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THE CREATION AND DESTRUCTION OF SOCIAL CAPITAL: IMPLICATIONS FOR THE LAW

JAMES S. COLEMAN*

This paper examines some of the ways in which social capital is created and destroyed in modern society, as well as the relation of these processes to the law. The paper concludes with a discussion of the way rights are allocated by law and the implications of these legal allocations for various forms of social capital.

The first question which must be answered is what is meant by “social capital.” The concepts of financial capital, physical capital, and human capital are well known, but the idea of social capital requires some explanation. Perhaps the best way to illustrate this concept is to report on the results of some recent research on schools that has stimulated my interest in what I have called “social capital.”

Over the course of the past several years, I have conducted research on the impact of public and private high schools on students attending those schools. My colleagues and I examined public schools, Catholic schools, and other, mostly non-religious, private schools using a national sample of over a thousand high schools. We first examined the scores of students from each type of school on standardized tests and arrived at the conclusion that private schools, particularly Catholic schools, produced somewhat higher achievement scores in verbal and mathematical skills (though not in science) than did the public schools. That is, achievement was higher not merely among the students as they existed in the public and private sectors, but even if the Catholic schools had the same distribution of students found in the public schools, the average achievement of students in Catholic schools would be higher. Although these conclusions provoked extensive controversy (which I will not review here), other differences between the schools dwarf the differences in achievement.

The most dramatic difference is seen in dropout rates, for the difference in dropout rates is not between public schools and private schools, but between Catholic schools on

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the one hand and private and public schools on the other. The difference in the overall rates is shown in Figure 1, where the bars represent the proportion of students dropping out between the spring of their sophomore year and the spring of their senior year. The rate of dropouts in the Catholic schools is less than a fourth of that in the public schools and less than a third of that in the other private schools.
As yet, social capital has not been defined as promised. In fact, rather than exploring what is meant by social capital, I seem to have cluttered the cognitive landscape by introducing irrelevant empirical information. The idea of social capital enters when one begins to account for these results. Why should the dropout rate be so low in Catholic schools when the students, though from somewhat more advantaged backgrounds on average than public school students, are from less advantaged backgrounds than students in other private schools? What accounts for the difference between Catholic schools and the other private schools?

In answering this question, one might suspect that something about the religious community surrounding the school might be implicated. Most of the other schools are what one traditionally thinks of as “independent schools,” although some of the non-Catholic private schools studied had a nominal religious affiliation, such as Friends schools or schools with an Episcopalian foundation. A few of the schools were religiously-based schools with a religiously homogeneous student body, including two Jewish schools, two Baptist schools, and schools representing various other denominations. If one’s initial intuition about the role of the religious community is correct, and there is nothing unique about Catholic students or Catholic schools, the religiously-affiliated schools with a religiously homogeneous student body should exhibit dropout rates similar to those in Catholic schools. High dropout rates should be confined to private schools which draw students on an individual basis, and not as part of any social community surrounding the school.

The results of the study confirmed our intuitions, as the low dropout rate of Catholic schools is nearly matched by that of the other schools serving children of a religious community. It is the independent schools, or those with a religious foundation but a heterogeneous student body, which have higher dropout rates. This is shown in Figure 2.
A second implication of a religious community effect is that Catholic students in public schools should not parallel the low dropout rates found in Catholic schools. The dropout rate should be something associated with the school and not an aspect of Catholicism per se.

Figure 3 shows that the second implication is largely true as well, for the principal difference was not between Catholic
and non-Catholic students, but between Catholic schools and the other schools.

The religious community surrounding a religiously-based school therefore appears to have some effect in keeping students in high school until graduation. One may think of this community as a form of social capital supporting both the schools and the youth within those schools.

There is further evidence supporting this conjecture. If one thinks of the family as constituting the strongest and
most proximate form of social capital available to children, one may inquire about the dropout rates among children for whom this form of social capital is weakest. Even when the human capital and financial capital within the family are great, one may analyze the dropout rate among children whose parents are well-educated and produce adequate income but are weak in the relationships that go to make up a family. Figure 4 shows the dropout rates among children who live in single-parent households. Similar charts are available for children both of whose parents have worked since before the child was in school, and children who report little talk with parents about personal matters. For children with deficiencies in familial social capital, such as the children of single-parent households, children whose parents have both worked before the child was in school, and children who report little communication with their parents on personal matters, the dropout rate is somewhat higher than for children without these deficiencies.

PROPORTION DROPOUT

Figure 4
The likelihood of children dropping out increases as the number of deficiencies in family social capital increases. As in the case of the community surrounding the school, the social capital possessed by the family appears to provide a support for the young person's remaining in school. Families without this social capital but with the human and financial capital that makes them above average in socio-economic status (that is, education and income) are the families from which the phenomenon known as "middle class dropout" arises.

One final empirical question may be asked to provide further insight into how these two forms of social capital, the family surrounding the child and the community surrounding the school, function. What about children from families with deficiencies in social capital in Catholic schools as compared to those in public or other private schools (schools which differ in the community social capital surrounding the school)?

PROPORTION DROPOUT

Figure 5

[Bar chart showing proportions of dropout by school type and parent involvement.]

1988] CREATION AND DESTRUCTION OF SOCIAL CAPITAL 381
Figure 5 shows that the difference in likelihood of dropping out for children with and for those without the family deficiency is much lower in Catholic schools than in public or other private schools. The social capital in the religious community surrounding the school appears especially effective for those children lacking strong social capital within the family.

To this point, social capital has been defined by example; implicitly as the relations that exist among parents of students in a school, but explicitly defining it by its effects. The justification for calling it social capital rather than merely social relations or social networks or community lies in precisely these effects; that is, social capital is a resource which aids students in remaining in high school and aids schools in achieving their goals of educating and graduating these students. It is useful, however, to be a little more explicit about how such social capital operates. In doing so, I will depart from statistical evidence, and rely instead on causal and qualitative observations. Prior to embarking on an analysis of how social capital operates, it may be useful to review briefly the idea of human capital to sharpen the distinction between human and social capital.

**Human Capital and Social Capital**

Probably the most important and most original development in the economics of education over the past thirty years has been the idea that the concept of physical capital, such as that embodied in tools, machines, and other productive equipment, can be extended to include human capital as well. Just as physical capital is created by working with materials to create tools which facilitate production, human capital is created by working with persons to produce in them skills and capabilities which make them more productive. Schools constitute a central institution for the creation of human capital, and just as decisions made on investment in physical capital are based on the expected rates of return on these investments, it is useful to conceive of educational decisions as being made on the basis of the expected rates of return on investments in human capital.

Social capital, though no less important, is something quite different from human capital. If physical capital is wholly tangible, being embodied in observable material products, and human capital is less tangible, being embodied in the skills and knowledge acquired by an individual, social cap-
capital is still less tangible, for it exists in the relations between persons. Social capital, like physical and human capital, facilitates productive activity. For example, trust is a form of social capital. A group within which there is extensive trustworthiness and extensive trust is able to accomplish much more than a comparable group without that trustworthiness and trust.

The distinction between human capital and social capital can be exhibited by diagrams used by analysts of social networks. In a diagram like Figure 6, the human capital resides in the nodes and the social capital resides in the lines connecting the nodes, with four persons represented by the symbols A, B, C, and D. Social capital and human capital are often complementary, such that if B is a child and A is an adult parent of the child, then, in order for A to be useful in the cognitive development of B, there must be capital in both the node and the link — the human capital held by A and social capital in the existence of the relation between A and B.

Certain kinds of social capital arise only in networks with a high degree of closure. In a network like that of Figure 6, the existence of relations between A, B, C, and D means that two can discuss a third’s behavior and develop a consensus about what is proper or appropriate behavior. This process leads to the development of social norms. For example, if A and D are parents of B and C, respectively, A and D can develop norms about appropriate behavior for their children.

Thus, the social capital that exists in religious communities surrounding a religious school resides at least in part in the norms and sanctions that grow in such communities. These norms and sanctions in turn depend upon both the so-
cial relations and the closure of networks created by these relations.

**Social Capital in the Family**

Families obviously differ in human capital, such as the number of years of parental education, and children are strongly affected by the human capital possessed by their parents. Human capital can be irrelevant to outcomes for children, however, if parents are not an important part of their children's lives or if their human capital is employed exclusively at work or elsewhere outside the home. The social capital of the family is the relation between children and parents (and, when families include other members, relationships with them as well). That is, if the human capital possessed by parents is not complemented by the social capital embodied in family relations, the human capital of the parents becomes irrelevant to the child's educational growth.

The biographies of well-known persons offer striking examples of the importance of social capital in the family. Bertrand Russell once stated that he had no greater endowments than many others, but that his grandmother, who engaged him in extensive discussions on intellectual matters when he was a child, made the difference. Assuming that his statement contains some truth, it is evident that the major difference between Bertrand Russell's childhood and that of others was not the intellectual resources possessed by his grandmother, but the use of those resources in extended interaction with the boy.

Another example is that of John Stuart Mill, who, at an age before most children attend school, had been taught Latin and Greek by his father, James Mill. Later in childhood Mill would discuss drafts of his father's manuscripts with Jeremy Bentham and his father. John Stuart Mill probably had no extraordinary genetic endowments; and his father's learning was no more extensive than that of some other men of the time. The crucial difference was the time and effort the father spent with the child on intellectual matters.

A third example is from contemporary America. In a public school district where the students' families purchased the texts used for school, the school authorities were surprised to discover that a number of Asian immigrant families purchased two copies of the textbook needed by the child. An investigation showed that the family purchased the second copy for the mother to study in order to maximally help her
child do well in school. Here is a case in which the human capital of the parents, at least as measured traditionally by years of schooling, is low, but the social capital in the family available for the child’s education is extremely high.

It is the absence of social capital within the family that I have labelled “deficiencies” in the family. The physical absence of family members may be called a structural deficiency. Single parent families and families in which the mother worked before the child entered elementary school represent two forms of structural deficiency. The nuclear family itself can be seen as structurally deficient, for it lacks the social capital which comes with the presence of grandparents, aunts or uncles in or near the household.

Functional deficiency in the family refers to the absence of strong relations between children and parents despite the physical presence of the family members in the household and the opportunity for strong relations. Functional deficiencies may result from the child’s embeddedness in a youth community, from the parents’ embeddedness in relationships with other adults which do not cross generations, or from other sources. Whatever the source, the child does not profit from the human capital of the parents because the social capital is absent. The resources exist in node A of the diagram of Figure 6, but the weakness of relation between the parent A and the child B makes them unavailable to the child.

The distinction between the human capital existing in the family and the social capital existing in the family constitutes the critical difference between what may be called the “traditional disadvantage” of background and what I have termed “family deficiencies.” Disadvantaged background ordinarily refers to the absence of resources embodied in the parents, represented primarily by the parents’ education but also by other variables, such as a low economic level or the status of a racial-ethnic minority, which stand as surrogates for low levels of human capital. By family deficiencies, I mean the weakness of the links between the adult members of the family and the children constituting an absence of social capital. If one considers the fourfold table as shown in Figure 7, where the two dimensions are human capital and social capital, one can immediately see that there are families in all four cells of the table. Cell 3 families include parents with low economic and education levels, but with a strong set of relations within the family, like the Asian immigrant families mentioned earlier. The families in cell 4 are poor, uneducated, and disorganized, structurally weakened or broken by the
personal disorganization of the parent or parents. In cell 1 the family possesses both human and social capital. The adult members are educated and relations within the family are strong. Parental resources are available to the children to encourage and aid their educational and social development. The family type in cell 2 is becoming more prevalent today. The adult members in cell 2 are well-educated, but, for a variety of reasons (divorce, involvement with other adults in relations that do not cross generations, exclusive attention to self-development), the resources of the adults are not available to promote the psychological health and the social and educational development of the children.

**Figure 7**

Families Characterized by Presence or Absence of Human Capital and Social Capital

<table>
<thead>
<tr>
<th>Social Capital (strong vs deficient families)</th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>Human capital (traditional advantage of background)</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>No</td>
<td>3</td>
<td>4</td>
</tr>
</tbody>
</table>

By confusing these two dimensions of family resources, education policy has targeted children from families in cells 3 and 4. There has been little attention to children from families in cell 2. Yet, as the research shows, students from families in cell 2 have considerably lower rates of achievement and considerably higher rates of dropout than children from families in cell 1. It might well be the case, in fact, that children from families in cell 3 (disadvantaged but strong families) have fewer problems in school than those from cell 2 (advantaged but deficient families). That is, the social capital of the family may be more influential than human capital in the development of children.

**Social Capital Beyond the Family**

Beyond the social capital of the family are other forms of social capital relevant to the child's development. The most
striking instance of such social capital identified in our present research was the social capital provided by the religious community surrounding a religiously-based school. The social capital for a young person’s development is not contained in the set of common values held by parents who choose to send their children to the same private school. Social capital resides in the functional community, the actual social relationships that exist among parents, in the closure exhibited by this structure of relations, and in the parent’s relations with the institutions of the community. Part of that social capital is the set of norms that develop in communities with a high degree of closure. If B and C represent students who see each other every day in school and A and D are B’s and C’s parents, respectively, then there is closure if the parents A and D know each other and have some kind of ongoing relation. The importance of this closure for the young persons in the school, B and C, lies in the fact that only when A and D are in some kind of ongoing relation can they establish norms which shape and constrain the actions of B and C. In such a structure relationships develop between one child and the parent of another, as exemplified in Figure 6 by the links between A and C, and between D and B.

A social structure that does not exhibit closure is represented by Figure 8. Let us again assume that B and C are students who know and see each other in school and A and D are again the parents of B and C, respectively. If A’s friendships and daily contacts are with others (E) and D’s contacts are with a different set of others (F), then A and D are not in a position to discuss their children’s activities, develop common evaluations of these activities, and exercise sanctions that guide and constrain these activities.

![Figure 8](image_url)

A Network Without Closure
Figure 6 represents a structure with *intergenerational closure*, while Figure 8 represents a structure without intergenerational closure. However much closure there may be in the youth community among B and C, the absence of intergenerational closure prevents the human capital that exists among the adults from playing any role in the lives of the youth. The lack of intergenerational closure constitutes the missing social capital identified earlier as a cause of tangible losses for young persons — the greater likelihood of dropping out of school. The social capital of intergenerational closure exists in some isolated small towns and rural areas where the social relations among adults are restricted by geographic distance and residential mobility less important. Intergenerational closure exists in schools based in a religious community, such as Catholic schools, although the social relations which make up the community are more narrowly focused around a single dimension of social life, the religious institution. In rare circumstances intergenerational closure may exist for private schools without a religious base, as in the example of a university laboratory school whose students are children of faculty members who see each other at work and live in the local neighborhood. This form of social capital once existed for many public schools, for mothers worked in the home and everyday contacts were largely with neighbors. It may have once existed in elite private schools, when the social elite whose children attended these schools constituted a community with relatively concentrated social interactions. But intergenerational closure does not now exist in most modern public schools or in most non-religiously-based private schools. The absence of intergenerational closure as a form of social capital represents the loss of a resource for young persons.

*Social Capital as a Public Good*

There is a property of social capital that differentiates it from both physical capital and human capital. This property of social capital has serious implications for the social, psychological, and cognitive growth of young persons in the United States. In western society in general, physical capital is ordinarily a private good, in that the person who invests in physical capital may capture the benefits produced by the capital through his or her property rights in the capital. The incentive to invest in physical capital is not depressed; there is 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 (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 its benefits in the form of a higher-paying job, more satisfying or higher status work, or even the pleasure of greater understanding of the surrounding world — in short, all the benefits that schooling brings to a person.

Social capital of the sort that is valuable for a young person's education is not a private good. The kinds of social structures which make social norms possible and the sanctions that enforce them, do not benefit primarily the person or persons whose efforts would be necessary to bring them about. The benefits extend to all those who are part of such a structure. For example, in schools where there are a dense set of associations among parents, these associations are commonly the result of a small number of persons, ordinarily mothers, who do not hold a full-time job outside the home. These mothers themselves experience only a small part of the benefits of the social capital surrounding the school. If one of the mothers decides to abandon these activities, perhaps to take a full-time job, the action may be entirely reasonable from a personal point of view and even from the point of view of that family itself. The benefits of the new activity to the individual and to the family may far outweigh the losses which arise from the decline in associations with other parents whose children are in the school, but the withdrawal of these activities constitutes a loss to all those other parents whose associations and contacts were dependent on them.

Similarly, the decision to move from a community so that one of the parents can accept a better job may be correct from the point of view of that family. But because social capital consists of relations between persons, other persons may experience extensive losses by the severance of those relations — a severance which they could not prevent. Part of the loss is the weakening of norms and sanctions which aid the school in its task. For each family, the total cost experienced as a consequence of the decisions it and other families make may outweigh the benefits of those few decisions it can control, and yet the beneficial consequences of those decisions made by the family itself may far outweigh the minor losses the family experiences from them alone.
Social Capital and the Future for Youth

There are numerous implications of this analysis for the future of youth and education in modern society. Two sets of facts taken together suggest a future with special problems. One set of facts, identified earlier, shows the importance of social capital both within and outside the family, such as in the religious community, for supporting the involvement of youth in school. These results emphasize the importance of the embeddedness of young persons in the world of the adults closest to them; first, and most prominently, the family, and, second, a surrounding community of adults (exemplified in these results by the religious community).

There is a second set of facts, but observable from social trends. This is the declining embeddedness of youth in adult enclaves; that is, in families and in intergenerational functional communities. Such a decline in embeddedness comes from two directions. The first is the decreased strength of the institutions themselves, the family and the local community (religiously-based, neighborhood-based, or otherwise). "Modern family deficiencies" are growing rather rapidly, as seen in the declining presence of both father and mother in the household, through work in settings outside, and organizationally distant from, the household. Much attention has been directed to the recent rise in the percentage of women working outside the home, but what is often forgotten is that this exodus from the home merely follows (by about a hundred years) that of the men. Figure 9 shows the proportion of the male labor force engaged in agriculture (used as proxy for men working in the household, though some non-farm occupations were, especially in early days, in the household as well) and the proportion of women not in the labor force (i.e., in the household). These curves show a nearly parallel pattern, with the process of flight from the home complete for men and only partially completed for women. These curves show that the household has been progressively denuded of its adult members.
Other statistics point to the loss of social capital in the household, such as the declining number of adults in the household inhabited by the average American child — a decline which first saw members of the extended family vanish, and now sees one of the parents vanishing. Similar statistics could be presented for the decline in adult social capital available to children in the community outside the family.

The decreased embeddedness of children in the family and the community arises from other sources as well. The increasing psychic involvement of the youth with the mass media is intense only for a fraction of youth, but there has been an extensive growth of the youth-oriented music industry from rock and roll to rock music to rock video. MTV (continuous rock video cable TV) is merely the most extreme current expression.

Youth are pushed from psychic involvements with the
family and the community, due to the reduced substance of those institutions, and pulled by the mass media toward involvements with the "persona" of the media. There are many implications for such a movement, but one is of special concern: the former institutions, whatever their failings in specific cases, supported and strengthened the formal educational institution in which children and youth are placed, while the latter do not. The goals of education become increasingly difficult to attain as the social base which supports them comes to be less important in the lives of youth. Something must give, with the most likely change appearing to be a radical transformation of the institutions into which children are placed from the schools we now know to something different.

What is Social Capital More Generally?

Before turning to the implications of social capital for the law, it may be useful to go beyond the specific instance of social capital described above. Social capital is, most generally, social organization, including both the informal organization of the sort described in the case of communities and formal organization. The term "social capital" provides a special focus that the more neutral term "social organization" does not, for it focuses one's attention on the value of social organization in aiding one to achieve goals. One of the principal ways this value arises is through facilitating the provision of public goods; that is, goods which are not in the interest of any individual to produce alone, but which, if provided, are of benefit to many. Social norms and the sanctions that enforce them are one example of such a public good. The ongoing social relations that enable one community member to provide social support to another's child, which induces the child to stay in school, is another example of a public good.

But facilitating the provision of public goods or overcoming the free rider problem is not the only value added by social capital. Trust and trustworthiness is an important form of social capital which facilitates transactions. For example, examination of the Japanese automobile industry has made a number of things apparent. First, Japanese auto manufacturers are able to reduce costs by near-absence of vertical integration. In manufacturing itself, the auto manufacturers are little more than assemblers, with component parts made by supplier firms operating with lower wages and with prices
held down by market competition. Second, the Japanese auto manufacturers forego vertical integration principally because they are able to obtain the benefits it provides for American firms (control over quality and the scheduling of supply) without the integration itself and the costs accompanying such integration. Third, these benefits are made possible because of the much closer relations of trust that exist in Japan between supplier and consumer firms. The economic impact of those trust relations turns out to be very great indeed.

**Implications for Law**

Social capital does not arise automatically, nor does it arise through the incentives of the people it benefits. Social capital differs from human capital in that the value it produces is in the form of public goods, and the individuals creating the social capital often cannot capture this value. At times, however, the creators of social capital can realize its value, and the conditions under which this is true can be instructive about the implications of these matters for the law. The most straightforward illustration of the ability to capture the value created by social capital is the business firm which produces a tangible good. Because the firm has property rights to the goods it produces, and the law establishes and enforces those property rights, an entrepreneur with an idea for a product has the incentive to bring into being an organization that can convert the idea into a product. He has an incentive to create social capital because property rights make it possible for him to capture the value created by the organization. If he were unable to do so, there would be a serious underinvestment in the social capital necessary to bring socially useful products into being. The inability to capture the value created may arise from legal or logistical sources. In some socialist countries, the legal constraints on exchange of labor for wages, unless the exchange is with the state, makes it illegal for a potential entrepreneur to employ more than a small number of persons in a productive enterprise. This is an example of a legal barrier.

An example of logistical barriers to investment in social capital is provided by the case of an intangible product, such as an idea. Here, although the legal principles governing property rights remain approximately the same as for tangible products, both the problem of applying those principles in specific cases (for example, whether a purported new idea is in fact new, and when a purported independent discovery is
in fact independent) and the problem of enforcing the rights (for, unlike a tangible good which is stolen, a stolen idea or piece of information is not found to be missing by its original owner, but appears to be untouched). Patent copyright laws provide special legal protection of property rights to certain intangibles because the problems of applying and enforcing rights over intangibles is a difficult one. Thus, even those forms of social capital that can be brought into being by entrepreneurs through the exchange of wages for work cannot always capture the value of their products and will thus not come into being, unless some way around the difficulty is found.

This contrast, between the business organization that can ordinarily capture the value of the product it produces, and informal social organization that cannot, shows the importance of the legal allocation of rights in the creation of social capital. If a business organization did not have property rights to both the product it produces and the processes by which it produces them (so long as those processes are unique), there would be a serious underinvestment in this form of social capital.

Of course, this is exactly the state of affairs for other forms of social capital, such as that provided by a community surrounding a school or by a family into which a child is born. In these voluntary organizations and associations, where the social capital is created largely as a by-product of individuals’ actions carried out for other purposes, there is no legal allocation of rights to help insures their coming into being. This class of social capital is distinguished from the others by a single criterion: the creation of these forms of social capital does not occur as a result of the allocation of property rights, as in the case of business organizations, but occurs as a by-product of actions taken by individuals for other purposes.

The law has less apparent and less clear-cut consequences for these sources of social capital; nevertheless, there are consequences. Consider the kinds of communities that have shown themselves to provide extensive social capital for young persons in high school; that is, religious communities. The establishment clause and constitutional provision for the separation of church and state, as interpreted by the courts, has inhibited the employment of that social capital toward the education of the young and indirectly diminished its quantity in so doing. This has very likely not only skewed society’s resources away from education of the young, but also
had a regressive effect on the distribution of educational resources by selectively harming the education of poor children, since the poor and lower middle classes make more use of religion and religious institutions than do the upper middle and upper classes.

Other values may bring about such legal restraints: the framers of the Constitution were confronted with examples of religious intolerance in European states with state-supported religions; and they could see the dangers of non-separation. It is important to recognize, however, just what costs each legal principle entails. In the case of this principle, one of the important costs is paid by the young through the underemployment of the social capital inherent in religious groups toward education.

The overall problem is still more serious in the emerging society of the future. This is the problem of whether there will be a wholesale destruction of the informal sources of social capital which arise as by-products of actions engaged in for other purposes. The most important such form for producing the next generation is the family. Adults who become parents perform two kinds of acts that are critical for the next generation in society. First, they give birth to a child. Second, they devote time and attention to the development of the child. Throughout history (until the advent of effective contraceptive methods), the first of these actions, giving birth, was a necessary by-product of sexual activity engaged in largely for pleasure. The second of these actions, devoting time and attention to development of the child, were historically actions for which parents could capture much of the benefit. Parents were able to capture the benefits of their child-raising in three ways: First, parents were ordinarily able to use their children for labor, either in farm labor or in child labor in early industry. Second, children were responsible for the care of their aged dependent parents, on one or both sides of the family in most societies. Third, and perhaps most importantly, the relevant unit whose interests parents were attempting to further was the "family," regarded as a multi-generational unit with historical continuity and an existence extending forward into the future. To invest time, attention, and resources in a child was to invest time, attention, and resources in the family to insure its future well-being. Families with less tradition and pride made lesser investments in their children, but, on the whole, the central place of the family as the primary social unit, not only of consumption but of production, meant that the strength and continuity of the
family constituted a matter of major importance to its adult members. The historical evidence of life in pre-modern Europe provides an image of society in which the individual, with distinctive individual interests and tastes, was greatly overshadowed by the family and those associations and collective bodies which grew out of it.

This primacy of the family, abetted by the legal allocation to parents of property rights over their children, meant that the family was able to capture a large portion of the benefits of its investments in children. There was no problem of incentives, no question of where the enormous investments of time and energy of an adult population necessary to bring a new generation into responsible adulthood would originate. These investments would be made primarily by the parents, and, secondarily, by the members of the extended family—grandparents, aunts, uncles, and cousins.

Today, we are at a point where the question is no longer easily solved. The social capital within and surrounding the family, which was once both rich and available for aiding the growth and development of children, is rapidly being dissipated. The fundamental reason lies in the changed status of "the family" as a social unit with historical continuity extending into the future. It is no longer the entity whose interests its members aim to realize, no longer as central to their lives as it once was. This means that adult family members have less reason to invest resources in their children and more reason to invest those resources in satisfying their own individual interests.

To chronicle how this came about, how the erosion of the concept of the family as the basic building block on which all larger institutions were constructed, would lead far afield. It is sufficient to say here that the process began first in fourteenth century England with the legal recognition of new kinds of actors in society, the "fictional persons" or "juristic persons." In contrast to "natural persons," these fictional persons (or corporate actors) were in the first instance towns. The towns were chartered by the king, could sue and be sued, had a treasury that did not belong to any or all of the town's burgesses, and were recognized as legal persons. Later, the great trading companies, such as the East India Company and the Virginia Company, were included in the

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1. F. Maitland has described this process in some detail, in TRUST AND CORPORATION (1904), and in F. Pollock and F. Maitland, THE HISTORY OF ENGLISH LAWS (1898).
definition. These new forms of organizations, these corporate actors from which modern joint-stock corporations have grown, made possible the social capital that brought the Industrial Revolution to England. These precursors of the modern corporation slowly but steadily drove the family from its central place in society to the periphery, where it now rests. The family has been replaced by the modern corporation as the central social unit of society; the social unit within which first men, and now women, carry out their daily productive activities and find their psychological home.

These new forms of social capital, whose very existence were established by the legal resolution of various questions concerning rights (the most important of which are probably the principle of limited liability of owners and the principle that corporate actors are "persons" before the law), have been extraordinarily important for the development of what we see as the modern world. It could be well argued that the Industrial Revolution was not a revolution brought about by technological inventions such as the steam engine, but a revolution brought about by a social invention, the legal or fictional person, which developed in English common law of the fourteenth to seventeenth centuries.

The full working-out of that social (or legal) invention has only come about in our age. First the corporation absorbed the interests, time, attention, and investments of men; more recently, it has come to absorb the interests and attention of women as well. The cost has been borne by the traditional bodies that it replaced in the minds and hearts of the society's adults — the family, the extended family, the community, and the religious group. The cost has also been imposed on those who remain outside of it, for the modern corporation is not an encompassing institution like the family, with a place for everyone, whether they be old, young, handicapped, retarded, insane, unmarried, or invalid. The modern corporation is an institution that maximizes internal welfare but has no responsibility for what is outside of it. One might well say that the same was true of the family, but the crucial difference lies in the fact that every person is born into a family. By virtue of one's birth one acquired a "birthright" of nonrevocable family membership. Attachment to a modern corporation is, in contrast, instantly revocable and never lifelong.

The question arises for modern society, how will these unproductive members of society be accommodated? Will the city streets be increasingly populated by bag ladies and home-
less men? And, whatever a society does with the old, the insane, and the retarded, the society that fails to nurture its young into effective adulthood is doomed to quick oblivion.

The responsibility for these unproductive members of society, a responsibility that was taken by the family and immediately surrounding community when these institutions were in full health, has increasingly come to be taken by the state. This has proven to be a defective solution, however, largely because the capacity of the state to take financial responsibility for these dependent persons is not matched by the social capital necessary to implement this responsibility. In particular, the withering away of the family as the principal agent for the socialization of children is not paralleled by the growth of another institution with the incentive to make investments that aid the growth and development of children. What has replaced the family in the attention of young persons is a society of peers, as well as certain activities that are attentive to the short-term and immediate interests of the young, such as the popular music industry, a segment of the fashion industry, and even the alcohol and drug industry. But the incentives that govern these industries can hardly be said to coincide with the long-term interests of the young.

The school is an institution constructed to aid the growth and development of the young, but the school is only a partial institution, fulfilling certain limited tasks well as a supplement to strong families. The school has not ordinarily been successful for children whose families are not strong, and neither has it done well in the competition for attention of the young against the youth-oriented commercial entertainment mentioned earlier.

Reallocating of Rights

The allocation of rights is the single most important contributor to the creation or destruction of social capital; more particularly, the allocation of rights to individuals and to various kinds of corporate bodies makes a critical difference in the creation and destruction of social capital.

Whatever the legal allocation of rights, the changes in social structures over time bring about a shift of de facto rights from some actors in society to other actors. For example, the general shift from the production of other goods by small enterprises in the nineteenth century to massive corporations in the second half of the twentieth century has meant a drift of de facto rights from the consumer to the producer; a
drift that is reflected in such things as the control of producers over most of the information surrounding the producer-consumer relation through advertising and market research.

The drift of de facto rights among four actors in modern society—the state, the individual, the corporation, and the family—is represented in Figure 10. The drift toward the corporation and the state are due in part to their growth in size and in part to changes in the social structure of activities, with many activities shifting from informal or non-monetarily compensated actions to those involving explicit exchanges involving money. The family has shrunk in size over the same period of time due to the declining continuity over generations and declining membership, while the individual has, of course, remained the same. The drift from the family to the corporation has arisen principally through the movement of the locus of work from home to corporation and, most recently, the increasing movement of consumption activities, such as eating, from the home to the corporation, from the family kitchen to McDonald's. Even the increase in the percentages of high school students who work part-time demonstrates the drift from family to corporation, for income earned from work is used by the youths to purchase commercial entertainment and goods. The commercial activity of youths replaces the family-centered activities, of which young persons were once part.
Figure 10
Drift of De Facto Rights Among Actors

The drift in the distribution of de facto rights has profound consequences for the reservoir of social capital available to the young, for that social capital resides primarily in the family and derivatives of the family, such as the local community. Figure 10 suggests that each of the drifts concerning the family have been away: to the state, to the corporation, and to the individual. Some of these drifts are encouraged by the reduced capacity of the family to take responsibility for its dependent members, for rights ordinarily accompany responsibilities as traveling companions.

A drift of de facto rights from one actor to another is not the only process, however, through which rights come to be reallocated in society. Another device for reallocation of rights occurs through legal reallocation, as some actors use the law to counter the drift of de facto rights away from them. Figure 11 shows my conception of the legal reallocation of rights in recent years. A double arrow indicates that there has been legal reallocation of rights in both directions. A number of these reallocations have been from the state or corporation to the individual, many occurring in the 1970s as part of a revolt against the drift of rights to the corporation and the state. The Freedom of Information Act of 1974 and a number of other statutes have had as their principal intent
a reallocation of rights back to the individual, in this case a right to information, which had drifted to the state and to the corporation.

![Diagram of Legal Reallocations of Rights Among Actors]

Figure 11
Legal Reallocations of Rights Among Actors

At the same time, there has been a continued reallocation of certain rights away from the individual and family toward the state. Some of those reallocations away from the individual may be seen as an attempt on the part of the state to alter the balance of rights among individuals by constraining the actions of individuals which might hurt or offend other individuals, such as statutes against burning leaves, proscriptions against smoking in certain public places, seat belt laws, and the like. The reallocation of rights away from the family is somewhat more complex. The principle of in loco parentis, under which public school authorities have traditionally operated, has been replaced by the principle that the student has full civil rights, thus requiring the procedures of due process. While this change arose as a means of protecting the rights of individual students vis-à-vis the school, it represented a subtle change in the conception of the rights of the authority over the school-age child, from rights held by the family toward rights held by the child himself. Similar changes are reflected in the area of allowing teen-age children still attending high
The growth of physical and sexual abuse cases against parents also reflects acquisition of power by the state over children at expense of the parents. These shifts, as in the other reallocations, are away from a conception of the child as a minor subject to parental authority and toward a conception of the child as a citizen with full civil rights, subject only to the authority of the state itself. One might well regard these reallocations as a part of a broader reallocation of rights away from the intermediate bodies in society toward the individual and the state, resulting in an increasing percentage of the rights in society being held by individuals qua individuals or by the state. If this is the case, one is reminded of an earlier period in history, at the end of the Middle Ages, when intermediate bodies lost power and that power flowed to individuals and the King.2

I have deferred until this point a comment on one arrow in Figure 11, the one reallocation that is in the direction of the family: from corporation to family. Individuals have come to gain increased rights in their relations with the corporations that employ them in their capacity as parents or prospective parents. Such rights as the right to parental leave, first for women and now, in some cases, for men; the increased rights to flexible working hours that are ordinarily used to carry out family activities; and the introduction of daycare centers by some firms are instances of this form of reallocation. Most of these changes have arisen as a result of the increased participation of women in the labor force. The reallocation of rights from the corporation to the family represents an accommodation on the part of corporations to the fact that, with both parents now absent from the home during working hours, some adjustments are necessary if parenthood is to continue as a viable activity. There are other adjustments which reduce the incidence or strength of the parental role (and thus reduce the social capital available to children), including increasing numbers of married couples deciding not to become parents, and the increased use of daycare and after-school facilities to accommodate to single parents and working parents.

Where does all of this leave us with respect to the question of social capital available to the child? There seems to be a continuing destruction of this social capital, tempered only

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by a few moves in the other direction. What kinds of changes are there, or what kind could there come to be, to recreate social capital available to children? I cannot here, because of the limitation of space, do more than point to possible changes, but even to point may be useful. One kind of change can be seen by reference again to Figures 10 and 11, and back to Figure 8: Figure 10 and 11 showed a drift of rights and legal reallocations of rights almost entirely away from the family. It is possible that some reallocations may come to be in the other direction. Perhaps the most promising is a strengthening of the currently small flow of rights from corporation back to the family, through growth of rights of employees in their capacities as parents or prospective parents.

Going back to Figure 8, showing the absence of intergenerational closure of social networks among parents, changes are possible which help bring closure to these networks. Schools, for example, can — and some already have — bring parents together to solve problems that have arisen among their children: drug use, delinquency actions, teen-age pregnancy, suicide. The school can thus help bring about the intergenerational closure that facilitates parents’ ability to establish and enforce norms for their children.

The second kind of change involves the construction of new and different institutions that can provide social capital for the young. I will have even less to say about this, but will give an example which will illustrate how different this direction of change is from the changes that aim to reinforce the family. One can say, “So if the central activities, time, and interest of adults in society have vanished into the corporation, why not let the young follow their parents?” Women have followed men into the corporation, and the reasonable next step is for children to follow their parents. How might this be done? Through two devices: first, a legal requirement that all firms above a given number of employees in size become age-balanced organizations, having an age structure approximating that in society, including the two ages of dependency, the young and the old; and second, redirection to the corporation of the taxes which the state currently uses to take responsibility for dependent age groups. It then would become the responsibility of the organization, using family relationships or not as it desired, to educate and socialize its young members, and to care for its aged.

This change is one which in effect accepts the new corporate structure of modern society and merely extends it to
provide for continuation of the society through generations. It is based on the assumption that the old forms, family and community, cannot be satisfactorily revived, and that the society of the future must create social capital for the young that is organizationally consistent with the new kinds of corporate actors that have become the dominant form in society.

Altogether, what I have tried to do in this paper is to show the effects on high school students of social capital in the family and in the community, to show how that capital comes into being and how it can be destroyed, and to show how some of the redistributions of rights in society act to destroy social capital of the family. Finally, I have suggested directions that change might reasonably take.