The Changing Structure of the Concept of Capital: Cognitive Social Capital

Asst. Prof. İsmail KİTAPCI
Pamukkale University
Faculty of Economics and Administrative Sciences
Department of Public Finance
i.kitapci@yahoo.com.tr

Abstract
Cognitive social capital concept is related to norms, values, attitudes, beliefs and perceptions. These aspects of cognitive social capital prepare people for collective action. According to the cognitive social capital is private good in terms of micro perspective but public good in terms of macro perspective. These features of cognitive social capital ensure the effective functioning of the existing potential resources in a society thanks to the effective networks. In this study firstly it will be explained that differences of cognitive social capital from other types of social capital. At this time it will be explained that the fiscal and economic effects of cognitive social capital.

Keywords: Cognitive social capital, collective action, networks, trust, values

JEL Classification Code: J20

INTRODUCTION
Social capital is considered as interdisciplinary and multidisciplinary concept converting potential energy into kinetic energy in society. Up to now social capital studies are investigated based on micro or macro perspective. At the same time it has come to the fore structural and relational dimensions of social capital. It has been neglected cognitive dimension of social capital.

The main feature that distinguishes this work from other studies is to investigate the social capital in terms of cognitive perspective. It is required that cognitive effort for effective social capital. At this point cognitive social capital emphasizes that there should be a common language, history, values, cultural codes. At the same time it relates to collective action, attitudes, beliefs and perceptions. On the other hand cognitive social capital expresses that it could be arise binding and bridging social capital concurrently because of interaction of weak and strong ties.

This study consists of two parts. In the first part social capital concept and different types of social capital will be explained. In the second part it will be explained that the differences of cognitive social capital from other types of social capital. Finally it will be tried to appraise functions of cognitive social capital in the field of economics.

1. The Concept of Social Capital
The concept of social capital has received impressively rapid acceptance within the community of development professionals, but it is difficult to explain. Primarily social capital concept relates with values, norms, culture, motivation and solidarity. There are various definitions about social capital (Uphoff, 2000: 215-217). Firstly, Hanifan stated that idea of social capital in 1916, although his focus was to put a ‘face’ on the notion of ‘habits of the heart’ that Tocqueville identified in 1883. According to Tocqueville social capital as ‘those tangible substances that count for most in the daily lives of people: namely goodwill, fellowship, sympathy, and social intercourse among the individuals

---

1 This paper was presented as an abstract in August, 24-26 2016 at International Congress on Political Economic and Social Studies, Istanbul/Turkey.

2 Alexis de Tocqueville first wrote about the concept of social connectedness in his 1883 analysis of the United States titled “Democracy in America.” In this work, de Tocqueville described a phenomenon he called “habits of the heart,” where people watched out for each other for no other apparent reason than “what is good for you is good for me” (Condeluci et al., 2008: 134).
and families who make up a social unit’ (Condeluci et al., 2008: 134). On the other hand Putnam defines social capital as those features of social organization, such as networks of individuals or households, and the associated with norms and values, that create externalities for the community as a whole (Grootaert and Bastelaer, 2001: 4).

According to the Ostrom (1994, 2000) social capital consists of four factors. These are; trust, reciprocity, networks and rules or institutions. Trust and reciprocity provide the core links between networks and collective action and are considered most relevant factors for enhancing voluntary cooperation (Ruben and Heras, 2012: 467). On the other hand according to the Fukuyama social capital can be defined simply as the existence of a certain set of informal values or norms shared among members of a group that permits cooperation among them (Fukuyama, 1997: 378). At the same time Coleman explained that social capital three forms were identified: obligations and expectations, which depend on trustworthiness of the social environment, information-flow capability of social structure, and norms accompanied by sanctions. According to this approach social capital arises or disappears without anyone’s willing it into or out of being and is thus even less recognized and taken account of in social action than its already intangible (Coleman, 1998: 118, 119).

In summary social capital understood roughly as the goodwill that is arised by the fabric of social relations and that can be mobilized to facilitate actions has informed the study of families, youth behaviour problems, public health, community life, democracy, governance economic development and general problems of collective action (Adler and Kwon, 2002: 17).

1.1 Differences of Social Capital from Other Types of Capital

Social capital is multidisciplinary and interdisciplinary concept and relates to other types of capital. For example, physical capital, human capital, economic capital etc. At the same time social capital can be converted to other kinds of social capital. It seems that the concept of social capital is not easy to distinguish from other types of capital. Because there is a need for other types of capital for the formation of social capital.

Primarily social capital has less visibility than the other types of capital. If physical capital is wholly tangible, being embodied in observable material form, and human capital is less tangible, being embodied in the talents and knowledge acquired by an individual. On the other hand social capital is less tangible. Just as physical capital and human capital facilitate productive activity, social capital does as well (Coleman, 1998: 99, 100). Unlike physical capital, but like human capital, social capital can accumulate as a result of its use. Therefore it does not occur if not used social capital. Social capital is both an input into and an output of collective action. Because social interactions are drawn on to produce a mutually beneficial output, the quantity or quality of these interactions is likely to increase. Second, although every other form of capital has a potential productive impact in a typical Robinson Crusoe economy, to create social capital requires at least two people. In other words, social capital has public good features. Like other public goods, it will tend to be underproduced because of incomplete collective internalization of the positive externalities inherent in its production (Grootaert and Bastelaer, 2001: 7).

Social capital is closely related with human capital as well. Human capital theory states that knowledge supplies individuals with greater cognitive talents, making them more productive and increasing their potential and efficiency to carry out activities. Burt (1997) argues that human capital needs social capital, saying the former becomes worthless without the opportunities to apply it afforded by the latter (Chakrabarty, 2013: 1, 2). As Burt explained that ‘human capital refers to individual ability, social capital refers to opportunity’ (Adler and Kwon, 2002: 26). At the same time social capital can be converted to other kinds of social capital. Among the several forms of capital

3 The public good quality of most social capital means that it is in a fundamentally different position with respect to purposive action than are most other forms of capital. It is an important resource for individuals and may affect greatly their ability to act and their perceived quality of life (Coleman, 1998: 116-118).
identified by Bourdieu, economic capital is most liquid; it is readily convertible into human, cultural, and social capital. Social capital is less liquid and more sticky (Adler and Kwon, 2002: 21).

1.2 Different Types of Social Capital

Considering the social capital literature it is seen that the classification of different types of social capital by different researchers. This classification can be expressed as follows. Macro-micro social capital, weak-strong ties, binding-bridging-connective social capital and structural-relational-cognitive social capital.

1.2.1 Macro and Micro Social Capital

In terms of micro perspective social capital is a private good, on the other hand according to the macro approach social capital is public good. At this point organizational structure, similarity of actors, attitudes, similarity are accepted in the cognitive and structural social capital in terms of micro perspective. On the other hand the rule of law, political regime type, legal framework, the level of participation in political process, political decentralization are evaluated in terms of macro social capital (Adler and Kwon, 2002: 27).

1.2.2 Weak and Strong Ties

Social capital is divided into strong and weak ties by Nan Lin, based on Mark Granovetter’s (1973) research. According to the Lin weak ties gather together different social and cultural backgrounds of people. Strong ties gather together people and groups with similar source (Field, 2008: 92, 93). Especially weak ties play an important role in employment creation. At the same time recognition of a friend of friend provide access to different sources and informations outside their own networks and creates new opportunities (Condeluci et al., 2008: 135).

1.2.3 Binding, Bridging and Connective Social Capital

Binding social capital refers to homogeneous networks which is connected among people similar to each other. In this type of social capital identities, trust and reciprocity relations is very important. Especially special trust important subject in terms of binding social capital (Ruben and Heras, 2012: 467). On the other hand bridging social capital plays an important role in building trust and communication between horizontal groups. At this point Putnam states that horizontal relationship networks are better than vertical relationship networks in building social capital (Hjerppe, 2003: 12, 13). According to the Putnam binding social capital is important to proceed to life on the other hand bridging social capital is important to be successesfull (Field, 2008: 92). Binding social capital provide emotional, cognitive and economic support to group members because of family and friendship power. This support occurs after a socialization process that created the shared values. At the same time it facilitates social control. This control are carried out by means of informal norms, respect and moral force in society (Menes and Donato, 2013: 3, 4). Bridging social capital has a unifying various and heterogeneous structure (Ruben and Heras, 2012: 467). On the other hand connective social capital refers to the relationship between the governed group and managed groups. In this structure hierarchy is important subject.

1.2.4 Structural, Relational and Connective Social Capital

Structural social capital indicates that all types of connections social interaction ties among actors unlike relational social capital is related to personal relationships through the historical interaction, trust, reciprocity norms and identities. On the other hand cognitive social capital implies that shared symbols, language, interpretations and common vision (Chiu et al., 2006: 1873). The emergence of cognitive social capital is required the presence of both structural and relational social capital. Cognitive social capital embedded in the structural and relational social capital and it is required for the healthy social capital.


Social capital is acquired with long time but it can be lost quickly. If the social capital is lost it is difficult to put back. For example trust. Therefore the formation of social capital can be considered as
a result of a conscious effort. At this point, cognitive social capital gives clue for the formation of an effective social capital.

The cognitive social capital derives from mental processes and resulting ideas, reinforced by culture and ideology, specifically norms, values, attitudes and beliefs that contribute cooperative behaviour (Uphoff, 2000: 218). Cognitive social capital of individuals is the outcome of frequent interactions while sharing the same practices, which lead the individuals to learn skills, knowledge and common conventions (Aslam et al., 2013: 29). The cognitive dimension facilitates the combination and exchange of knowledge among different parts. According to Nahapiet and Ghoshal the structural dimension of social capital is manifested as social interaction ties, the relational dimension is manifested as trust, norm of reciprocity and identification, and the cognitive dimension is manifested as shared vision and shared language (Chiu et al., 2006: 1873). In other words, the cognitive dimension of social capital refers to the way members perceive their reality (Camps and Marques, 2011: 8). It refers to ‘what people feel’ and relates to values and perceptions as well (Acquaah, 2014: 16). At this point, cognitive social capital reveals a cognitive biases of people in terms of different topics.

Cognitive social capital aligns more closely with Coleman’s (1988) and Putnam’s (1993) concepts of social trust, reciprocity and effective norms. This form of social capital tends be subjectively verified by measuring individuals attitudes and perceptions. These two forms of social capital should not be seen as mutually exclusive, but as complementary because they assess different aspects of social capital (Story, 2014: 73). At the same time cognitive social capital comprises more subjective and intangible elements such as generally accepted attitudes and norms of behaviour, shared values, reciprocity and trust (Hjerpe, 2003: 5). On the other hand social cohesion is a component of cognitive social capital, evokes a sense of mutual trust and solidarity among neighbours. This can lead to the ability of a group to enforce and maintain social norms (Story, 2014: 74).

2.1 Cognitive Social Capital and Development Process

When we look at the emergence of cognitive social capital associated with other types of social capital, it is easy to understand. So that cognitive social capital is embedded in the structural social capital and it is required relational social capital for effective cognitive social capital.

2.1.1 Relational, Structural and Cognitive Social Capital

Relational dimension of social capital comprises the resources created through personal relationships, including trust, norms, obligations, and identity. Nahapiet and Ghoshal (1998) state that high levels of mutual interdependence help social capital formation, especially in the relational dimension (Camps and Marques, 2011: 8, 10). Similarly Coleman (1990) states that social capital is eroded by factors that make people less dependent upon each other. For example expectations and obligations are less significant where people have alternative sources of support (Nahapiet and Ghoshal, 1998: 257).

Another types of social capital is structural social capital. It primarily reflects Bourdieu’s (1986) conceptualization of social capital as resources available through social networks. This form of social capital tends to be objectively verified by measuring individual’s actions and behaviours (Story, 2014: 73). Structural dimension of social capital refers to the pattern of connections between the members of the network. Important aspects of this dimension are ties between the members of a social network; network structure based on density, connectivity and hierarchy; and multipurpose use of networks. Nahapiet and Ghoshal (1998) suggested that structural dimension of social capital is associated with the knowledge sharing and associated activities (Aslam et al., 2013: 29). For example rely primarily on membership in networks as a measure of structural social capital (Grootaert and Bastelaer, 2001: 9). The following table compares the complementary elements of social capital.

---

4 Misztal (1996) has suggested that the recent resurgence of interest in trust can be explained by the increasingly transitional character of our present condition and the erosion of social interdependence and solidarity (Nahapiet and Ghoshal, 1998: 257).
Table 1: The Complementary Categories of Social Capital

<table>
<thead>
<tr>
<th>Structural Social Capital</th>
<th>Cognitive Social Capital</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sources And Manifestations</strong></td>
<td>Roles and Rules, Networks and other interpersonal relationships, Procedures and precedents</td>
</tr>
<tr>
<td><strong>Domains</strong></td>
<td>Social organization</td>
</tr>
<tr>
<td><strong>Dynamic Factors</strong></td>
<td>Horizontal linkages, Vertical linkages</td>
</tr>
<tr>
<td><strong>Common Elements</strong></td>
<td>Expectations that lead to cooperative behaviour which produces mutual benefits</td>
</tr>
</tbody>
</table>


Structural social capital facilitates that information sharing and collective action through rules, social networks and other social structures. At this point it is partially externally observable. Conversely the cognitive social capital is subjective and intangible because of related to norms, values, trust, attitudes, and beliefs. At the same time it has a feature that improves motivation (Grootaert and Bastelaer, 2001: 4, 5). For example the question of ‘whom you reach’ or ‘how you reach them’ is related to structural social capital unlike the question of ‘how you feel’ is related to cognitive social capital (Acquaah, 2014: 15). The following figure shows that the distinctive features of all three forms of social capital.


**Figure 1:** Different Dimensions of Social Capital
An important difference between cognitive social capital and structural social capital is related to the visibility. For example, sports club membership is considered as visibility of structural social capital (Grootaert and Bastelaer, 2001: 4, 5). Although structural social capital has visibility feature it arises through cognitive processes. So that structural social capital is external and observable, unlike cognitive social capital is internal and subjective (Uphoff, 2000: 218, 219). At the same time cognitive social capital can be considered as embedded in the structural social capital. In this process trust and reciprocity relations shape the structure of social networks and when reliability is provided easily social networks it is easy to collaborate with social networks (Ruben and Heras, 2012: 468).

2.2 Functions of Cognitive Social Capital

There are many roles of cognitive social capital in the fields of social, economic, political, cultural and so on. In this cognitive social capital context the following topics will be discussed: Motivational power of cognitive social capital, cognitive trust. At the same time it is stated that the power of cognitive social capital to create fiscal awareness and the effect of economic activities.

2.2.1 Motivational Power of Cognitive Social Capital

Cognitive social capital is emerging as the product of a conscious effort and it emphasizes the importance of common code. The first step for the formation of an effective cognitive social capital is to have motivational power.

Portes (1998) states that different processes for motivational power of cognitive social capital. Firstly, it should be internalization of norms which is through the past or later experience and it must be a socialization process which shared a common destiny with other people. The second stage is related to rational calculations and it has instrumental structure. Instrumental motivation depends on obligations after dyadic social exchange. This situation is named as compulsory trust by Portes. At the same time according to the Putnam (1993) cognitive social capital is willingness and competence for common goals among people (Adler and Kwon, 2002: 25).

Another element of cognitive social capital is to have a common vision. When offered a common vision in a network, members of the network will be easier to interact with each other because they have similar perceptions. In this case, mutual understanding, will improve the exchange of ideas and resources. Therefore, common vision considered as glue which enables the integration of information and networks (Inkpen and Tsang, 2005: 157). On the other hand common culture refers to the degree of common cultural networks. At this point cultural networks can be regarded as a set of institutional rules and norms that govern proper behaviour (Inkpen and Tsang, 2005: 153).

2.2.2 Cognitive Trust

One of the major components of cognitive social capital is cognitive trust. Cognitive trust based on ‘knowledge based calculated information’ developed by Rousseau (1998). At this point cognitive trust is evaluated as rational choice depending on reliable information about the other people’s attitudes formed in the head and competencies (Hansen and Morow, 2003: 45). When individuals faced with certain situations related to past in real life can lead to an increase mutual trust by ‘leap of faith’ (Johnson and Grayson, 2005:501). This situation is considered as positive or negative reciprocity.

McAllister (1995) stated importance of cognitive processes in the formation of interpersonal trust. People usually a good reason for believing a person has referred to the existence. People mostly have ‘good reason’ to believe someone. The formation of cognitive trust is not a instantaneous situation. It is related to cognitive process from the past to the present (Hansen and Morow, 2003: 44). At this process common codes, language and symbols as cognitive social capital elements is effective in the formation of cognitive trust.

On the other hand cognitive trust approach states that trust blindly is wrong besides nonconfidence. Therefore it is important to the formation of cognitive trust or intelligent trust. According to the Stephen Carter there are two options in this situation. Generosity in spite of high cost, or trust in spite of high risk. So the goal is not to escape from risk. Firstly, you can not this, secondly you do not want
to do. Because it is an important part of life to take risks. In this situation the risk can be managed wisely. Because nonconfidence is a kind of tax. (Covey and Merrill, 2014: 355).

2.2.3 The Effect Of Cognitive Social Capital on Economic Activities

An important functions of social capital is combined with a non-economic and economic factors. Granovetter (1985) stated that economic analysis should be more emphasis on the human element based on undersocialized concept of man. According to the Granovetter’s embeddedness approach the economic system is embedded in history with social and cultural elements. At this point it should benefit from the concept of embeddedness to create trust and social norms (Coleman, 1998: 97).

Social capital is sum of the embedded potential sources arising from individual and social networks (Camps and Marques, 2011: 3). The cognitive dimensions of social capital is momentum power by means of effective networks and potential sources for all economies. This dimensions of cognitive social capital is seen in some countries.

A research conducted by Reid and Salman in Mali are examples in this regard. The case study by Reid and Salmen finds that trust is a key determinant of the success of agricultural extension in Mali. The study identified three important aspects of cognitive trust: the quality of the relationship among farmers, trust between farmers and extension workers, and the relationship between extension workers and their national organizations. Women and their associations were found to be consistent diffusers of information and technology, and able to tap into and generate social capital. The study also documented the importance of preexising social cohesion. The predisposition of villagers to attend association meetings, to gather in places of worship, and to build and maintain public infrastructure creates the fertile ground for external inputs such as agricultural extension to take root. So that a central element of cognitive social capital is interpersonal trust. Especially cognitive social capital (trust) can be more important than the human capital (technical skills) of development workers (Grootaert and Bastelaer, 2001: 12, 14).

Cognitive social capital constitutes an important influence in the provision of public services in some developing countries. Especially waste collection services are rarely provided adequately by municipalities in developing countries. In response, some neighborhoods choose to undertake collection themselves. The case study by Pargal, Huq, and Gilligan explores the characteristics of those neighborhoods in Dhaka, Bangladesh, in which the community successfully organized voluntary waste management services. The authors develop measures of trust and norms of reciprocity and sharing among neighborhood residents as proxies for cognitive social capital; they use indicators of associational activity to estimate structural social capital. Their analysis shows that these variables have a large and significant impact on the probability that a neighborhood will organize for refuse collection. Homogeneity of interests and points of view as well as education levels also increase the likelihood of collective action. On the other hand public-private partnerships or self-help schemes is more likely to be successful in neighborhoods with high levels of social capital. Thus social capital proxies or determinants can be used as predictors of success when targeting neighborhoods for social or public goods interventions. (Grootaert and Bastelaer, 2001: 13).

On the other hand Japan has provided economic growth and development in a short time because of common codes, common goals and capabilities as cognitive social capital component. This could be seen as a reflection of a process of creating cognitive social capital. The Japanese have not tried to gain technological or scientific leadership in any field. The development in Japan has carried out based on importing the science and technology developed taken from others. The export-oriented development strategy based on quality goods produced by low-paid, but well-trained workers are tools

---

3 Paul Collier has investigated the concept of social capital from an economic perspective. He suggests that social capital is economically beneficial because social interaction generates at least one of three externalities. It facilitates the transmission of knowledge about the behavior of others and this reduces the problem of opportunism. It facilitates the transmission of knowledge about technology and markets and this reduces market failures in information. Finally, it reduces the problem of free riding and so facilitates collective action (Grootaert and Bastelaer, 2001: 6).
for development and recovery in the period following the end of the Second World War. This strategy has been copied by South Korea, Hong Kong, Taiwan, Singapore and Brazil and other developing eastern countries (Drucker, 1993: 152).

At the same time Japanese business practice encouraged a higher level of trust between managers and employees through a culture of responsibility and it has reduced the cost of manufacturing. Japanese business practice was imitated by an increasing impact on American firms because of greater profitability. In this case, open competition and the profit and loss account was not only encouraged by significant product development, provide useful management culture also spread to more collaboration in the workplace (Pennington, 2014: 187). As a result Japanese have enabled the realization of economic development in a short time by means of their capabilities, common code, culture and vision. Social capital in Japan has emerged as the result of a conscious effort.

On the other hand cognitive social capital enable individuals to make the talents they wish. Especially inclusive economic institutions such as those in South Korea or in the United States are those that allow encourage participation by great mass of people in economic activities that make best use of their talents and skills and that enable individuals to make the choices they wish. At this point inclusive economic institutions must feature secure private property, an unbiased system of law, and a provision of public services that provides a level playing field in which people can exchange and contract; it also permit the entry of new business and allow people choose their careers (Acemoğlu and Robinson, 2012: 88, 89).

2.2.4 Public Good Feature of Cognitive Social Capital and Fiscal Awareness

Some types of social capital has nonrivalrous structure. For example; high internal trust, close friendships. The fragile nature of social capital, leads to free-rider problem and tragedy of commons as well. This is true for weak bonds. On the other hand social capital are converted into public good by means of strong ties (Adler and Kwon, 2002: 22). Social capital is public good in terms of macro, on the other hand social capital is private good in terms of micro approach. Social capital is not always also have a feature that emits positive externalities. If the negative externalities increase the people’s willingness can decrease. Uphoff has expressed this situation as negative social capital (Grootaert and Bastelaer, 2001: 7). At this point social capital allows the realization of collective action by means of culture of unity, high sense of belonging common codes.

The norms of reciprocity and interpersonal trust is also effective in creating fiscal awareness as the components of cognitive social capital. In a society to pay taxes or not to pay taxes may take the form of a social norm. Therefore it must be made of the analysis of the relationship of reciprocity and social norms. In this respect citizenship ties strengthen mutual generalized norms by society and help to the emergence of social trust. Such networks facilitates cooperation, communication and respect. Especially social interaction networks are stronger when the economic and political consensus is high. As a result opportunism is reduced in society. In this situation sense of ‘we’ will be valid instead of sense of ‘I’ in the community and social resources are becoming used for the collective benefit (Putnam, 1995: 67).

On the other hand reciprocity relations is effective tax paying behaviour. At this point not only individuals maximize their personal wealth because of tax ethics but also behave irrational about the financing of public goods. In some cases, heuristics behaviour may be effective in the decisions of individuals. Heuristics behaviour is based on norm of reciprocity and cooperative behaviour. At this point taxpayer’s motivation decrease because of free-rider behaviours (Lavoie, 2008: 11, 12). Conversely reference group’s perceptions related to paying taxes develop positively reciprocity relations among individuals. At this point, the difference from other types of cognitive social capital arises. Other types of social capital highlighted the importance of relations on the other hand cognitive social capital is related to ‘what they feel’.

CONCLUSION

Social capital is the embedded potential sources arising from individual and social networks as a motivational power and it can be converted to other kinds of capital. At the same time cognitive social
capital as a complementary structure embedded in the structural social capital and relational social capital. Therefore cognitive social capital is required for for the healthy social capital and it emphasizes that there should be binding and bridging social capital concurrently by means of effective networks.

There are many roles of cognitive social capital in the field of social, economic, political areas. Countries with effective cognitive social capital has increased the economic efficiency by reducing transaction costs. At this point cognitive social capital is predisposition for economic development. Cognitive social capital constitutes an important influence in the provision of public services in some developing countries. On the other hand some developing countries better manage and use social capital has provided economic growth and development in a short time because of common codes, common goals and capabilities as cognitive social capital component. This could be seen as a reflection of a process of creating cognitive social capital. Social capital must be result of conscious effort. On the other hand the norms of reciprocity and interpersonal trust is also effective in creating fiscal awareness as the components of cognitive social capital.

As a result cognitive social capital is willingness and competence for common goals among people. So that all types of social capital is acquired with long time at the same time it can be lost quickly. If the social capital is lost it is difficult to put back. Therefore the formation of social capital can only be considered as a result of a conscious effort. At this point, cognitive social capital gives clues for the formation of an effective social capital. Cognitive social capital not only enable individuals to make the talents they wish but also gives clue for a good development policy. Therefore countries must give more attention to cognitive social capital.
REFERENCES


