Bern University of Applied Sciences – Social Work (Switzerland)

Ph.D. Jachen C. Nett

Processes of substitution between privately available and collectively provided social capital

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Theoretical background

- Theoretical approach draws on important insights found in the work of Max Weber (on "social order") Richard Thurnwald, Karl Polanyi, and Marshall Sahlins (on reciprocity and economic exchange)

- Theoretical approach is supported by
  - ethological findings of studies on social interaction between nonhuman primates (e.g. Robin Dunbar and Frans de Waal)
  - evidence of experimental studies using controlled game situations (e.g. Ernst Fehr, Simon Gächter, Edward, L. Glaeser)

What is trust?

Any definition of the dualistic notion of trust and distrust has to be based on four requirements:

(1) the individual's ability to perceive alternative consequences of its actions,

(2) the individual's awareness that its decision to act in some way or the other likely has an influence on the outcome

(3) the subjective perception of uncertainty with respect to the corresponding outcome, and,

(4) a scale of preference with respect to different possible consequences of a particular outcome.

What is trust? cont.

Provided that the foregoing requirements are met it can be said that an individual is in a trusting situation each time it decides to do something particular that, as a consequence, either makes the individual better off (G) or worse off (L) than the decision to avoid doing it.

Definitions:

- The level of trust (t) is equal to the difference between the expected gain [p*G] and the expected loss [(1-p)*L] .

- "Trust" shall be labeled as "high" if this difference has a negative value, and, as "low" in case the corresponding value is positive.

☞ This conception of trust thus allows for the analysis of rational as (t > 0) well as irrational (t < 0) trusting situations.

How is social capital related to trust?

The provision of collective (public) goods in primate social systems (predator defense/resource defense) requires a solution of the free-rider problem (cf. Dunbar 1988).

- In <u>human societies</u> the provision of collective goods is ensured by social norms that compel those concerned to contribute resources to its provision, and, by secondary norms that regulate and ensure sanctioning.

☞ Agents always face the risk of being deserted by their associates if they rely on the validity of social norms. Thus **to rely on a social norm means to trust** whenever a deviant behavior may cause damage to the norm beneficiary.

- In <u>nonhuman societies</u> social norms are of very basic character and sanctioning behaviour is spontaneous. The provision of collective goods is ensured chiefly by coalitions of high-ranking individuals.

☞ High-ranking individuals always face the risk of being deserted by their coalition partners why these are **dependent on relations of personal trust**

How is social capital related to trust? cont.

A concept of social capital has to take into account that social cooperation is precarious and depends on trust irrespective of whether it is based on social norms or on personal relations. Due to the distinct sources of trust, however, two types of social capital should be distinguished. According to a general formula of social capital (cf. Coleman 1990)

$$SC_{Individual} = \sum_1^i \left[\frac{p_1 * G_1}{(1 - p_1) * L_1} \right] .... \left[\frac{p_i * G_i}{(1 - p_i) * L_i} \right]$$

☞ the "collective" social capital of an individual is defined as the sum of all gains that an agent potentially can expect each divided through corresponding losses that might be expected if said agent puts trust in these norms

☞ whereas the individual's "private" social capital is defined as the sum of all gains that an agent potentially can expect each divided through corresponding losses that might be expected if said agent puts trust in other individuals he or she is familiar with.

"Reciprocation" and "cooperation"

Reciprocation

☞ **Principle of compensation** *(quid-pro-quo principle):*

Reciprocation is a two-sided interaction that is characterized by the fact that something is given in exchange for something (positive reciprocation) or something is taken by someone against the resistance and maybe with the prospect retaliation of someone else (negative reciprocation)

Cooperation

☞ **Principle of risk-sharing**:

Co-operation is a two- or more sided interaction that is characterized by the fact that the participants take particular actions in the course of which they link together some of their resources, and as a consequence, oppose them a commonly shared risk.

Changes in the stock of social capital: Implications

<u>Primitive (egalitarian-segmentarian) societies</u> (cf. E. Durkheim)

- Horizontal cooperation inside social communities ("segments") based on high conformity to social norms
- Negative & (sometimes) positive reciprocation between communities (only rudimentary cooperation between particular communities)
- ☞ Individual's most important stock of SC: Collective SC provided by social norms of the community

<u>Complex societies</u> (cf. M. Banton, E.R. Wolf, A.C. Mayer et al. 1969)

- Vertical cooperation inside and between social communities based on personal trust in asymmetric social relations (networks of patron-client relations = "quasi-groups" or "factions")
- Negative & (sometimes) positive reciprocation between distinct cooperative factions (quasi-groups)
- ☞ Individual's most important stock of SC: private SC acquired by direct or indirect subordination to powerful patrons

Changes in the stock of social capital: Implications cont.

Modern societies

- Extensive horizontal cooperation in various associations *based* on trust in formal (legal) and informal norms

- Extensive relations of positive reciprocation between individuals, enterprises, associations etc. *secured* by formal and informal norms (containment of negative reciprocation by law)

☞ Individual's most important stock of SC: Collective SC provided by formal and informal norms of the society

Post-modern (?) societies (two related tendencies in western societies)

1. Cooperation is ruled out by reciprocation as a consequence of the continual pervasive expansion of legal regulation.

2. Decline of "civic virtues" as a result of the perceived decrease of the "empirical legitimacy" (M. Weber) of extra-legal norms

☞ Expected outcomes: Loss of cooperative gains, cost explosion in the welfare system, crime boost because of lapsing social control, spread of mental health problems following the rise of psychological strain etc.

Changes in the stock of social capital: Empirical evidence

The spread of reciprocative orientations challenges the legal system:

- Although access to supporting data is difficult there seem to be enough evidence to assert that jurisdiction besides being confronted with increasingly complex cases is also charged with a growing number of minor cases (e.g. conflicts between neighbours). Moreover, court sentences are more frequently appealed.

The dwindling legitimacy of extra-legal norms challenges the social security system:

- The inhibition threshold to draw on benefits of the welfare system obviously is on the decrease. This applies at least for Switzerland where since the last decades the number of people being on welfare has grown in particular in the younger age groups. In addition rising rates of divorces result in a increasing number of mostly female single parents that are dependent on welfare. Thus the private loss effected by the failed cooperative gain in fact is socialized.

- Finally, the Swiss social insurance system has been heavily charged by high annual growth rates of the disability annuities (on average ca. 4% since 1998) mainly caused by mental disorders (7.2%).

Research agenda

Experimental studies could provide evidence for the existence of
"internalized cooperative social values" insofar as in public good
games a large percentage of individuals (~50%) was identified as
"conditional cooperators" (cf. Fehr & Gintis 2007). However, 30% of
the agents were identified as "purely self-regarding". This group
needs further examination.

Moreover, what we need is

- to find a satisfactory operationalization of reciprocative and
  cooperative social orientations (under way),

- studies that compare reciprocative and cooperative orientations and
  the forms of social capital on average available in distinct social and
  demographic groups

- group-specific longitudinal observations of the development of
  reciprocative and cooperative orientations in relation to the available
  forms of social capital.

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Thank you very much for your attention!