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# SOCIAL CAPITAL: Its Origins and Applications in Modern Sociology

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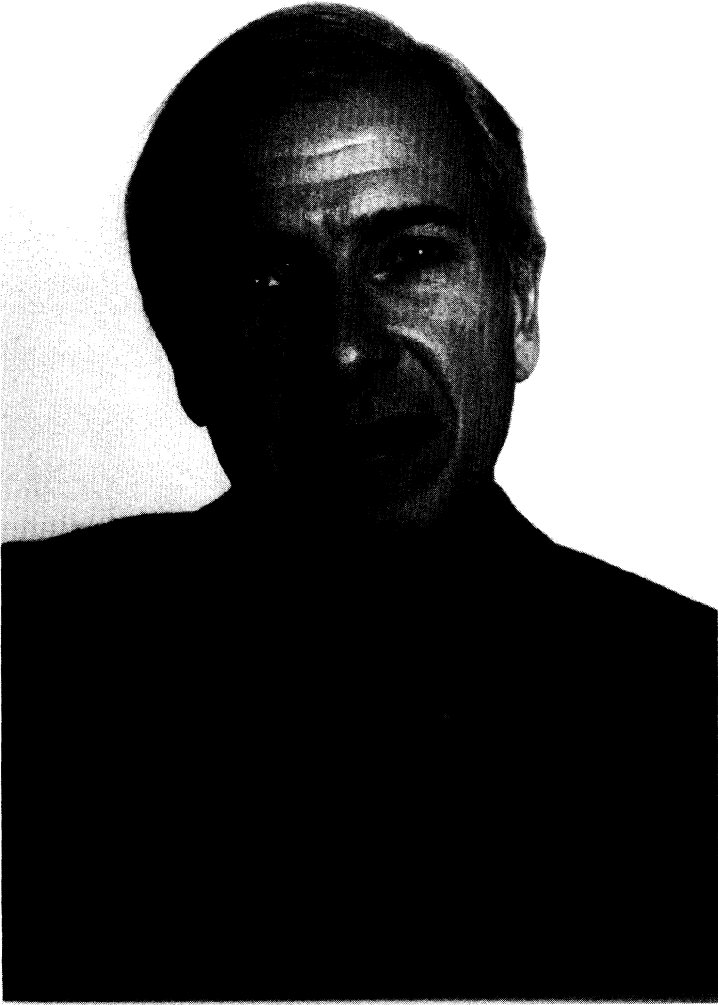
## ABSTRACT

This paper reviews the origins and definitions of social capital in the writings of Bourdieu, Loury, and Coleman, among other authors. It distinguishes four sources of social capital and examines their dynamics. Applications of the concept in the sociological literature emphasize its role in social control, in family support, and in benefits mediated by extrafamilial networks. I provide examples of each of these positive functions. Negative consequences of the same processes also deserve attention for a balanced picture of the forces at play. I review four such consequences and illustrate them with relevant examples. Recent writings on social capital have extended the concept from an individual asset to a feature of communities and even nations. The final sections describe this conceptual stretch and examine its limitations. I argue that, as shorthand for the positive consequences of sociability, social capital has a definite place in sociological theory. However, excessive extensions of the concept may jeopardize its heuristic value.

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## Alejandro Portes: Biographical Sketch

Alejandro Portes is professor of sociology at Princeton University and faculty associate of the Woodrow Wilson School of Public Affairs. He formerly taught at Johns Hopkins where he held the John Dewey Chair in Arts and Sciences, Duke University, and the University of Texas-Austin. In 1997 he held the Emilio Bacardi distinguished professorship at the University of Miami. In the same year he was elected president of the American Sociological Association. Born in Havana, Cuba, he came to the United States in 1960. He was educated at the University of Havana, Catholic University of Argentina, and Creighton University. He received his MA and PhD from the University of Wisconsin-Madison.



*C. Porter*

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Portes is the author of some 200 articles and chapters on national development, international migration, Latin American and Caribbean urbanization, and economic sociology. His most recent books include *City on the Edge, the Transformation of Miami* (winner of the Robert Park award for best book in urban sociology and of the Anthony Leeds award for best book in urban anthropology in 1995); *The New Second Generation* (Russell Sage Foundation 1996); *Caribbean Cities* (Johns Hopkins University Press); and *Immigrant America, a Portrait*. The latter book was designated as a centennial publication by the University of California Press. It was originally published in 1990; the second edition, updated and containing new chapters on American immigration policy and the new second generation, was published in 1996.

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### *Introduction*

During recent years, the concept of social capital has become one of the most popular exports from sociological theory into everyday language. Disseminated by a number of policy-oriented journals and general circulation magazines, social capital has evolved into something of a cure-all for the maladies affecting society at home and abroad. Like other sociological concepts that have traveled a similar path, the original meaning of the term and its heuristic value are being put to severe tests by these increasingly diverse applications. As in the case of those earlier concepts, the point is approaching at which social capital comes to be applied to so many events and in so many different contexts as to lose any distinct meaning.

Despite its current popularity, the term does not embody any idea really new to sociologists. That involvement and participation in groups can have positive consequences for the individual and the community is a staple notion, dating back to Durkheim's emphasis on group life as an antidote to anomie and self-destruction and to Marx's distinction between an atomized class-in-itself and a mobilized and effective class-for-itself. In this sense, the term social capital simply recaptures an insight present since the very beginnings of the discipline. Tracing the intellectual background of the concept into classical times would be tantamount to revisiting sociology's major nineteenth century sources. That exercise would not reveal, however, why this idea has caught on in recent years or why an unusual baggage of policy implications has been heaped on it.

The novelty and heuristic power of social capital come from two sources. First, the concept focuses attention on the positive consequences of sociability while putting aside its less attractive features. Second, it places those positive consequences in the framework of a broader discussion of capital and calls attention to how such nonmonetary forms can be important sources of power and influence, like the size of one's stock holdings or bank account. The potential fungibility of diverse sources of capital reduces the distance between the sociologi-

cal and economic perspectives and simultaneously engages the attention of policy-makers seeking less costly, non-economic solutions to social problems.

In the course of this review, I limit discussion to the contemporary reemergence of the idea to avoid a lengthy excursus into its classical predecessors. To an audience of sociologists, these sources and the parallels between present social capital discussions and passages in the classical literature will be obvious. I examine, first, the principal authors associated with the contemporary usage of the term and their different approaches to it. Then I review the various mechanisms leading to the emergence of social capital and its principal applications in the research literature. Next, I examine those not-so-desirable consequences of sociability that are commonly obscured in the contemporary literature on the topic. This discussion aims at providing some balance to the frequently celebratory tone with which the concept is surrounded. That tone is especially noticeable in those studies that have stretched the concept from a property of individuals and families to a feature of communities, cities, and even nations. The attention garnered by applications of social capital at this broader level also requires some discussion, particularly in light of the potential pitfalls of that conceptual stretch.

### *Definitions*

The first systematic contemporary analysis of social capital was produced by Pierre Bourdieu, who defined the concept as “the aggregate of the actual or potential resources which are linked to possession of a durable network of more or less institutionalized relationships of mutual acquaintance or recognition” (Bourdieu 1985, p. 248; 1980). This initial treatment of the concept appeared in some brief “Provisional Notes” published in the *Actes de la Recherche en Sciences Sociales* in 1980. Because they were in French, the article did not garner widespread attention in the English-speaking world; nor, for that matter, did the first English translation, concealed in the pages of a text on the sociology of education (Bourdieu 1985).

This lack of visibility is lamentable because Bourdieu’s analysis is arguably the most theoretically refined among those that introduced the term in contemporary sociological discourse. His treatment of the concept is instrumental, focusing on the benefits accruing to individuals by virtue of participation in groups and on the deliberate construction of sociability for the purpose of creating this resource. In the original version, he went as far as asserting that “the profits which accrue from membership in a group are the basis of the solidarity which makes them possible” (Bourdieu 1985, p. 249). Social networks are not a natural given and must be constructed through investment strategies oriented to the institutionalization of group relations, usable as a reliable source of other benefits. Bourdieu’s definition makes clear that social capital is decomposable into two elements: first, the social relationship itself that allows individuals to

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claim access to resources possessed by their associates, and second, the amount and quality of those resources.

Throughout, Bourdieu's emphasis is on the fungibility of different forms of capital and on the ultimate reduction of all forms to economic capital, defined as accumulated human labor. Hence, through social capital, actors can gain direct access to economic resources (subsidized loans, investment tips, protected markets); they can increase their cultural capital through contacts with experts or individuals of refinement (i.e. embodied cultural capital); or, alternatively, they can affiliate with institutions that confer valued credentials (i.e. institutionalized cultural capital).

On the other hand, the acquisition of social capital requires deliberate investment of both economic and cultural resources. Though Bourdieu insists that the outcomes of possession of social or cultural capital are reducible to economic capital, the processes that bring about these alternative forms are not. They each possess their own dynamics, and, relative to economic exchange, they are characterized by less transparency and more uncertainty. For example, transactions involving social capital tend to be characterized by unspecified obligations, uncertain time horizons, and the possible violation of reciprocity expectations. But, by their very lack of clarity, these transactions can help disguise what otherwise would be plain market exchanges (Bourdieu 1979, 1980).

A second contemporary source is the work of economist Glen Loury (1977, 1981). He came upon the term in the context of his critique of neoclassical theories of racial income inequality and their policy implications. Loury argued that orthodox economic theories were too individualistic, focusing exclusively on individual human capital and on the creation of a level field for competition based on such skills. By themselves, legal prohibitions against employers' racial tastes and implementation of equal opportunity programs would not reduce racial inequalities. The latter could go on forever, according to Loury, for two reasons—first, the inherited poverty of black parents, which would be transmitted to their children in the form of lower material resources and educational opportunities; second, the poorer connections of young black workers to the labor market and their lack of information about opportunities:

The merit notion that, in a free society, each individual will rise to the level justified by his or her competence conflicts with the observation that no one travels that road entirely alone. The social context within which individual maturation occurs strongly conditions what otherwise equally competent individuals can achieve. This implies that absolute equality of opportunity, ... is an ideal that cannot be achieved. (Loury 1977, p. 176)

Loury cited with approval the sociological literature on intergenerational mobility and inheritance of race as illustrating his anti-individualist argument. However, he did not go on to develop the concept of social capital in any detail.

He seems to have run across the idea in the context of his polemic against orthodox labor economics, but he mentions it only once in his original article and then in rather tentative terms (Loury 1977). The concept captured the differential access to opportunities through social connections for minority and nonminority youth, but we do not find here any systematic treatment of its relations to other forms of capital.

Loury's work paved the way, however, for Coleman's more refined analysis of the same process, namely the role of social capital in the creation of human capital. In his initial analysis of the concept, Coleman acknowledges Loury's contribution as well as those of economist Ben-Porath and sociologists Nan Lin and Mark Granovetter. Curiously, Coleman does not mention Bourdieu, although his analysis of the possible uses of social capital for the acquisition of educational credentials closely parallels that pioneered by the French sociologist.<sup>1</sup> Coleman defined social capital by its function as "a variety of entities with two elements in common: They all consist of some aspect of social structures, and they facilitate certain action of actors—whether persons or corporate actors—within the structure" (Coleman 1988a: p. S98, 1990, p. 302).

This rather vague definition opened the way for relabeling a number of different and even contradictory processes as social capital. Coleman himself started that proliferation by including under the term some of the mechanisms that generated social capital (such as reciprocity expectations and group enforcement of norms); the consequences of its possession (such as privileged access to information); and the "appropriable" social organization that provided the context for both sources and effects to materialize. Resources obtained through social capital have, from the point of view of the recipient, the character of a gift. Thus, it is important to distinguish the resources themselves from the ability to obtain them by virtue of membership in different social structures, a distinction explicit in Bourdieu but obscured in Coleman. Equating social capital with the resources acquired through it can easily lead to tautological statements.<sup>2</sup>

Equally important is the distinction between the motivations of recipients and of donors in exchanges mediated by social capital. Recipients' desire to

<sup>1</sup>The closest equivalent to human capital in Bourdieu's analysis is embodied cultural capital, which is defined as the habitus of cultural practices, knowledge, and demeanors learned through exposure to role models in the family and other environments (Bourdieu 1979).

<sup>2</sup>Saying, for example, that student A has social capital because he obtained access to a large tuition loan from his kin and that student B does not because she failed to do so neglects the possibility that B's kin network is equally or more motivated to come to her aid but simply lacks the means to do. Defining social capital as equivalent with the resources thus obtained is tantamount to saying that the successful succeed. This circularity is more evident in applications of social capital that define it as a property of collectivities. These are reviewed below.

gain access to valuable assets is readily understandable. More complex are the motivations of the donors, who are requested to make these assets available without any immediate return. Such motivations are plural and deserve analysis because they are the core processes that the concept of social capital seeks to capture. Thus, a systematic treatment of the concept must distinguish among: (a) the possessors of social capital (those making claims); (b) the sources of social capital (those agreeing to these demands); (c) the resources themselves. These three elements are often mixed in discussions of the concept following Coleman, thus setting the stage for confusion in the uses and scope of the term.

Despite these limitations, Coleman's essays have the undeniable merit of introducing and giving visibility to the concept in American sociology, highlighting its importance for the acquisition of human capital, and identifying some of the mechanisms through which it is generated. In this last respect, his discussion of closure is particularly enlightening. Closure means the existence of sufficient ties between a certain number of people to guarantee the observance of norms. For example, the possibility of malfeasance within the tightly knit community of Jewish diamond traders in New York City is minimized by the dense ties among its members and the ready threat of ostracism against violators. The existence of such a strong norm is then appropriable by all members of the community, facilitating transactions without recourse to cumbersome legal contracts (Coleman 1988a:S99).

After Bourdieu, Loury, and Coleman, a number of theoretical analyses of social capital have been published. In 1990, WE Baker defined the concept as "a resource that actors derive from specific social structures and then use to pursue their interests; it is created by changes in the relationship among actors" (Baker 1990, p. 619). More broadly, M Schiff defines the term as "the set of elements of the social structure that affects relations among people and are inputs or arguments of the production and/or utility function" (Schiff 1992, p. 161). Burt sees it as "friends, colleagues, and more general contacts through whom you receive opportunities to use your financial and human capital" (Burt 1992, p. 9). Whereas Coleman and Loury had emphasized dense networks as a necessary condition for the emergence of social capital, Burt highlights the opposite situation. In his view, it is the relative absence of ties, labeled "structural holes," that facilitates individual mobility. This is so because dense networks tend to convey redundant information, while weaker ties can be sources of new knowledge and resources.

Despite these differences, the consensus is growing in the literature that social capital stands for the ability of actors to secure benefits by virtue of membership in social networks or other social structures. This is the sense in which it has been more commonly applied in the empirical literature although, as we will see, the potential uses to which it is put vary greatly.



### *Sources of Social Capital*

Both Bourdieu and Coleman emphasize the intangible character of social capital relative to other forms. Whereas economic capital is in people's bank accounts and human capital is inside their heads, social capital inheres in the structure of their relationships. To possess social capital, a person must be related to others, and it is those others, not himself, who are the actual source of his or her advantage. As mentioned before, the motivation of others to make resources available on concessionary terms is not uniform. At the broadest level, one may distinguish between consummatory versus instrumental motivations to do so.

As examples of the first, people may pay their debts in time, give alms to charity, and obey traffic rules because they feel an obligation to behave in this manner. The internalized norms that make such behaviors possible are then appropriable by others as a resource. In this instance, the holders of social capital are other members of the community who can extend loans without fear of nonpayment, benefit from private charity, or send their kids to play in the street without concern. Coleman (1988a: S104) refers to this source in his analysis of norms and sanctions: "Effective norms that inhibit crime make it possible to walk freely outside at night in a city and enable old persons to leave their houses without fear for their safety." As is well known, an excessive emphasis on this process of norm internalization led to the oversocialized conception of human action in sociology so trenchantly criticized by Wrong (1961).

An approach closer to the undersocialized view of human nature in modern economics sees social capital as primarily the accumulation of obligations from others according to the norm of reciprocity. In this version, donors provide privileged access to resources in the expectation that they will be fully repaid in the future. This accumulation of social chits differs from purely economic exchange in two aspects. First, the currency with which obligations are repaid may be different from that with which they were incurred in the first place and may be as intangible as the granting of approval or allegiance. Second, the timing of the repayment is unspecified. Indeed, if a schedule of repayments exists, the transaction is more appropriately defined as market exchange than as one mediated by social capital. This instrumental treatment of the term is quite familiar in sociology, dating back to the classical analysis of social exchange by Simmel ([1902a] 1964), the more recent ones by Homans (1961) and Blau (1964), and extensive work on the sources and dynamics of reciprocity by authors of the rational action school (Schiff 1992, Coleman 1994).

Two other sources of social capital exist that fit the consummatory versus instrumental dichotomy, but in a different way. The first finds its theoretical underpinnings in Marx's analysis of emergent class consciousness in the industrial proletariat. By being thrown together in a common situation, workers learn to identify with each other and support each other's initiatives. This soli-

ilarity is not the result of norm introjection during childhood, but is an emergent product of a common fate (Marx [1894] 1967, Marx & Engels [1848] 1947). For this reason, the altruistic dispositions of actors in these situations are not universal but are bounded by the limits of their community. Other members of the same community can then appropriate such dispositions and the actions that follow as their source of social capital.

Bounded solidarity is the term used in the recent literature to refer to this mechanism. It is the source of social capital that leads wealthy members of a church to anonymously endow church schools and hospitals; members of a suppressed nationality to voluntarily join life-threatening military activities in its defense; and industrial proletarians to take part in protest marches or sympathy strikes in support of their fellows. Identification with one's own group, sect, or community can be a powerful motivational force. Coleman refers to extreme forms of this mechanism as "zeal" and defines them as an effective antidote to free-riding by others in collective movements (Coleman 1990, pp. 273–82; Portes & Sensenbrenner 1993).

The final source of social capital finds its classical roots in Durkheim's ([1893] 1984) theory of social integration and the sanctioning capacity of group rituals. As in the case of reciprocity exchanges, the motivation of donors of socially mediated gifts is instrumental, but in this case, the expectation of repayment is not based on knowledge of the recipient, but on the insertion of both actors in a common social structure. The embedding of a transaction into such structure has two consequences. First, the donor's returns may come not

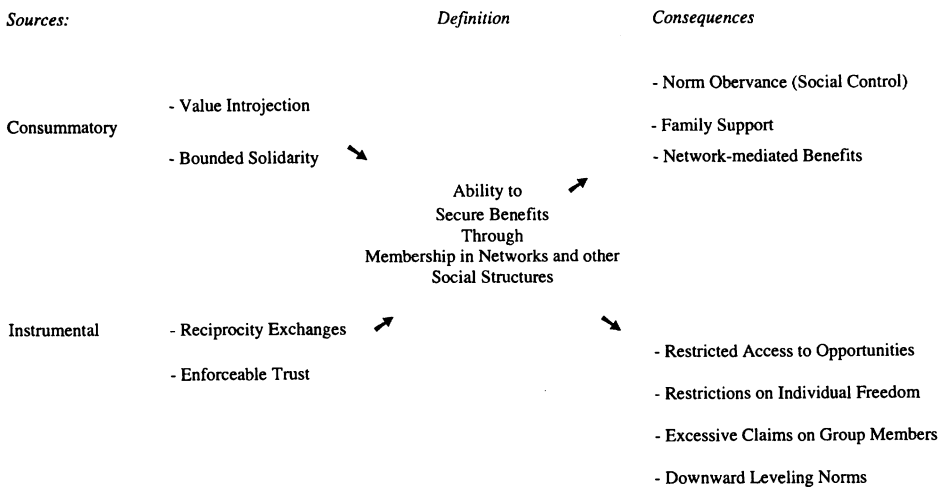


Figure 1 Actual and potential gains and losses in transactions mediated by social capital

directly from the recipient but from the collectivity as a whole in the form of status, honor, or approval. Second, the collectivity itself acts as guarantor that whatever debts are incurred will be repaid.

As an example of the first consequence, a member of an ethnic group may endow a scholarship for young co-ethnic students, thereby expecting not repayment from recipients but rather approval and status in the collectivity. The students' social capital is not contingent on direct knowledge of their benefactor, but on membership in the same group. As an example of the second effect, a banker may extend a loan without collateral to a member of the same religious community in full expectation of repayment because of the threat of community sanctions and ostracism. In other words, trust exists in this situation precisely because obligations are enforceable, not through recourse to law or violence but through the power of the community.

In practice, these two effects of enforceable trust are commonly mixed, as when someone extends a favor to a fellow member in expectation of both guaranteed repayment and group approval. As a source of social capital, enforceable trust is hence appropriable by both donors and recipients: For recipients, it obviously facilitates access to resources; for donors, it yields approval and expedites transactions because it ensures against malfeasance. No lawyer need apply for business transactions underwritten by this source of social capital. The left side of Figure 1 summarizes the discussion in this section. Keeping these distinctions in mind is important to avoid confusing consummatory and instrumental motivations or mixing simple dyadic exchanges with those embedded in larger social structures that guarantee their predictability and course.

### *Effects of Social Capital: Recent Research*

Just as the sources of social capital are plural so are its consequences. The empirical literature includes applications of the concept as a predictor of, among others, school attrition and academic performance, children's intellectual development, sources of employment and occupational attainment, juvenile delinquency and its prevention, and immigrant and ethnic enterprise.<sup>3</sup> Diversity of effects goes beyond the broad set of specific dependent variables to which social capital has been applied to encompass, in addition, the character and meaning of the expected consequences. A review of the literature makes it possible to distinguish three basic functions of social capital, applicable in a variety of contexts: (a) as a source of social control; (b) as a source of family support; (c) as a source of benefits through extrafamilial networks.

<sup>3</sup>The following review does not aim at an exhaustive coverage of the empirical literature. That task has been rendered obsolete by the advent of computerized topical searches. My purpose instead is to document the principal types of application of the concept in the literature and to highlight their interrelationships.

As examples of the first function, we find a series of studies that focus on rule enforcement. The social capital created by tight community networks is useful to parents, teachers, and police authorities as they seek to maintain discipline and promote compliance among those under their charge. Sources of this type of social capital are commonly found in bounded solidarity and enforceable trust, and its main result is to render formal or overt controls unnecessary. The process is exemplified by Zhou & Bankston's study of the tightly knit Vietnamese community of New Orleans:

Both parents and children are constantly observed as under a "Vietnamese microscope." If a child flunks out or drops out of a school, or if a boy falls into a gang or a girl becomes pregnant without getting married, he or she brings shame not only to himself or herself but also to the family. (Zhou & Bankston 1996, p. 207)

The same function is apparent in Hagan et al's (1995) analysis of right-wing extremism among East German youth. Labeling right-wing extremism a subterranean tradition in German society, these authors seek to explain the rise of that ideology, commonly accompanied by anomic wealth aspirations among German adolescents. These tendencies are particularly strong among those from the formerly communist eastern states. That trend is explained as the joint outcome of the removal of social controls (low social capital), coupled with the long deprivations endured by East Germans. Incorporation into the West has brought about new uncertainties and the loosening of social integration, thus allowing German subterranean cultural traditions to re-emerge.

Social control is also the focus of several earlier essays by Coleman, who laments the disappearance of those informal family and community structures that produced this type of social capital; Coleman calls for the creation of formal institutions to take their place. This was the thrust of Coleman's 1992 presidential address to the American Sociological Association, in which he traced the decline of "primordial" institutions based on the family and their replacement by purposively constructed organizations. In his view, modern sociology's task is to guide this process of social engineering that will substitute obsolete forms of control based on primordial ties with rationally devised material and status incentives (Coleman 1988b, 1993). The function of social capital for social control is also evident whenever the concept is discussed in conjunction with the law (Smart 1993, Weede 1992). It is as well the central focus when it is defined as a property of collectivities such as cities or nations. This latter approach, associated mainly with the writings of political scientists, is discussed in a following section.

The influence of Coleman's writings is also clear in the second function of social capital, namely as a source of parental and kin support. Intact families and those where one parent has the primary task of rearing children possess

more of this form of social capital than do single-parent families or those where both parents work. The primary beneficiaries of this resource are, of course, the children whose education and personality development are enriched accordingly. Coleman (1988a:5110) thus cites approvingly the practice of Asian immigrant mothers who not only stay at home but often purchase second copies of school textbooks to help their offspring with their homework.

A second example of this function is in McLanahan & Sandefur's monograph *Growing Up with a Single Parent* (1994), which examines the consequences of single parenthood for school achievement and attrition, teenage pregnancy, and other adolescent outcomes. Social capital tends to be lower for children in single-parent families because they lack the benefit of a second at-home parent and because they tend to change residences more often, leading to fewer ties to other adults in the community. This deficit is not the only causal factor but certainly plays an important role in bringing about less desirable educational and personality outcomes among single-parent children. Along the same lines, Parcel & Menaghan (1994a,b) have conducted extensive quantitative analyses of national surveys to examine the effect of parental work on children's cognitive and social development. They conclude that parental intellectual and other resources contribute to the forms of family capital useful in facilitating positive children outcomes, but that common beliefs about a negative effect of maternal work during early infancy are overgeneralized.

A third example is Hao's (1994) analysis of kin support and out-of-wedlock motherhood. Like financial capital, social capital influences transfers made by parents to daughters and behavioral outcomes such as teen pregnancy, educational attainment, and labor force participation. Social capital is greater in two-parent families, those with fewer children, and those where parents have high aspirations for their young. These conditions foster greater parental attention, more hours spent with children, and the emergence of an achievement orientation among adolescents.

Two interesting final examples highlight the role of family support as a counterweight to the loss of community bounds. In their longitudinal study of adolescents in Toronto, Hagan et al (1996) confirm Coleman's finding about the deleterious effect of multiple family moves on children's emotional adjustment and educational achievement. Leaving a community tends to destroy established bonds, thus depriving family and children of a major source of social capital. These authors find, however, an interaction effect leading to an exacerbation of the loss among children whose parents provide them with weak support and to a partial neutralization among those in the opposite situation. Parental support leads to higher educational achievement, both directly and indirectly through compensating for the loss of community among migrants.

Along the same lines, Gold (1995) highlights the change in parental roles among Israeli immigrant families in the United States. In Israel, close commu-

nity bonds facilitate supervision and rearing of children because other adults know the young and assume responsibility for their well-being. In the more anomic American environment, mothers are assigned the role of compensating for the lack of community ties with exclusive dedication to their children. Thus, female labor force participation is much greater in Israel than among Israelis in the United States as mothers endeavor to preserve an appropriate cultural environment for their young. Note that in both of these examples, reduction of social capital in its first form—community social bonds and control—is partially compensated by an increase of social capital in its second form, familial support.

By far, however, the most common function attributed to social capital is as a source of network-mediated benefits beyond the immediate family. This definition comes closest to that of Bourdieu (1979, 1980), for whom parental support of children's development is a source of cultural capital, while social capital refers to assets gained through membership in networks. This third function is illustrated by Anheier et al's (1995) use of blockmodeling techniques to map social ties among artists and intellectuals in the German city of Cologne. Results of their analysis show very strong networks among core members of the city's intellectual elite along with more restricted access to them for those in peripheral and commercial pursuits. From a methodological standpoint, this article is one of the most sophisticated applications of Bourdieu's ideas to the sociology of culture.

Yet, the most common use of this third form of social capital is in the field of stratification. It is frequently invoked here as an explanation of access to employment, mobility through occupational ladders, and entrepreneurial success. The idea that connections are instrumental in furthering individual mobility is central to Loury's analysis, as seen previously, and is also found among a number of authors who do not conceptualize it explicitly as social capital. Granovetter (1974), for example, coined the term "strength of weak ties" to refer to the power of indirect influences outside the immediate circle of family and close friends to serve as an informal employment referral system. The idea was original because it ran contrary to the commonsense notion that dense networks such as those available through family circles would be most effective in finding jobs. Almost two decades later, Burt (1992) built on Granovetter's insight by developing the concept of "structural holes." As we have seen, Burt did employ the term social capital and, like Bourdieu's, his definition is instrumental. In Burt's case, however, social capital is based on the relative paucity of network ties rather than on their density.

Another noteworthy early effort was by Nan Lin, Walter Ensel, and John C Vaughn (1981), *Social Resources and Strength of Ties*, which points precisely in the opposite direction. Although Lin and his colleagues did not use the term social capital, Coleman (1988a) cites their work approvingly because of a

common emphasis on dense networks as a resource. This alternative stance which, in contrast to Granovetter and Burt, may be labeled “the strength of strong ties” is also evident in other areas of the social-networks-and-mobility literature. One of the most noteworthy is the study of immigrant and ethnic entrepreneurship, in which networks and the social capital that flows through them are consistently identified as a key resource for the creation of small businesses. Light, for example, has emphasized the importance of rotating credit associations (RCAs) for the capitalization of Asian immigrant firms in the United States. RCAs are informal groups that meet periodically, with every member contributing a set amount to a common pool that is received by each in turn. Social capital in this case comes from the trust that each participant has in the continuing contribution of others even after they receive the pooled funds. Without such trust, no one will contribute and each will be deprived of this effective means to gain access to finance (Light 1984, Light & Bonacich 1988).

The role of social networks is equally important in studies of ethnic business enclaves and ethnic niches. Enclaves are dense concentrations of immigrant or ethnic firms that employ a significant proportion of their co-ethnic labor force and develop a distinctive physical presence in urban space. Studies of New York’s Chinatown (Zhou 1992); of Miami’s Little Havana (Portes 1987, Portes & Stepick 1993, Perez 1992); and of Los Angeles’ Koreatown (Light & Bonacich 1988, Nee et al 1994) consistently highlight the role of community networks as a source of vital resources for these ethnic firms. Such resources include but are not limited to start-up capital; others are tips about business opportunities, access to markets, and a pliant and disciplined labor force.

Ethnic niches emerge when a group is able to colonize a particular sector of employment in such a way that members have privileged access to new job openings, while restricting that of outsiders. Examples documented in the literature range from restaurant work and garment factories all the way to police and fire departments and certain branches of the New York and Miami civil services (Waters 1994, Doeringer & Moss 1986, Bailey & Waldinger 1991, Waldinger 1996, Stepick 1989). As in the case of enclaves, mobility opportunities through niches are entirely network-driven. Members find jobs for others, teach them the necessary skills, and supervise their performance. The power of network chains is such that entry level openings are frequently filled by contacting kin and friends in remote foreign locations rather than by tapping other available local workers (Sassen 1995).

The opposite of this situation is the dearth of social connections in certain impoverished communities or their truncated character. Since publication of Carol Stack’s *All Our Kin* (1974), sociologists know that everyday survival in poor urban communities frequently depends on close interaction with kin and friends in similar situations. The problem is that such ties seldom reach beyond

the inner city, thus depriving their inhabitants of sources of information about employment opportunities elsewhere and ways to attain them. Wacquant & Wilson (1989) and Wilson (1987, 1996) also emphasize how the departure of both industrial employment and middle-class families from black inner city areas have left the remaining population bereft of social capital, a situation leading to its extremely high levels of unemployment and welfare dependency.

The same point is central to Mercer Sullivan's (1989) comparative ethnographies of Puerto Rican, black, and working-class white youth in three New York communities. Sullivan challenges blanket assertions about youth subcultures as determinants of deviant behavior by showing that access to regular jobs and participation in deviant activities are both network mediated. As Granovetter (1974) had noted earlier, teenagers seldom find jobs; instead jobs come to them through the mediation of parents and other adults in their immediate community. Sullivan shows how such networks are much feebler in the case of black youth because of the scarcity of occupants of influential positions in the adult generation. Thrown back on their own resources, black adolescents are seldom able to compete successfully for good regular jobs; thus they become available for alternative forms of income earning.

In her analysis of teenage pregnancy in Baltimore's ghetto, Fernandez-Kelly (1995) notes how the dense but truncated networks of inner-city black families not only cut off members from information about the outside world, but simultaneously support alternative cultural styles that make access to mainstream employment even more difficult. In this isolated context, teenage pregnancy is not the outgrowth of carelessness or excess sexuality but, more commonly, a deliberate means to gain adult status and a measure of independence.

Similarly, Stanton-Salazar & Dornbush (1995) have investigated the relationship between outside social networks and academic achievement and aspirations among Mexican high school students in the San Francisco area. They find positive correlations among these variables, although the strongest associations are with bilingualism, suggesting the role of cultural capital in status attainment. In a related article, Valenzuela & Dornbush (1994) highlight the role of family networks and a familistic orientation in the academic achievement of Mexican-origin students. Paralleling the studies of Hagan et al (1996) and Gold (1995), these articles suggest that immigrant families compensate for the absence of the third form of social capital—outside networks—with an emphasis on social capital in the form of familial support, including preservation of the cultural orientations of their home country.

As in the case of the various sources of social capital outlined in the last section, it is also important to keep in mind the differing functions of the concept both to avoid confusion and to facilitate study of their interrelationships. It is



possible, for example, that social capital in the form of social control may clash with social capital in the form of network-mediated benefits, if the latter consists precisely on the ability to bypass existing norms. The capacity of authorities to enforce rules (social control) can thus be jeopardized by the existence of tight networks whose function is precisely to facilitate violation of those rules for private benefit. These paradoxical outcomes point to the need of a closer look at the actual and potential gainers and losers in transactions mediated by social capital. The right side of Figure 1 summarizes the previous discussion and that of the next section.

### *Negative Social Capital*<sup>4</sup>

The research literature on social capital strongly emphasizes its positive consequences. Indeed it is our sociological bias to see good things emerging out of sociability; bad things are more commonly associated with the behavior of homo economicus. However, the same mechanisms appropriate by individuals and groups as social capital can have other, less desirable consequences. It is important to emphasize them for two reasons: first, to avoid the trap of presenting community networks, social control, and collective sanctions as un-mixed blessings; second, to keep the analysis within the bounds of serious sociological analysis rather than moralizing statements. Recent studies have identified at least four negative consequences of social capital: exclusion of outsiders, excess claims on group members, restrictions on individual freedoms, and downward leveling norms. I summarize them next.

First, the same strong ties that bring benefits to members of a group commonly enable it to bar others from access. Waldinger (1995) describes the tight control exercised by white ethnics—descendants of Italian, Irish, and Polish immigrants—over the construction trades and the fire and police unions of New York. Other cases include the growing control of the produce business by Korean immigrants in several East Coast cities, the traditional monopoly of Jewish merchants over the New York diamond trade, and the dominance of Cubans over numerous sectors of the Miami economy. In each instance, social capital generated by bounded solidarity and trust are at the core of the group's economic advance. But, as Waldinger (1995, p. 557) points out, "the same social relations that...enhance the ease and efficiency of economic exchanges among community members implicitly restrict outsiders."

Ethnic groups are not the only ones that use social capital for economic advantage. Two centuries ago, Adam Smith ([1776] 1979, p. 232) complained that meetings of merchants inevitably ended up as a conspiracy against the public. The public, of course, are all those excluded from the networks and mu-

<sup>4</sup>This section is partially based on Portes & Sensenbrenner (1993) and Portes & Landolt (1996).

tual knowledge linking the colluding groups. Substitute for “merchants” white building contractors, ethnic union bosses, or immigrant entrepreneurs, and the contemporary relevance of Smith’s point becomes evident.

The second negative effect of social capital is the obverse of the first because group or community closure may, under certain circumstances, prevent the success of business initiatives by their members. In his study of the rise of commercial enterprises in Bali, Geertz observed how successful entrepreneurs were constantly assaulted by job and loan-seeking kinsmen. These claims were buttressed by strong norms enjoining mutual assistance within the extended family and among community members in general (Geertz 1963). The result was to turn promising enterprises into welfare hotels, checking their economic expansion.

Granovetter (1995), who calls attention to this example, notes that it is an instance of the problem that classic economic development theory identified among traditional enterprises. Weber ([1922] 1965) made the same point when he stressed the importance of impersonal economic transactions guided by the principle of universalism as one of the major reasons for Puritan entrepreneurial success. Thus, cozy intergroup relations of the kind found in highly solidary communities can give rise to a gigantic free-riding problem, as less diligent members enforce on the more successful all kinds of demands backed by a shared normative structure. For claimants, their social capital consists precisely of privileged access to the resources of fellow members. In the process, opportunities for entrepreneurial accumulation and success are dissipated.<sup>5</sup>

Third, community or group participation necessarily creates demands for conformity. In a small town or village, all neighbors know each other, one can get supplies on credit at the corner store, and children play freely in the streets under the watchful eyes of other adults. The level of social control in such settings is strong and also quite restrictive of personal freedoms, which is the reason why the young and the more independent-minded have always left. Boissevain (1974) reports such a situation in his study of village life in the island of Malta. Dense, “multiplex”<sup>6</sup> networks tying inhabitants together created the

<sup>5</sup>A related problem has been observed in inner city neighborhoods where kin networks form a key survival resource through mutual assistance and ready access to favors and small loans. By the same token, the norm that dictates that incoming resources (such as a money prize) be shared with relatives and friends effectively prevents any sustained accumulation or entrepreneurial investment by individuals. Those wishing to pursue that route must distance themselves from their former partners (see Uehara 1990, Fernandez-Kelly 1995, Stack 1974).

<sup>6</sup>Multiplexity refers to overlapping social networks where the same people are linked together across different roles. In small towns, for example, the same individuals may be simultaneously kin, neighbors, and co-workers thus intensifying the intensity and capacity for mutual monitoring of their ties (Boissevain 1974, p. 31–33).

ground for an intense community life and strong enforcement of local norms. The privacy and autonomy of individuals were reduced accordingly.

This is an expression of the age-old dilemma between community solidarity and individual freedom analyzed by Simmel ([1902] 1964) in his classic essay on “The Metropolis and Mental Life.” In that essay, Simmel came out in favor of personal autonomy and responsibility. At present, the pendulum has swung back, and a number of authors are calling for stronger community networks and norm observance in order to re-establish social control. This may be desirable in many instances, but the downside of this function of social capital must also be kept in mind.

Constraints on individual freedom may be responsible for Rumbaut’s findings that high levels of familistic solidarity among recent immigrant students are negatively related to four different educational outcomes, including grades and standardized test scores. According to this author, “family ties bind, but sometimes these bonds constrain rather than facilitate particular outcomes” (Rumbaut 1977, p. 39).

Fourth, there are situations in which group solidarity is cemented by a common experience of adversity and opposition to mainstream society. In these instances, individual success stories undermine group cohesion because the latter is precisely grounded on the alleged impossibility of such occurrences. The result is downward leveling norms that operate to keep members of a down-trodden group in place and force the more ambitious to escape from it. In his ethnographic research among Puerto Rican crack dealers in the Bronx, Bourgois (1991, 1995) calls attention to the local version of this process, which singles out for attack individuals seeking to join the middle-class mainstream. He reports the views of one of his informants:

When you see someone go downtown and get a good job, if they be Puerto Rican, you see them fix up their hair and put some contact lenses in their eyes. Then they fit in and they do it! I have seen it! . . . Look at all the people in that building, they all “turn-overs.” They people who want to be white. Man, if you call them in Spanish it wind up a problem. I mean like take the name Pedro—I’m just telling you this as an example—Pedro be saying (imitating a whitened accent) “My name is Peter.” Where do you get Peter from Pedro? (Bourgois 1991, p. 32)

Similar examples are reported by Stepick (1992) in his study of Haitian-American youth in Miami and by Suarez-Orozco (1987) and Matute-Bianchi (1986, 1991) among Mexican-American teenagers in Southern California. In each instance, the emergence of downward leveling norms has been preceded by lengthy periods, often lasting generations, in which the mobility of a particular group has been blocked by outside discrimination. That historical experience underlines the emergence of an oppositional stance toward the mainstream and a solidarity grounded in a common experience of subordination.

Once in place, however, this normative outlook has the effect of helping perpetuate the very situation that it decries.

Notice that social capital, in the form of social control, is still present in these situations, but its effects are exactly the opposite of those commonly celebrated in the literature. Whereas bounded solidarity and trust provide the sources for socioeconomic ascent and entrepreneurial development among some groups, among others they have exactly the opposite effect. Sociability cuts both ways. While it can be the source of public goods, such as those celebrated by Coleman, Loury, and others, it can also lead to public “bads.” Mafia families, prostitution and gambling rings, and youth gangs offer so many examples of how embeddedness in social structures can be turned to less than socially desirable ends. The point is particularly important as we turn to the more recent and more celebratory versions of social capital.

### *Social Capital as a Feature of Communities and Nations*<sup>7</sup>

As seen in previous sections, sociological analyses of social capital have been grounded on relationships between actors or between an individual actor and a group. Throughout, the focus has been on the potential benefit accruing to actors because of their insertion into networks or broader social structures. An interesting conceptual twist was introduced by political scientists who equate social capital with the level of “civicness” in communities such as towns, cities, or even entire countries. For Robert Putnam, the most prominent advocate of this approach, social capital means “features of social organizations, such as networks, norms, and trust, that facilitate action and cooperation for mutual benefit.” The collective character of this version of the concept is evident in the next sentence: “Working together is easier in a community blessed with a substantial stock of social capital” (Putnam 1993, pp. 35–36).

In practice, this stock is equated with the level of associational involvement and participatory behavior in a community and is measured by such indicators as newspaper reading, membership in voluntary associations, and expressions of trust in political authorities. Putnam is not shy about the expected reach and significance of this version of social capital:

This insight turns out to have powerful practical implications for many issues on the American national agenda—for how we might overcome the poverty and violence of South Central Los Angeles...or nurture the fledgling democracies of the former Soviet empire. (Putnam 1993: 36, 1996)

The prospect of a simple diagnosis of the country’s problems and a ready solution to them has attracted widespread public attention. Putnam’s article, “Bowling Alone: America’s Declining Social Capital,” published in the *Jour-*

<sup>7</sup>This section is partially based on Portes & Landolt (1996).

*nal of Democracy* in 1995, created something of a sensation, earning for its author a tête-à-tête with President Clinton and a profile in *People* magazine. The nostalgic image evoked by the lonely bowler resonated with many powerful members of the American establishment and even inspired passages in Clinton's State of the Union address in 1995 (Pollitt 1996, Lemann 1996). Putnam buttressed his case with figures about rapidly declining levels of voting and membership in such organizations as the PTA, the Elks Club, the League of Women Voters, and the Red Cross. He then identified the immediate determinant of the decreasing national stock of social capital, namely the passage from the scene of the civic generation active during the 1920s and 1930s and the succession of an uncivic generation—the baby boomers—born and raised after World War II:

...the very decades that have seen a national deterioration in social capital are the same decades during which the numerical dominance of a trusting and civic generation has been replaced by this domination of post-civic cohorts.... Thus a generational analysis leads almost inevitably to the conclusion that the national slump in trust and engagement is likely to continue. (Putnam 1996, pp. 45–46)

Critics have focused on the question of whether voluntarism and civic spirit have actually declined in America and on the unacknowledged class bias in Putnam's thesis. Lay reviewers such as Lemann in *The Atlantic Monthly* and Pollitt in *The Nation* questioned whether American civic virtue is on the wane or has simply taken new forms different from the old-style organizations cited in Putnam's article. They also note the elitist stance of the argument, where responsibility for the alleged decline of social capital is put squarely on the leisure behavior of the masses, rather than on the economic and political changes wrought by the corporate and governmental establishment. In her trenchant review of Putnam's thesis, Skocpol (1996, p. 25) also stresses this point:

How ironic it would be if, after pulling out of locally rooted associations, the very business and professional elites who blazed the path toward local civic disengagement were now to turn around and successfully argue that the less privileged Americans they left behind are the ones who must repair the nation's social connectedness....

These critiques are valid but do not address a more fundamental problem with Putnam's argument, namely its logical circularity. As a property of communities and nations rather than individuals, social capital is simultaneously a cause and an effect. It leads to positive outcomes, such as economic development and less crime, and its existence is inferred from the same outcomes. Cities that are well governed and moving ahead economically do so because they have high social capital; poorer cities lack in this civic virtue. This circularity is well illustrated in passages like the following:

Some regions of Italy... have many active community organizations.... These "civic communities" value solidarity, civic participation, and integrity. And here democracy works. At the other end are "uncivic" regions, like Calabria and Sicily, aptly characterized by the French term *incivisme*. The very concept of citizenship is stunted here. (Putnam 1993, p. 36)

In other words, if your town is "civic," it does civic things; if it is "uncivic," it does not.

Tautology in this definition of social capital results from two analytic decisions; first, starting with the effect (i.e. successful versus unsuccessful cities) and working retroactively to find out what distinguishes them: second, trying to explain all of the observed differences. In principle, the exercise of seeking to identify post-factum causes of events is legitimate, provided that alternative explanations are considered. In fairness to Putnam, he does this in his analysis of differences between the well-governed towns of the Italian north and the poorly governed ones of the south (Putnam 1993, Lemann 1996). Such retroactive explanations can only be tentative, however, because the analyst can never rule out other potential causes and because these explanations remain untested in cases other than those considered.

More insidious, however, is the search for full explanation of all observed differences because the quest for this prime determinant often ends up by relabeling the original problem to be explained. This happens as the elimination of exceptions reduces the logical space between alleged cause and effect so that the final predictive statement is either a truism or circular.<sup>8</sup> In Putnam's analysis of Italian cities, such factors as differences in levels of economic development, education, or political preferences proved to be imperfect predictors. Thus, the search for a prime determinant gradually narrowed to something labeled (following Machiavelli) *virtu civile* (civic virtue). It is present in those cities whose inhabitants vote, obey the law, and cooperate with each other and whose leaders are honest and committed to the public good (Putnam 1993, 1995).

The theory then goes on to assert that civic virtue is the key factor differentiating well-governed communities from poorly governed ones. It could hardly be otherwise given the definition of the causal variable. Thus, cities where everyone cooperates in maintaining good government are well governed. To avoid saying the same thing twice, the analyst of social capital must observe certain logical cautions: first, separating the definition of the concept, theoretic-

<sup>8</sup>The method of analytic induction, popular in American sociology in the 1940s and 1950s, consisted precisely in this process of seeking to explain all cases and gradually eliminate all exceptions. It went rapidly out of favor when it was discovered that it basically gave rise to tautologies by redefining the essential characteristics of the phenomenon to be explained. The only way of guaranteeing closure or zero exceptions turns out to be an explanation that is a logical corollary of the effect to be explained. On analytic induction, see Turner (1953) and Robinson (1951).

cally and empirically, from its alleged effects; second, establishing some controls for directionality so that the presence of social capital is demonstrably prior to the outcomes that it is expected to produce; third, controlling for the presence of other factors than can account for both social capital and its alleged effects; fourth, identifying the historical origins of community social capital in a systematic manner.

This task is doable, but time-consuming. Instead, the intellectual journey that transformed social capital from an individual property into a feature of cities and countries tended to disregard these logical criteria. The journey was fast, explaining major social outcomes by relabeling them with a novel term and then employing the same term to formulate sweeping policy prescriptions. While I believe that the greatest theoretical promise of social capital lies at the individual level—exemplified by the analyses of Bourdieu and Coleman—there is nothing intrinsically wrong with redefining it as a structural property of large aggregates. This conceptual departure requires, however, more care and theoretical refinement than that displayed so far.<sup>9</sup>

### *Conclusion*

Current enthusiasm for the concept reviewed in this article and its proliferating applications to different social problems and processes is not likely to abate soon. This popularity is partially warranted because the concept calls attention to real and important phenomena. However, it is also partially exaggerated for two reasons. First, the set of processes encompassed by the concept are not new and have been studied under other labels in the past. Calling them social capital is, to a large extent, just a means of presenting them in a more appealing conceptual garb. Second, there is little ground to believe that social capital will provide a ready remedy for major social problems, as promised by its bolder proponents. Recent proclamations to that effect merely restate the original problems and have not been accompanied so far by any persuasive account of how to bring about the desired stocks of public civiness.

At the individual level, the processes alluded to by the concept cut both ways. Social ties can bring about greater control over wayward behavior and provide privileged access to resources; they can also restrict individual freedoms and bar outsiders from gaining access to the same resources through particularistic preferences. For this reason, it seems preferable to approach these

<sup>9</sup>A promising effort in this direction has been made by Woolcock (1997), who seeks to apply the concept of social capital to the analysis of national and community development in Third World countries. After an extensive review of the literature, he notes that “definitions of social capital should focus primarily on its sources rather than its consequences since long-term benefits, if and when they occur, are the result of a combination of different. . . types of social relations, combinations whose relative importance will, in all likelihood, shift over time” (Woolcock 1997, p. 35).

manifold processes as social facts to be studied in all their complexity, rather than as examples of a value. A more dispassionate stance will allow analysts to consider all facets of the event in question and prevent turning the ensuing literature into an unmitigated celebration of community. Communitarian advocacy is a legitimate political stance; it is not good social science. As a label for the positive effects of sociability, social capital has, in my view, a place in theory and research provided that its different sources and effects are recognized and that their downsides are examined with equal attention.

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