , the calculations of Chapter 25 show that A_2 's power is equal to A_1 's— A_2 has the same social capital available to him as A_1 does. The absence of any obligations from A_2 and A_3 means that A_3 's power is reduced to .618 of that held by A_1 or A_2 .⁵ Thus the power of an actor in the equilibrium linear system of action is a direct measure of the social capital available to the actor within that system. Examples of the way closure of the system affects the power of actors within it is shown both later in this chapter and in other chapters (see Figure 11.1).

The Public-Good Aspect of Social Capital

Social capital has certain properties that distinguish it from the private, divisible, alienable goods treated by neoclassical economic theory. One of these, discussed by Loury (1987), is its practical inalienability. Although it is a resource that has value in use, it cannot be easily exchanged. As an attribute of the social structure in which a person is embedded, social capital is not the private property of any of the persons who benefit from it.

Another difference, deriving from the public-good aspect of social capital, can be seen by comparing it with physical capital. Physical capital is ordinarily a private good, and property rights make it possible for the person who invests in

5. Cook et al. (1983) have used similar measures to show the power of actors in different structures of constrained communication.

physical capital to capture the benefits it produces. Thus the incentive to invest in physical capital is not depressed; there is, as an economist might say, not a suboptimal investment in physical capital, because those who invest in it are able to capture the benefits of their investments. For human capital also—at least human capital of the sort that is produced in schools—the person who invests the time and resources in building up this capital reaps the benefits that persons anticipate receiving from schooling: a higher-paying job, more satisfying or higher-status work, or even the pleasure of improved understanding of the surrounding world.

But in most of its forms social capital is not like this. For example, the kinds of social structures which make possible social norms and the sanctions to enforce them do not benefit primarily the persons whose efforts are necessary to bring the norms and sanctions into existence, but all those who are part of the particular structure. For example, where there exists a dense set of associations among some parents of children attending a given school, these involve a small number of persons, ordinarily mothers who do not hold full-time jobs outside the home. Yet these mothers themselves experience only a subset of the benefits of this social capital generated for the school. If one of them decides to abandon these activities, for example, to take a full-time job, this may be an entirely reasonable action from a personal point of view, and even from the point of view of her household and children. The benefits of the new activity for her may far outweigh the losses which arise from the decline in associations with other parents whose children attend the school. But her withdrawal from these activities constitutes a loss to all those other parents whose associations and contacts are dependent on them.

As another example, a family's decision to move away from a community because of a job opportunity elsewhere may be entirely correct from the point of view of that family. But because social capital consists of relations among persons, others may experience extensive losses due to the severance of relations with members of that family, a severance over which they had no control. Such losses may entail the weakening of norms and sanctions that aid law enforcement and of those norms that aid parents and schools in socializing children. The total cost each family experiences as a consequence of the decisions it and other families make may outweigh the benefits that come from those few decisions it has control over. Yet the beneficial consequences to the family of those decisions it does have control over may far outweigh the minor losses it experiences from them alone.

Underinvestment of this sort does not only occur in voluntary associations such as a PTA or a Monotype Club. When an individual asks a favor from another, thus incurring an obligation, he does so because it brings him a needed benefit. He does not consider that the other experiences a benefit as well, from having the chance to add to a drawing fund of social capital available at a future time of need. If the first individual can satisfy his need through self-sufficiency or

through aid from some external source (for example, a government agency), without incurring an obligation, he may do so—and thus fail to add to the social capital outstanding in the community. Similarly, in choosing to keep trust or not (or choosing whether to devote resources to an attempt to keep trust), an actor does so on the basis of costs and benefits he himself will experience. That his trustworthiness will facilitate others' actions or his lack of trustworthiness will inhibit others' actions does not enter into his decision making.

A similar but more qualified statement can be made about information as a form of social capital. An individual who serves as a source of information for another because he is well informed ordinarily acquires that information for his own benefit, not for any other who might make use of him. This is not always true, however. As Katz and Lazarsfeld (1955) show, opinion leaders in an area acquire information in part to maintain their position as such. This is to be expected if the others who use them as information sources pay deference or gratitude for the information they get, even if the opinion leaders initially acquired information solely for their own use.

Norms also suffer only in part from underinvestment in public goods. Norms are intentionally established, as means of reducing externalities, and their benefits are ordinarily captured by those who are responsible for establishing them. But as Chapter 11 showed, the capability of establishing and maintaining effective norms depends on properties of the social structure (such as closure) over which one actor does not have control, yet which may be affected by one actor's action. These properties affect the structure's capacity to sustain effective norms; yet individuals seldom take this fact into account when taking actions that can destroy these structural properties.

Some forms of social capital have the property that their benefits can be captured by those who invest in them; rational actors consequently will not underinvest in these forms of social capital. Organizations that produce a private good constitute the outstanding example, as indicated earlier. The result is that there will be in society an imbalance between the relative investment in organizations that produce private goods for a market and in organizations (often voluntary associations) from which the benefits are not captured—an imbalance in the sense that if the positive externalities created by such social capital could be internalized, it would come to exist in greater quantity.

The public-good aspect of most social capital means that it is in a fundamentally different position with respect to purposive action than are most other forms of capital. Social capital is an important resource for individuals and can greatly affect their ability to act and their perceived quality of life. They have the capability of bringing such capital into being. Yet because many of the benefits of actions that bring social capital into being are experienced by persons other than the person so acting, it is not to that person's interest to bring it into being. The result is that most forms of social capital are created or destroyed as a by-product of other activities. Much social capital arises or disappears without

anyone's willing it into or out of being; such capital is therefore even less recognized and taken into account in social research than its intangible character might warrant.

The Creation, Maintenance, and Destruction of Social Capital

In this section I will suggest some factors, themselves the consequences of individuals' decisions, which help create or destroy social capital. Because there is some redundancy with earlier chapters, the treatment will be brief.

Closure

In Chapter 11 I indicated the importance of closure of social networks for the emergence of norms. Closure is also important if trust is to reach the level that is warranted by the trustworthiness of the potential trustees. This is evident especially in the case of systems of trust that involve intermediaries in trust, as discussed in Chapter 8 and shown in Figure 8.2. A's placement of trust in T's performance is based in part on A's trust in B's judgment. B's placement of trust depends in part on his trust in C's judgment, and C's in turn depends in part on his trust in A's. These closed systems can, of course, lead to inflationary and deflationary spirals in the placement of trust; despite this instability that can result from extreme closure, some degree of closure is a valuable asset to individuals who must decide whether or not to place trust.

In some systems of trust intermediaries can constitute a substitute for closure. If A must decide whether to place trust in T but has no relation with T, then B's relation to T, together with A's trust in B's judgment, can allow A to make a more accurate assessment of T's trustworthiness, and thus to reach a better decision.

The effect of closure can be seen especially well by considering a system involving parents and children. In a community where there is an extensive set of expectations and obligations connecting the adults, each adult can use his drawing account with other adults to help supervise and control his children. If A and B are adults in a community and a and b are, respectively, their children, then closure in the community can be pictured as in Figure 12.5(a), where arrows from one actor to another again represent the dependence of the second on the first through events the first controls. Lack of closure is shown in Figure 12.5(b), where the parents, A and B, have their friends outside this community. In a community like that represented in Figure 12.5(a), A and B can both use their mutual obligations to aid them in raising their children and can develop norms about their children's behavior. Actions of either child, a or b, impose externalities, direct or indirect, on both A and B in both communities; but only in the community represented by Figure 12.5(a) is there the closure which allows A and B to establish norms and reinforce each other's sanctioning of the children.

For Figure 12.5, if all obligations are assumed to be balanced and all interests

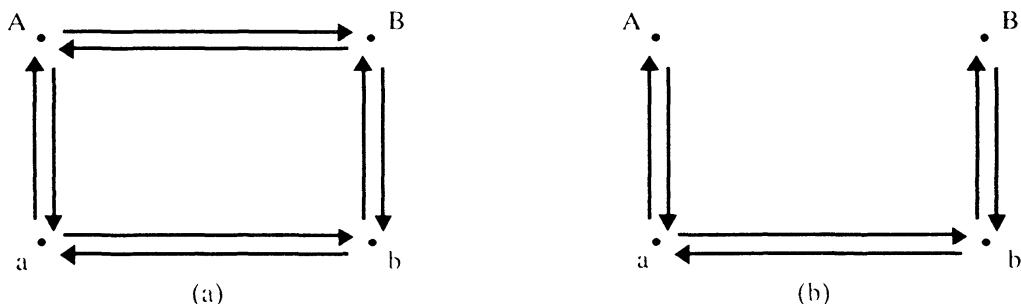


Figure 12.5 Representation of two communities: (a) with and (b) without intergenerational closure.

to be equal, then it is possible, as for Figures 12.2, 12.3, and 12.4, to calculate the relative disadvantage faced by parents in the community without closure. In the community depicted in Figure 12.5(a), each child and each parent have equal power, by symmetry. In the community depicted in Figure 12.5(b), the parents, though continuing to hold just as much direct control of events which interest their respective children, have only .618 of the power their children have, purely because of the relations between those children and the absence of relations between the parents. In other words, the parents in the community without closure have only .618 as much power relative to their children as do the parents in the community with closure—the deficiency is due to the lack of relations between the parents.

The variation in closure exhibited in Figure 12.5 can be generalized to any social structure in which actors can be classified as two different types and have relations both with actors of the other type and with actors of the same type. For example, instead of parents and children, the types may be unmarried men and unmarried women. The men and women will date one another, and, in addition, the men may have extensive networks of relations, and the women may have extensive networks of relations, as shown in Figure 12.5(a). Or it may be that the women, for example, have extensive networks of relations with internal closure, but the men do not, as shown in Figure 12.5(b). In that case the women will have more social capital than the men do. They can give the men reputations (good or bad), establish rules or norms that may strengthen a woman's power relative to a man's on dates, and use their social capital in other ways.

This example, as well as the case of parents and children, suggests that where one type of actor is weaker in a relationship (as children are with respect to parents or women with respect to men or students with respect to faculty), the actors of that type will be likely to develop social networks that have closure, in order to strengthen their position relative to the more powerful type of actor. There are, of course, other factors that facilitate closure in such networks, such as the social proximity that schools provide for children.

One setting in which closure in a network is especially important is in certain

communities of corporate actors. In a case where firms in one industry (represented by A and B in Figure 12.5) are suppliers for firms in a second industry (represented by a and b in Figure 12.5), there are supplier-customer relations (analogous to parent-child relations), possibly relations among firms within the first industry, and possibly relations among firms within the second industry. Relations among supplier firms constitute a potentially valuable form of social capital, sometimes leading to collusion and resulting in price fixing. Relations among customer firms also constitute valuable social capital, sometimes resulting in boycotts or embargoes.

Figure 12.5 illustrates variations in closure in a social structure with role differentiation; Figures 12.2, 12.3, and 12.4 show variation in closure where there is no role differentiation. When there is closure in the latter structures, as in Figure 12.2, norms and reputations can develop that keep the actors in the system from imposing externalities on one another. When closure is not present, as in Figure 12.3, those norms and reputations cannot develop.

Stability

A second factor which affects the creation and destruction of social capital is the stability of social structure. Every form of social capital, with the exception of that deriving from formal organizations with structures based on positions, depends on stability. Disruptions of social organization or of social relations can be highly destructive to social capital. The social invention of organizations having positions rather than persons as elements of the structure has provided one form of social capital that can maintain stability in the face of instability of individuals. Where individuals are relegated to being simply occupants of positions, only the performance of the occupants, not the structure itself, is disturbed by mobility of individuals. But for every other form of social capital, individual mobility constitutes a potential action that will be destructive of the structure itself—and thus of the social capital dependent on it.

Ideology

A third factor affecting the creation and destruction of social capital is ideology. An ideology can create social capital by imposing on an individual who holds it the demand that he act in the interests of something or someone other than himself. This is clear in the effects religious ideology has in leading persons to attend to the interests of others. One indirect and somewhat surprising effect has been noted from comparisons of religious and secular schools. Religiously affiliated private schools in the United States, despite their more rigid disciplinary standards, have dropout rates much lower than those of secular private schools or public schools (Coleman and Hoffer, 1987). The apparent cause is a quantity of social capital available to the religiously affiliated school that does not exist for most other schools, private or public. This depends in part on the

social-structural connections between school and parents, through the religious community. In part, however, it depends on the precept derived from religious doctrine that every individual is important in the eyes of God. A consequence of this precept is that youth are much less likely to become administratively "lost" through inattention. The signs of alienation and withdrawal are more quickly responded to, because of the religious ideology held by the school's principal, members of the staff, and adult members of the religious community associated with the school.

There are also ways in which ideology can negatively affect the creation of social capital. An ideology of self-sufficiency, such as that espoused by the Epicureans in classical Greece, or an ideology emphasizing each individual's separate relation to God, which is a basis of much Protestant doctrine, can inhibit the creation of social capital. Durkheim (1951 [1897]) examined the factors leading to individualism (roughly what he described as *égoïsme*) and its effects on the tendency to commit suicide.

Other Factors

Although there are various additional factors which affect the creation and destruction of social capital, only one broad class of these is especially important. This is the class of factors which make persons less dependent on one another. Affluence is one important member of this class; official sources of support in times of need (government aid of various sorts) is another. The presence of these alternatives allows whatever social capital is generated to depreciate and not to be renewed. For despite the public-good aspect of social capital, the more extensively persons call on one another for aid, the greater will be the quantity of social capital generated. When, because of affluence, government aid, or some other factor, persons need each other less, less social capital is generated.

Finally, it is useful to mention that social capital is one of those forms of capital which depreciate over time. Like human capital and physical capital, social capital depreciates if it is not renewed. Social relationships die out if not maintained; expectations and obligations wither over time; and norms depend on regular communication.