Chapter II
Conceptual and Theoretical Foundations of Social Capital

INTRODUCTION

Social capital is a complex multifaceted and litigious theory, discussed in the Social Sciences and the Humanities. It is a theory which researchers have increasingly questioned its scientific legitimacy and yet paradoxically many other researchers continuously use it as a conceptual and theoretical framework to explain the structural and functional operations of communities. This chapter discusses work done on the theory. It covers some of the theoretical controversy with a goal of aligning its conceptualization and distinguishing it from other types of capitals.

This chapter presents the basic theoretical and conceptual foundations of social capital. The aim is to present the reader with a basic understanding of what constitutes social capital, by opening discussion about various forms of capital(s)—as discussed in the disciplines of Economics and Sociology. Second, the chapter discusses the origin of the theory as well as the work of key scholars who have contributed to the development of the theory. Furthermore, in order to identify the strengths and the weaknesses of the theory, the chapter provides the reader with analysis of benefits and shortcomings of social capital both as a theoretical and analytical tool for studying communities.

THE CLASSICAL ECONOMIC CAPITAL

Economics is a Social Science discipline concerned with how society allocates its scarce resources in the face of limited choices on the alternative use of the same resources to attain different outcomes. An underlying principle of opportunity cost—the ability to forgo certain decisions in order to attain specific outcomes is fundamental to Economic thought. This principle guides rational individuals to make wise choices in situations where there are shortages of resources.

The principle of opportunity cost is best illustrated by the example. In 2008, it seems the world's economy came to a state of recession. Nations in North America and elsewhere were faced by difficult choices regarding how much resource to deploy on national economy to avoid increasing failures in stock markets and curb an imminent economic depression. One possibility was to stimulate the economy through lending money to banks to maintain line of credits for individuals and businesses. Another possibility would be for a government to overspend or head for financial deficit. Each of these two possibilities has associated benefits and disadvantages. A rational government would make rational analysis and informed decisions in choosing either one of them. The expectation is that an informed and rational decision is considered cost-effective, yielding outcomes that would not subject the government at a great disadvantage or put its economy back to state of recession.

Making informed, efficient and effective choices are core to the basic principles of Economics. For hundreds and thousands of years, the discipline of Economics has enormously provided us with tools and knowledge to effectively and efficiently make effective choices that might have positive ramifications to a nation's well-being through paying close attention to how resources are produced and consumed. In Economics, resources are presented as goods and services. Many of the classic Economics theories are devoted to the explanation of resources (goods and services) understood as "capital". Economists treat capital as a human-made tool of production. It is a good or service produced for the use and more production of other goods and services. But Capital in Economics is only one of the three factors of production, the others being land and labor.

Together, all three factors of production are considered critical input to any economic production system. They are responsible for producing consumable goods and services. If a nation fails to carefully deploy goods and services, many social amenities will underperform. For example, health care systems will be enormously strained with long wait time, schools will be poorly equipped, physical and technological infrastructures such as roads and bridges, computer and telephone networks will not work efficiently. More than a resource, in Economics, a good or service is anything that satisfies a need (desire). Goods can be classified to tangible or intangible goods. Tangible goods are physical items such as cars, buildings and

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