

Social Capital, Equality and Well-Being: A Double-Edged Relationship with Special Reference to the Malaysian Case

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One of the hallmarks of Prime Minister Datuk Seri Abdullah Ahmad Badawi's administration is its strong emphasis on the development of human capital. The Prime Minister's preoccupation with investment in human capital is laudable as economist had, as early as the 1960s, argued that human capital is the added value embedded in the workers/individuals themselves. Typically, human capital is operationalized and measured by education, training, and experience (Lin, 2001: 9). While scholars and policy-makers are in agreement that human capital can be put to productive use, not all individuals or social groups have equal access or receive expected returns from their human capital. In order to address this problem, the late University of Chicago sociologist James Coleman, has come up with the notion of social capital and its effect on the creation of human capital. While the concept of social capital is less visible in the Malaysian context, it has been well-received in the academia, and has caught on in policy-circles, at least in the West. This paper will begin with a brief overview of the concept of social capital and proceed to argue that we should be cautious in giving too much weight on the role of social capital in generating positive externalities such as prosperity, facilitating the spread of knowledge and innovation, and enhancing governmental performance. While social capital can undoubtedly bring about positive effects, it also holds true that social capital has the potential to contribute to social inequality, out-group antagonism, and anti-social behavior. Herein lies the double-edged nature of social capital. The challenge is for policy makers to facilitate the creation of *linking* social capital which refers to relation between individuals and groups in different social strata in a hierarchy where power, social status and wealth are accessed by different groups as oppose to *bonding* social capital which refers to relation among relatively homogeneous groups (such as an ethnic, religious or socioeconomic groups), and it strengthens the social ties within the particular group.

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Social capital

The concept of social capital is relatively new. According to Lin (2001), only in the last twenty years or so has the phrase entered the academic literature. While earlier scholars (Loury 1977, 1987; Ben-Porath 1980) have pointed to the phenomenon of resources or capital captured through social relations or even employed the term social capital, only in the 1980s, when several sociologists that include Bourdieu, Coleman and Lin, independently explored the concept in some detail, did it catch the attention of the research community. Its recent origins notwithstanding, the concept of social capital seems to have much to offer in the way of understanding social relations and in explaining some of the prerequisites for a successful democratic society. Originally coined by sociologists and used in the study of individuals and families, economists and political scientists have recently begun applying this theory to the study of macroeconomic and political development. Like other forms of capital, social capitalists claim that existence of social capital allows greater productivity not only in economic activities but also governmental performance. However, unlike other forms of capital (physical, cultural, and human), social capital is difficult to measure. Social capital is not a tangible object, like physical capital nor does it inhere within individuals as human capital does. Rather, social capital "inheres in the structure of relations between persons and among persons" (Coleman, 1988: 98).

James Coleman defines social capital as "a variety of 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... 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" (Coleman, 1988: 98). The forms of social capital identified in Coleman's most extended treatment of the subject include "obligations and expectations", "information potential", "norms and effective sanctions", "authority relations", "appropriable social organization", and "intentional organization" – understood as "direct investment in social capital" (Coleman, 1988: 102-109). In this conception, whether any structural aspect is a capital depends on whether it serves a function for certain individuals engaged in particular activities. For this reason, social capital is not fungible across individuals and activities. Social capital is the resources, real or potential, gained from relationships. In his scheme of social action, Coleman delineates how actors exercise control over resources in which they have an interest, and how they are also interested in events (or the outcome of events) that are at least partially controlled by other actors. Thus, in order for their interests to gain from the outcome of an event, actors engage in exchange and transfer of resources. These relationships serve important functions in facilitating the actions of individual actors; they form the basis of social capital.

Bourdieu on the other hand, defines social capital as the aggregate of the actual or potential resources which are linked to the possession of a durable network of more or less institutionalized relationships of mutual acquaintance

and recognition – or in other words, to a membership in a group which provides its members with the backing of the collectively-owned capital a credential which entitles them to credit, the various senses of the word (Bourdieu, 1985: 248-249). Bourdieu sees social capital in three guises: as economic capital, as cultural capital, and as symbolic capital. The group provides its members with the collectively-owned capital, which allows them credit. Capital in this form, is represented by the size of the network and the volume of the capital (economic, cultural, or symbolic) possessed by those to whom a person is connected. In Bourdieu's formulation, social capital depends on the size of one's connection and on the volume or amount of capital in these connections' possession.

In Bourdieu's sociology, social capital is seen as a “capital of social relationships which will provide, if necessary, useful supports: a capital of honorability and respectability which is often indispensable if one desires to attract clients in socially important positions, and which may serve as currency, for instance in a political career” (Bourdieu, 1985: 258). Bourdieu noted that it takes repeated exchanges that reinforce mutual recognition and boundaries to affirm the collectivity of the capital and each member's claim to that capital. Social capital, according to Bourdieu, is a mere disguise for economic capital in that economic capital is at the root of all other types of capital (Bourdieu, 1985: 252-253). For Bourdieu, social capital inevitably will reproduce inequality but does so in part independent of economic and cultural capital. As Field (2003) has noted, Bourdieu's main concern was and is the understanding of social hierarchy and really thought that social capital is an asset of the privileged and a means of maintaining their superiority and this is reflected in his definition of social capital.

For Flap (1988; 1991; 1994) social capital includes mobilized resources and consists of three elements: (1) the number of persons within one's social network who are prepared or obliged to help you when called upon to do so (2) the strength of the relationship indicating readiness to help, and (3) the resources of these persons. Burt's (1992) conception of social capital also reflects this perspective: an individual can be said to have social capital if he or she occupies a position in a network that can link their occupants to information and other resources (valuable capital) unlikely to be accessible to others.

Lin (2001) defines social capital as the resources embedded in social networks accessed and used by actors for action (25). In this formulation, the concept has two important components (1) it represents resources embedded in social relations rather than individuals, and (2) access and use of such resource reside with actors. According to Lin, a parallel analysis between social capital and other forms of capital is therefore made possible by conceptualizing social capital as socially embedded resources. The second component of this definition stresses that “ego is cognitively aware of the presence of such resources in her or his relations and networks and makes a choice in evoking the particular resources” (Lin, 2001: 25). This is due to the fact that only when individual is aware of their presence, and what resources they possess or can access, can the individual capitalize such ties and resource.

Sources of Social Capital

While scholars are in agreement that social capital can indeed facilitate certain actions of individuals or corporate actors, there is no consensus as to how social capital can be generated. One group of scholars (Berman 1997; Foley and Edwards 1998) Tarrow) are of the view that that the source of social capital as residing mainly in the realm of civil society, centered chiefly on groups of voluntary associations and largely disconnected from the state and political institutions. Another group of scholars (Levi 1998; Skocpol 1996; Tarrow 1996) hold that social capital does not exist independently in the realm of civil society. Governments, public policies, societal cleavages, economic conditions and political institutions have the capacity to channel and influence social capital formation in such a way that it can become either beneficial or detrimental resource. In this account, state policy can in effect be formulated in order to develop citizens' propensity either to cooperate for mutual benefits or a reverse effect in that they will remain disengage.

Either social capital resides mainly in the realm of civil society or it can be induced by state policies, gaining an exact picture of the resources and determinants of social capital is by no means a straightforward issue. Nonetheless, the World Bank and the OECD have identified eight source or "dimensions" as being relevant for the development of social capital. These are: the family, schools, local communities, firms, civil society, the public sector, gender and ethnicity. Be that at it may, we do have to bear in mind that individuals' access to social capital may vary with an array of factors including their age, gender and health, family circumstances, education, employment, attitudes and values, and the characteristics of the area in which they reside, such as its urbanization and the level of socioeconomic disadvantage.¹

Positive Effects of Social Capital

Proponents of social capital have argued that the existence of an ample "stock" of social capital within a community, region, or even a nation will generally have a positive effect. Several studies have found positive associations between indicators of social capital and such outcomes as lower crime rates, improved health, educational attainment, government efficacy, individual income and, at the aggregate level, economic performance (Coleman 1988; Putnam 1993; Portes and Sensenbrenner 1993; Lin, Ensel, and Vaughn 1981; Burt 1997). For those scholars (Fukuyama 1995; Putnam 1993) who conceptualized social capital as "trust", "norms of reciprocity", and "well-developed networks" the presence of social capital can work to reduce "transaction costs" by generating expectations,

¹ This information is obtained from a report entitled "Social Capital: Reviewing the Concept and its Policy Implications" (2003) prepared by the Australian Productivity Commission.

informal rules of thumb, and common understandings that allow people to conduct their personal interactions and business dealings efficiently. Well-developed networks are also likely to reduce transaction costs, in two ways. First, people who are well connected socially are more likely to directly know someone who possess the knowledge or skills they need, thus reducing their search costs. The high levels of trusts associated with social capital are also critical for many transactions:

1. Informal day-to-day transactions such as borrowing a small sum of money from a friend, or gardening implement or household appliance from neighbor, would not possible without trust.
2. Within the workplace, where there is mutual trust between employer and employee, there may be less need for monitoring and supervision by the employer, and more scope for the employee to adopt flexible work practice.
3. Trust is particularly beneficial for commercial transactions where pertinent information is unevenly shared between the parties. Procuring medical treatment or car servicing are examples, where trust in a doctor/mechanic may prevent or lessen over servicing.
4. And even for major commercial agreements, high levels of trust between the parties can lessen the need for detailed contracts to cover all possible interpretations and contingencies and for monitoring of the other party to ensure their compliance.

The above claims have been substantiated by Francis Fukuyama in his book: *Trust: The Social Virtues and the creation of Prosperity* (1995). The basic argument in Fukuyama's study is simply this: economic success depends substantially on the establishment of large, private economic organizations, namely corporations. Their establishment and success, in turn, depend on "spontaneous sociability," or trust – the shared expectations group members have regarding the importance of subordinating individual interests to those of the larger group. According to Fukuyama, "trust arises when a community shares a set of moral values in such a way as to create expectations of regular and honest behavior" (Fukuyama, 1995: 153).

Advocates of social capital have also pointed out that an increase in certain forms of social capital is likely to increase the ease and speed with which ideas, knowledge, and information are disseminated throughout the community. At a general level, the more connected the community, the more easily people will be able to pass information around and the more people this information is likely to reach. An oft-cited example is the dissemination of knowledge in Silicon Valley in the United States, where an apparently high level of social capital allows information to be passed around easily and informally.

At another level, it is claimed that social capital can promote cooperative and/or socially-minded behavior. This is attributed to the fact that the existence

of social capital will promote cooperative norms act as constraints on narrow self-interest, leading individuals to contribute to the provision of public goods of various kinds. Public goods delivery is best accomplished when power of the state to tax and mobilize resources is combined with trust and community involvement. The reason is that, without voluntarily accepted discipline, government action is ineffective: taxes do not get paid, rules are not followed, civil servants become corrupt, and free riding reigns. Discipline in turn depends on the perceived legitimacy of government action and the degree of public involvement in the decision-making process. It also depends on identification with the political elites, sense of national urgency, and many other factors which are still poorly understood. The bottom-line, however, is as social capitalists would argue, without some form cooperative or socially minded behavior, government efforts to provide public goods are likely to fail. Social capital is thus probably essential for public goods delivery. But the forms it may take are likely to vary depending on local conditions – from generalized trust in government and formal institutions to interpersonal trust mobilized via clubs and networks.

Negative Effects of Social Capital

Very few researchers have touched on how social capital can have negative effects on individuals or communities. As Woolcock (1998: 158) has noted, most discussions of social capital proclaim it an unqualified “good”. Cox and Caldwell (2000: 45-50) criticize definitions of social capital that take it to have “a dark side”. They observe of this view – it sees definitions of social capital as focused on the ability of individuals to participate in collective action for mutual benefit, regardless of how this action itself is defined or what its broader intentions may be. A danger with views like this is that, taken to their logical extreme, they might have to regard a gang as social capital source even when it is engaged in organizing armed robbery. As such, the possibility that social capital can lead to undesirable behaviors is more than theoretical.

It has been proven that social capital may have adverse effects on outsiders. While social capital within a group will generally provide benefits to the members of that group, its translations into benefits for the broader community depends in part on the group’s goals. In some cases, the achievement of group objectives may come at the expense of community well-being. As Ostrom (2000: 176-177) has pointed out, gangs and mafia use social capital as the foundation for their organizational structure. Cartels also develop social capital in their effort to keep control over an industry so as to reap more profits than would otherwise be the case. An authoritarian system of government based on military command and use of instruments of force destroy other sorts of social capital while building its own. As well as intentionally deleterious behavior, group behavior can also have the effect of excluding outsiders from positions and opportunities. Portes (1998) lists several examples including the traditional monopoly of Jewish merchants over the New York diamond trade, and the dominance of Cubans over several sectors of the Miami economy. In each instance, “the same social relations that...enhance

the ease and efficiency of economic exchanges among community also implicitly restrict outsiders” (Waldinger, 1995: 557).

Adler and Kwon (2000) have argued that high levels of social capital within a particular group can undermine broader social capital within a community. Citing Foley and Edwards (1996), they note that social capital’s solidarity effects can split the broader aggregate into warring factions or degenerate into congeries of rent seeking special interests. Similarly, Woolcock (1998) cites research that strong, long-standing civic groups may stifle macroeconomic growth by, among other things, securing a disproportionate share of national resources.

Apart from having adverse effects on outsiders, social capital may also have adverse effects on insiders. Community or group participation often creates demands for conformity, which restrict individual freedoms. Portes (1998) has observed that all inhabitants of some small villages and towns know each other and the level of social control in such settings is strong and also restrictive of personal freedoms, which is the reason why the young and the more independent minded have always left. Social norms and obligations within particular groups or communities can also stifle individual incentives to prosper, in a number of ways. One is by requiring successful group members to share significant portions of any resources or opportunities they acquire. A study of commercial enterprises in Bali has found that many successful entrepreneurs were “constantly assaulted by job and loan seeking kinsmen. These claims were buttressed by strong norms enjoining mutual assistance within the extended family and among community members in general” (Portes, 1998: 16).

Similarly, Woolcock (1998) has suggested that strong, long-standing civic groups may inhibit individual economic advancement by placing heavy personal obligations on members that prevent them from participating in broader social networks. Another way in which individual advancement is curtailed is through downward-leveling norms where there are situations in which group solidarity is cemented by a common experience of adversity and opposition to mainstream society. In these instances, individual success stories undermine group cohesion because the latter is precisely grounded on the alleged impossibility of such occurrences. The result is downward leveling norms that operate to keep members from downtrodden group in place and force the more ambitious to escape from it (Portes, 1998: 17). Portes presented as an example the community of Puerto Rican crack dealers in the Bronx, where individuals who wish to better themselves by joining mainstream society are often singled out and attacked by other members of the group in order to prevent them from doing so. More generally, in some communities, there may be strong internal agreement with strong norms and sanctions, and such communities may well exhibit high internal cohesiveness. However, many people would argue that some such norms and sanctions are detrimental to many of the insiders. Examples include sanctions against the education of girls in some developing countries, and the severe ostracism of members who disobey the norms of the Amish communities in the United States.

In conclusion, overtly strong in-group solidarity may reduce the inflow and uptake of new ideas into a group, leading to inertia and parochialism, and thus limiting the economic advancement of the group members as a whole.

Social Capital in the Malaysian Context

As a multi-ethnic nation, Malaysia is faced with the challenge of creating goodwill and understanding among the diverse ethnic groups that make up its citizenry. While a vibrant associational life is one of the indicators used to determine the levels of social capital within a particular community, region or even a nation - the existence of different ethnic groups that are divided along racial and religious lines within a nation have the potential to undermine the well-being of the nation as a whole if one ethnic group has managed to amass a substantial level of social capital (any form of capital for that matter) at the expense of other ethnic groups (this can be attributed to the fact that one group may have an affinity to form associations to pursue a common goal while other groups may be dependent on the state). We can clearly see the above mentioned pattern in the Malaysian context in that the economically well-off Chinese community in Malaysia is more likely to turn to associations in order to solve a particular problem while the Malay community will turn to the state for assistance.

Since Malaysia had inherited a well-developed civil service from the British, and experienced robust economic growth, the state had, since independence, pursued a developmentalist strategy, which effectively blocked civil society organizations (CSOs) from providing direct services to the masses. For instance, Malaysian CSOs were seldom involved in relieving the immediate suffering of the poor, and meeting their short-term visible needs in the hope that the poor may get themselves back onto their feet to escape poverty. Alternatively, assistance to the rural poor and peasants was handed out through appendages of the dominant party in the ruling coalition – the United Malays National Organization (UMNO). One of the reasons for this could be attributed to the fact that UMNO relies heavily on rural Malay voters for its electoral supremacy and one way to win the crucial Malay votes in the rural areas is to be seen as the “protector” of the Malays. The party has managed to do this by virtue of being the dominant party in the ruling coalition and as such was able to dispense various forms of patronage through several mechanisms such as the local village council. We therefore can deduce that associational life of the political/social welfare type is not predominant among the Malays as most of their needs have been attended to by the state. This is not to imply that the pattern of associational life is static among the Malays. More specifically, associational life in the Malay community is characterized by religious affinity as opposed to civic or political ends. This partly explains the attractiveness of *Parti Islam Se-Malaysia* (Pan-Malaysian Islamic Party) as a viable alternative to UMNO in the Malay belt states.

With regard to the non-Malay communities, associational life of the “bonding” kind is rather vibrant. The Chinese community, for example, was attracted to voluntary association and this is not unique to Malaysia but has been a typical feature of immigrant Chinese communities everywhere. Voluntary associations in the guise of *Huay Kuan* and *Kongsi* groups, based on regional association and kinship were followed by Miao or temple organizations. These associations were primarily concerned with health, welfare and were formed out of concern for inadequate public facilities (Douglas and Pedersen, 1973: 71). It has been noted (Douglas and Pedersen, 1973: 72) that Chinese associations and guilds provided a shadow government whose authority competed with the political leadership of English-speaking Chinese in the federal and state assemblies. The existence of this network of interdependent associations could be considered as a form of “bonding” social capital for the immigrant communities because it reinforced a self-contained community life and traditional framework. These associations provided relationships to the otherwise fragmented Chinese community using ancestral establishments with common surnames that perpetuated ancestor worship, celebrated the traditional festivals, and cared for ancestral graves. As Kaneko (2002) has noted, each of these associations offered numerous “semi-public” services ranging from helping members find jobs to managing schools (2002:180). Similarly, the Indian community’s involvement in associational is also vibrant. Since the Indians were brought in by the British to work in the rubber estates, the Indians were and are active union members. Caste organizations were also popular among early immigrants and trade organizations and guilds have continued to exert some influence, separating the Indian trading community from labor interests (Douglas and Pedersen, 1973: 73). Again, we see a similar pattern emerging among the non-Malay communities in that associational life was an important component of their social structure. Voluntary associations helped these immigrants to get acquainted with their new homeland, and subsequently cultural and religious practices were also kept alive through these associations. Some of these associations, especially those within the Chinese community, have developed into pressure groups that seek to protect Chinese cultural and educational rights.

Conclusion

That social capital can be put to good or bad use is inevitable. It follows that one community bestows with a rich “stock” of social capital is of consequence to another community that has low levels of social capital. This brings us to the question of how and to what extent social capital can have an effect on equality and community well-being. As social capital is not evenly distributed within a particular socio-economic context, it can promote inequality in large part because access to different types of networks is very unequally distributed. As Field has noted, everyone can use their connections as a way of advancing their interests, but some people’s connections are more valuable than others (Field, 2003: 74).

Communities can have horizontal, hierarchical, or no social capital. According to Schulman and Anderson (2001), horizontal social capital involves the social ties and reciprocities that bind together into networks individuals who occupy similar situations. Hierarchical social capital refers to the networks that bind together individuals who occupy different social locations. The absence of social capital is indicated by social fragmentation and isolation (112). Actors therefore can use their social capital in the way that Bourdieu described, as means of accessing resources and privileges that increase their standing at the expense of other thus even though social capital functions independently of human and physical capital, it is, in the final analysis, can work to reproduce inequality.

It is therefore important to recognize that different individuals, depending on their social location, have different amount of social capital. Dominant classes may use their power to make strategic conversions of one type of capital to another to further solidify their class position. It also follows that those who are relatively high on financial and cultural capital tend to be high on social capital. In other words, they are generally more engaged with other people, and also that their connections tend to be with people who are themselves well connected. This is consistent with two principles offered by Lin (2000: 786-787): inequality of social capital occurs when a certain group clusters at relatively disadvantaged socioeconomic positions, and the general tendency is for individuals to associate with those of similar group or socioeconomic characteristics (homophily). The first phenomenon reflects a structural process: social groups differentially occupy socioeconomic standings in a society. Depending on the process of historical and institutional constructions, each society structurally has provided unequal opportunities to members of different groups defined over race, gender, religion, caste, or other ascribed or constructed characteristics. The second principle, homophily, suggests a general tendency in networking – the tendency for individuals to interact and share sentiment with others with similar characteristics. Thus, members of a social group tend to form networks involving other members from the same group.

Lin (2000) has pointed out that these two principles, when operating in tandem, produce relative differential access by social groups to social capital. Members of a certain group, clustering around relatively inferior socioeconomic standings and interacting with others in similar groupings, would be embedded in social networks poorer in resources as well. Resource-rich networks are characterized by relative richness not only in quantity but also in kind – resource heterogeneity. Members of such networks enjoy access to information from and influence in diverse socioeconomic strata and positions. In contrast, members in resource poor networks share relatively restricted variety of information and influence. As resources, whether symbolic or material, are unevenly distributed in a given socioeconomic setting, the existence of various kind of capital (human, physical, cultural, and social) will inevitably lead to inequality as access to and the use these resources reside with the individual actor.

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