Integrative Literature Reviews: Heterodox Economics, Social Capital, and HRD: Moving Beyond the Limits of the Neoclassical Paradigm

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Heterodox Economics, Social Capital, and HRD: Moving Beyond the Limits of the Neoclassical Paradigm

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Social capital concepts and theories have brought about an evolution of thinking in the field of economics and expanded the boundaries that traditionally separated economics and other social science disciplines. Traditional (e.g., neoclassical) economics with its relatively undersocialized view of human nature—where individuals are seen as autonomous, rational decision makers—has had to develop new ways of understanding how “the social” influences affect economic behavior. Much of the theorizing around social capital has actually evolved from disciplines outside of economics, which has led to a truly multidisciplinary and evolving theoretical base. This article examines the most highly cited social capital theories, identifies their economic foundations, and analyzes how economic theories have been incorporated into the development of alternative social capital theories. It is then examine how heterodox economics might potentially influence HRD and suggest that a more nuanced understanding of the theoretical foundations of social capital will generate better and more diverse HRD theories and practices.

Keywords: Social Capital, Heterodox Economics, HRD Theory

In human resource development (HRD) and management, the concept of social capital is increasingly being used to diagnose organizational problems (Cross & Parker, 2004) as well as to craft HRD interventions (Storberg-Walker & Gubbins, 2007). Although a single definition has not emerged in the literature, social capital is about the value of connections (Borgatti & Foster, 2003).
It is a way to conceptualize a combination of relationships and resources—that is, social capital is a set of resources made available to us because of and/or through our social relationships. Social capital is increasingly considered to be an important element of successful organizational performance, as well as a key contributor to organizational learning (Harrison & Kessels, 2004).

The purpose of this article is to illuminate the connections between social capital, HRD research and practice, and the diverse economic theories and ideas that explain how and why social capital works. Whereas the literature on social capital has exploded during the past 10 to 15 years and the phenomenon is being studied in dozens of contexts, this article narrows its scope to explore social capital theories and their economic foundations that have or can inform domains of HRD research and practice. Although this article is limited in its scope to an analysis of the most-cited Web of Science articles; future studies can address the contributions of a wider range of social capital research with direct relevance to HRD, and also critique the economic foundations of such research.

It is most important at the outset of this article to affirm that the discipline of economics is not a uniform monolith of intellectual and theoretical consensus. This fact needs to be made clear at the beginning of this discussion because of its profound impact on understanding the economic foundations of HRD—especially as related to how social capital is viewed from alternative economic perspectives and can contribute toward HRD research and practice. There are distinctions, debates, and disagreements within the discipline of economics that are increasingly dividing economists—indeed some are beginning to predict a splintering in the field itself (Garnett, 2006). It is important that we in HRD understand the evolution of the theory base of social capital in the context of these growing divisions in the field of economics, so that we consciously choose and use economic theory to inform HRD research and practice.

The divisions within the discipline of economics can be understood in a number of alternative ways. One increasingly popular way to categorize a division in economics is to parse out alternative thinking into two camps: orthodox and heterodox economics. Orthodox economic thought generally follows neoclassical economic beliefs, including a focus on the individual actor (methodological individualism), an assumption of rationality, and a concern with the utility of decisions. Heterodox economic thought includes a diverse range of streams or “schools” of thought which can best be described as “not orthodox” (Wrenn, 2006a). Most heterodox economists, though, challenge the foundational concept of individual rationality on which the orthodox economic theories are based. Some economists view the distinction between orthodox and heterodox as radically alternative conceptions of reality (Fine & Green, 2000), but others see the distinction less philosophically and are in favor of pluralism (Garnett, 2006) in economic assumptions, methods, and beliefs.

Another way to dissect economics is to differentiate positive from normative economics. Positive economics basically seeks to describe “what is” the
workings of economic systems. Normative economics seeks to describe “what should be” happening in economic systems to improve or enhance some (usually) noneconomic characteristic, such as quality of life, the environment, or sustainability with limited resources. The “what should be” perspective is seen as inserting value judgments into economics; the “what is” perspective claims objectivity and value neutrality. Many social scientists would question this claim by suggesting that the claim itself is a result of a consensus surrounding a particular value (e.g., democratic capitalism, economic growth, rational decision making). These distinctions are important to our discussion of social capital because social capital is used both descriptively and prescriptively. Social capital theories can describe why developmental efforts failed, as well as prescribe certain policy decisions (Woolcock, 1998). So while the discipline of economics distinguishes positive from normative theories, applying the distinction to social capital is helpful for our discussion only as an example of how economic thinking is being stretched into new territory.

Clearly, it is impossible to argue that the field of economics offers a singular way to understand the theoretical foundations, purpose, scope, domain, or application of social capital theories within HRD. Consequently, this article presents a pluralistic view of economic contributions to social capital in order to serve the pluralistic and sometimes competing perspectives within the profession of HRD. The first section of the article provides a general overview of economics, and introduces some of the key distinctions between alternative economic perspectives. The second section presents the most influential (as identified by Web of Science citations) social capital research or theories that are relevant to HRD, and examines each theory to understand how different economic perspectives may have informed the work. This section comprises the bulk of the article and is primarily focused on social capital theory. The third and final section is focused on developing the future implications for an enhanced social capital concept containing diverse economic foundations for the profession of HRD.

**Splintering Within the Profession of Economics: Implications for Social Capital**

The discipline of economics is currently undergoing a potentially radical transition. If Thomas Kuhn (1962) were observing the trends in the field, he would point to the emergence and increasing prevalence of anomalies; that is, theorists and ideas pointing to the inadequacies of the prevailing paradigm and proposing rivals to the established framework of thought. Although it remains to be seen whether the transition that characterizes the field of economics today will result in a Kuhnian paradigm shift, it must be recognized that social capital has actually been one of the key theoretical domains on the “front lines” pushing the debates that have emerged between the orthodox paradigm that has for so long characterized economics and the emerging heterodox perspective that is gaining ground (Fine & Green, 2000). This is because
the concept of social capital expands economics beyond its traditional research areas. In fact, some economists have even “questioned the validity of classifying social interactions as a form of capital” (Chou, 2006, p. 889).

Thus, it is important to contextualize the exploration of social capital within this broader debate within the field of economics so that the reader of this article can be up-to-date and somewhat fluent about this emerging and continually evolving concept. The emergence of social capital is seen as a new way to package something old (Portes, 1998), as the encroachment of economics into social science (Fine & Green, 2000), and as described earlier, as a way to describe and prescribe economic activity. The key problem surrounding social capital is that it calls into question a very fundamental economic assumption on which all formal mathematical theories are built. The assumption is about the role of the social in economic decision making and behavior. Social determinants of economic behavior are of secondary concern to mainstream economists; their primary concern is to understand the individual, utility-maximizing economic behaviors demonstrated by rational individuals. On the other end of the spectrum are economic sociologists (Portes, 1998) who place primary research emphasis on understanding the role of social structure on individual behaviors.

From individual to structure, or from structure to individual, or somewhere in between, scholars begin with a basic belief of how things work. Those believing that individual action (e.g., agency) is the way to understand economic behavior take the more orthodox, traditional view of economics. Alternatively, those who question the emphasis (or primacy) of the individual in economic analysis take a different view that can include heterodox economists as well as economic sociologists. You can see that the key debate here focuses on balance between individual action and social structure. These two components are social capital; consequently, understanding each perspective is helpful to understand how economic theories contribute toward social capital theories that are relevant to HRD. The sections below briefly describe the current divisions within the field of economics, with an aim to help the reader understand the implications of the splintering for the theory and research on social capital.

**Orthodoxy and Heterodoxy**

Economics as a profession was predominantly influenced by economists ascribing to the neoclassical school of thought throughout much of the 19th century (Portes, 1998). This school of thought came to define the mainstream (or orthodox) view of economics and economic behavior because its key assumptions were, and for many still are, so widely accepted. These assumptions all support the belief that a rational, utility optimizing, individual decision maker should be the unit of analysis for economic research. A survey of economics historians conducted by Wrenn (2006b) found a general consensus that orthodox economics was considered an amalgam of three economic schools of thought—primarily the neoclassical, the Walrasian, and the Chicago school.
However, in the mid-to-late 20th century (from about 1945 on), dissent against the mainstream began to result in the emergence of distinct groups of economists who ascribed to different sets of assumptions and wished to think differently about economic behavior. Although certainly not an exhaustive list, the Wrenn (2006b) survey of economics historians identified the Marxist/Radical, the neo-Ricardian/Sraffians, the Original (Old) Institutionalists, and the post-Keynesians as a part of this growing list of groups that appear in the scholarly literature. Each of these groups, and others including feminist economics, vary widely in their theorizing and may even still be questioned regarding their legitimacy. However, they do share one thing in common—they are decidedly outside of the mainstream (or orthodox) traditions. They are classified as *heterodox economists*—a term used to loosely bind together those separate schools of thought within economics that employ nonorthodox ideas and approaches (Wrenn, 2006b). In the past 10 years there has been a distinct growth of disciplinary organizations and publications to foster heterodox economics. For example, a Web portal hosted by the Association for Heterodox Economics lists 33 different professional associations or organizations that encourage non-neoclassical economic research (http://www.open.ac.uk/socialsciences/hetecon/societies.htm).

The sections below detail some of the key assumptions and approaches that distinguish orthodoxy and heterodoxy—first more broadly and then specifically as relevant for our exploration of social capital. We, of course, acknowledge that the lines between orthodox and heterodox are blurry, and very few individuals fit neatly in only one school of thought. However, this distinction is currently thriving, albeit contested, within the field of economics itself (Garnett, 2006; Hodgeson, 2006; Lawson; 2006; Sen, 2000; Wrenn, 2006a, 2006b), and it is useful to more richly and multidimensionally understand economics and social capital from these perspectives.

**Orthodox Economic Perspective**

Orthodox economic theories are commonly viewed as sharing a few important ideas and assumptions. Orthodox economists usually rely on mathematical-deductive modeling. The orthodox tradition seeks to develop models that explain and predict economic functioning. A fundamental assumption is that individual actors make utility-maximizing decisions to maximize their return. Economists sharing this view seek to explain the relationships between individuals, scarce resources, and the market, primarily through formal mathematical modeling and statistical methods (Arrow, 2001). The usual unit of analysis for orthodox research is the individual; this is known as methodological individualism. Individual decisions are the keystone of the formal models produced, and articles with these models represent the majority of published articles in leading economic journals. Forces or influences affecting individual decision
making are usually considered exogenous (outside the domain of) individual rational choice. This last factor is critical to our discussion of social capital because a “pure” orthodox perspective would likely say that social capital is a noneconomic concept, and its use in economic theory would result in “bad” economics. Orthodox economic theories have not traditionally been contingent on issues of context, culture, social structure, and history—these categories were either controlled for or were not addressed.

In reality, however, it may be difficult today to identify a “pure” orthodox perspective. Even in the discipline of economics there is an increasing acceptance that noneconomic factors, such as things like government and culture, are increasingly important to growth and development economic theories (Arrow, 2001). And whereas some orthodox schools of thought espouse “pure” rational and objective individualism, others contest the claim and suggest that, in fact, orthodox economics does embrace social structure in developing models and formal theory (Arrow, 1994). So rather than making an absolute claim for objectivity, rationality, utility maximization, and methodological individualism, it may be more helpful for our analysis of social capital theories and HRD to view orthodox economics along a spectrum or more or less influenced by social structure. This perspective suggests that orthodox economic theories can balance the individual action versus social structure explanation in a variety of ways, rather than offering a singular economic foundation of “pure” objectivity, rationality, and profit-maximizing individuals.

Orthodox economics and social capital. With the above introduction to orthodoxy as context, social capital theories can be more or less understood as grounded in an assumption of utilitarian, profit-maximizing individual decision making. Orthodox economic perspectives on the “more utilitarian” side of the spectrum have been instrumental in the development of social capital theories in applied disciplines, including sociology (Coleman, 1998; Lin, 2001), management (Adler & Kwon, 2002), and HRD (Storberg-Walker & Gubbins, 2007). Social capital theories that are “more” rational and utilitarian include Coleman (1994) and Lin (2000). These theories are built from the idea that individuals make rational decisions and seek to maximize return (Lin, 2000; Storberg, 2002) in the context of their social relations. It is important to note that the orthodox-influenced social capital theories do not represent a “pure” orthodox perspective in two additional important ways. First, although these theories are largely influenced by the ideas of rational choice and utility maximization, the theories are not represented by the formal mathematical models that are the “coin of the realm” for orthodox economic journals. Typically, these social capital theories are represented by figures and/or rhetorical text. Second, the research methods (e.g., quantitative, survey, and social network analysis methods) are not the same methods used for “pure” orthodox mathematical modeling. Although the methods used are certainly informed by the orthodox perspective, which assumes objectivity and other related postpositivist
assumptions, they are typically considered to be far less rigorous than the mathematical-deductive modeling that orthodox economic theory is so well-known for. These differences illustrate how orthodox economic theories have been modified or amended to address the social components of social capital theories.

**Heterodox Economic Perspective**

In general, heterodoxy challenges the idea that rational individual decision making *alone* can explain economic outcomes (Arrow, 2000; Sen, 2000). However, scholars argue whether there is a singular definition of heterodox economics, other than its opposition to orthodoxy. “In economics, at least, beyond this rejection of the orthodoxy there is no single unifying element that we can discern that characterizes heterodox economics” (Colander et al., 2004, p. 492 as cited in Lawson, 2006, p. 485). Although the debate continues, scholars have made several suggestions about what differentiates heterodox thinking from orthodox thinking. We provide some overview here.

Heterodox theorists start from the assumption that individual actions are embedded in some type of social network, and scholars from multiple disciplines agree that some reciprocal effect exists between individual action and social structure (Arrow, 2000; Becker, 1963; Coleman, 1994; Lin, 2000; Solow, 1999; Storberg-Walker & Gubbins, 2007). The Wrenn (2006b) study found that heterodoxy was associated with a number of “not orthodox” components, including (in decreasing relevance) different theory, different methodology, different research agenda, varied historical and cultural approaches, general criticisms, rejection of rationality, interdisciplinary approach, different political leanings, and rejection of positivism. These findings are important to the growth and development of heterodox thought, as well as to the legitimacy of the heterodox project altogether.

In a different analysis, Wrenn (2006a) suggested that the primary difference between heterodox and orthodox economics is how individual human agency is theorized. To heterodox economists, agency (or action) is a result of a complex interaction between individual mental models and the environment. To orthodox economists, agency (or action) is a result of an independent, objective calculation of costs and benefits with the purpose of maximizing some return. Heterodox economists are somewhat united in that the traditional theory of agency in economics does not capture the complex social and cognitive realities of human decision making. Heterodox economics “provides a descriptively richer, contextually subjective, and fuller illustration of the individual than that given by the orthodoxy’s rational, optimizing, economic man” (Wrenn, 2006a, p. 489).

Lawson (2006) presented another perspective on heterodox economics. He argued that heterodox economics share key assumptions about method and ontology. Heterodox economists, according to Lawson, reject that
mathematical-deductivist reasoning methods are appropriate for understanding complex social realities. These heterodox economists have a different ontological orientation: They are more likely to embrace alternative methods and theories about economic behavior. Consequently, they view a disconnect between the assumptions underlying orthodox methods (mathematical deductivism) and the social reality within which economic behavior exists.

_Heterodox economics and social capital._ The differences described above are important for our understanding of social capital. Social capital theories drawing from (or generated by) heterodox perspectives contain concepts, ideas, or assumptions that differ from orthodox perspectives primarily in two ways. First, how agency (individual action) is understood is one way to distinguish orthodox from heterodox theoretical foundations. Social capital theories with heterodox theoretical foundations will generally acknowledge the importance of individual mental models, emphasize the interaction between actor and structure, and/or contain more subjective types of concepts such as motivation and trust. Social capital theories with a stronger orthodox perspective will emphasize rational decision making and objectivity.

An example of a heterodox influenced social capital theory is offered by Adler and Kwon (2002). This seminal theory of social capital contains motivation as a key concept that helps to explain how and why social capital is generated. Including motivation as a concept signals that the theory has moved beyond “pure” orthodox assumptions by its focus on a context-dependent subjective state of being. It is interesting to note that the theory is also an example of the difficulties with creating social capital theories with consistent theoretical foundations. Adler and Kwon (2002) acknowledge that by including motivation in their theory of social capital, they are contradicting certain assumptions of orthodox economics.

A second way to distinguish orthodox from heterodox social capital theories is by how the theory is used. HRD research and practice adopting a social capital theory with heterodox foundations would likely use the concept of social capital differently—to study different phenomena, ask different questions, and use different research methods (e.g., not relying exclusively on formal modeling and deductive reasoning). Social capital theories informed by orthodox foundations will generally be concerned with understanding behaviors that explain or predict economic growth or development. Social capital theories informed by heterodox foundations will be more likely to be concerned with understanding the interplay between behaviors and social structures that could impede economic growth, public health, or social mobility.

This section has broadly described how alternative economic perspectives influence social capital theories. The next section provides detailed examples of social capital theories that are relevant to HRD, and illustrates how economic theories support and explain how and why social capital works.
Examining the Economic Foundations of Influential Social Capital Theories

For this article, the ISI Web of Science was used to identify the most influential peer-reviewed journal articles in the keyword search “social capital.” The number of citations was used as an indicator of influence, and the top 10 cited journal articles were considered for inclusion in this analysis. First, the article titles were reviewed, and titles that were not aligned with one of the four HRD domains were identified. Second, the article abstracts were examined to ensure relevance to the HRD domains. There was one article in the top 10 cited works that was excluded based on this review. This article was excluded because it was the only one of the top 10 that did not have social capital as the primary focus of the research; the article in question focused on human capital and social security. Consequently, this highly cited article appeared in the “social capital” keyword search, but did not include the concept. The remaining nine articles are included in Table 1 below. For each article, the author, year of publication, title, number of ISI citations, general description, and economic influences, are provided in the table.

The discipline of economics has influenced the development of social capital theories in distinct and varied ways, as evidenced by reviewing the ISI most cited scholarship. Each of the articles draws from different economics theories (Table 1, column 5). And, what is also evident from this analysis is that disciplines outside of economics are actively contributing to the development of theory around social capital. Of the top social capital articles, four disciplines were represented: economic sociology, development economics, management, and public health.

As suggested at the beginning of this article, and as supported by the analysis of the articles in Table 1, seven of the nine most influential social capital articles would not be considered “pure” economics from a traditional or orthodox perspective. Recall that orthodox economics is characterized by two key things: (a) it rests on a fundamental assumption of individuals making rational, utility-maximizing choices and (b) the research method is mathematical deductivism. Seven of the articles did not embody one or both of these fundamental characteristics. Only two of the top cited articles used traditional orthodox methods. The other articles were either conceptual pieces that developed social capital theory or were critical of orthodox economics’ focus on the individual. The critical articles provided justification for including social capital in economic research, as well as empirical support for normative economic policy making.

The Influence of Economic Theory

So, how does economic theory influence the particular perspective of social capital represented in the nine most influential articles? The most influential
<table>
<thead>
<tr>
<th>ISI Rank/Number of Citations/Discipline</th>
<th>Title (Year of Publication)</th>
<th>Author(s)</th>
<th>Description</th>
<th>Economic Foundations or Influences</th>
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<tbody>
<tr>
<td>1/653/Economic sociology</td>
<td>Social capital: Its origins and applications in modern sociology (1998)</td>
<td>Portes</td>
<td>This article provides a history of the concept of social capital as interpreted by Portes. Portes suggests that social capital is a new way to package old ideas. The purpose of the article is to refocus attention to the importance of social structure in determining economic behavior.</td>
<td>Blend of rational choice theory and social theory</td>
</tr>
<tr>
<td>2/569/Public health</td>
<td>Social capital, income inequality, and mortality (1997)</td>
<td>Kawachi, Kennedy, Lochner, and Prothrow-Stith</td>
<td>This article argues that societies that permit a polarized distribution of wealth have been shown to underinvest in human capital (e.g., education), health care, and other areas that promote wellness. The gap in income also has negatively affected trust in others and levels of civic participation. This article demonstrates that a growing income inequality gap is powerfully and positively associated with lowered investment in social capital. This, in turn, is positively associated with increased mortality rates.</td>
<td>Ecologic-level variables, similar to development economics. Coleman (1994) perspective of social capital: economic sociology (rational choice theory and social theory). Putnam perspective of social capital: civic engagement/participation (political theory, rational choice theory).</td>
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<tr>
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| 3/523/Management science             | Social capital, intellectual capital, and the organizational advantage (1998) | Nahapiet, and Ghoshal | This article suggests that social capital has three dimensions: structural, cognitive, and relational. These three dimensions explain how firms, as social knowledge systems, develop intellectual capital and organizational advantage. The article provides a contemporary interpretation of how firms can get an advantage by production of desired goods. The knowledge economy requires production of intellectual capital and innovation for competitive advantage; social capital is seen as critical for that goal | Transaction cost theory  
Human capital theory  
Economic production: combination and exchange theory  
Zero sum theory                                                                                                                                                                                                                                                                                                                                                             |
| 4/503/Economic sociology             | Social capital in the creation of human capital (1994) | Coleman           | This article suggests that the concept of social capital supplements the rational action paradigm (orthodox economics) by including the influence of social structure on action. The article identifies three forms of social capital: obligations and expectations, information channels, and social norms. The article suggests that social capital is facilitated by closure in the social network | Rational choice theory: Coleman embeds individual rational decision making in an informal network. The network generates pressures for standard of behavior/norms.  
Human capital theory: Describes how social capital matters to developing human capital                                                                                                                                                                                                                                                                   |
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</tr>
</thead>
<tbody>
<tr>
<td>5/569/Public health</td>
<td>Inequality in income and mortality in the United States: Analysis of mortality and potential pathways (1996)</td>
<td>Kaplan, Pamuk, Lynch, Cohen, and Balfour</td>
<td>This article found that income inequality is strongly and positively associated with poor health for the people in the lower 50% income distribution. Income inequality is also related to decreased investments in human and social capital at the ecologic level. Finally, economic policies that increase income inequality may have a negative effect on public health. Rates of unemployment, imprisonment, recipients of income assistance and food stamps, lack of medical insurance, and educational outcomes were also worse as income inequality increased.</td>
<td>Ecologic level variables (e.g., socioeconomic level is not an individual level characteristic) Applied economics (e.g., national economic policy implications)</td>
</tr>
<tr>
<td>6/387/Development economics</td>
<td>Social capital and economic development: Toward a theoretical synthesis and policy framework (1998)</td>
<td>Woolcock</td>
<td>This article provides a framework for including social capital into development theory. History of developmental economics suggests that neoclassical view (supporting colonialism), as well as the world systems view (e.g., the unit of analysis is the nation state) misrepresent the influence of social relationships in the development process.</td>
<td>Development economics Neoclassical economics Neoclassical growth theories</td>
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</table>
The purpose of this article is to specify how social structures can influence individual goal-seeking behavior. Uses Granovetter’s (1985) idea of embeddedness, the article seeks to reinforce the reemergence of economic sociology to illuminate the complexities of socially informed economic behavior and the limitations of the homo economicus model.

This article explains why there is a powerful and positive association between output per worker and measures of social infrastructure. A positive social infrastructure supports high productivity, skill development, innovation, and technology transfer.

This article found strong evidence that trust and civic cooperation have significant impact on ecologic-level economic activity. And contrary to Putnam’s (2000) work, this article found no association between economic performance and associational membership.

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<tr>
<td>7/387/Economic sociology</td>
<td>Embeddedness and immigration: Notes on the social determinants of economic action (1993)</td>
<td>Portes, and Sunsenbrenner</td>
<td>The purpose of this article is to specify how social structures can influence individual goal-seeking behavior. Uses Granovetter’s (1985) idea of embeddedness, the article seeks to reinforce the reemergence of economic sociology to illuminate the complexities of socially informed economic behavior and the limitations of the homo economicus model.</td>
<td>Neoclassical economics, Rational choice theory, Economic sociology</td>
</tr>
<tr>
<td>8/361/Development economics</td>
<td>Why do some countries produce so much more output per worker than others? (1999)</td>
<td>Hall, and Jones</td>
<td>This article explains why there is a powerful and positive association between output per worker and measures of social infrastructure. A positive social infrastructure supports high productivity, skill development, innovation, and technology transfer.</td>
<td>Neoclassical economics, Rational choice theory, Formal mathematical modeling</td>
</tr>
<tr>
<td>10/339/Development economics</td>
<td>Does social capital have an economic payoff? A cross-country investigation (1997)</td>
<td>Knack, and Keefer</td>
<td>This article found strong evidence that trust and civic cooperation have significant impact on ecologic-level economic activity. And contrary to Putnam’s (2000) work, this article found no association between economic performance and associational membership</td>
<td>World-systems economics, Ecologic-level (e.g., aggregate level) variables, Rational choice theory</td>
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articles relied on different economic foundations for their interpretation and use of social capital. Starting from the “most orthodox,” our analysis shows that three of the most influential social capital articles adopted methods (two articles) or theoretical foundations (one article) supportive of mainstream economic thinking. The most relevant article for HRD was from a management journal. Nahapiet and Ghoshal (1998) constructed a social capital theory to explain how organizations can develop an advantage in a knowledge economy. The article was replete with traditional economic ideas and foundations. First, the authors used the language (production, advantage, information sharing) and concepts (individual decision making, combination and exchange) of economics to craft their theory of social capital. Second, they purposively modeled their understanding of intellectual capital based on previous human capital work, and framed the intellectual capital problem as a production problem. Third, they used the theory of combination and exchange to explain how intellectual capital is created, and then showed how social capital can facilitate the combination and exchange of information.

Other articles contained different economic foundations or focused on non-economic issues when using social capital. For example, three of the top articles came from the sociological literature, and represented the subfield of economic sociology. These articles accepted the more orthodox claims on economic behavior, including rational decision making, investments with returns, and utility maximization. However, they extended economic analyses into the social arena by integrating social structure as a key variable explaining economic behavior. De facto, they were criticizing economist’s exclusive focus on the individual, and were reasserting the important role of social structure. The concept of social capital was the mechanism through which social structure influenced individual economic behavior.

The five articles from development economics and public health varied widely in how economics informed the foundations of the theory or concept that the authors were developing. The views expressed in these articles should not be generalized as representing ALL views within these disciplines, but we do know that the views have been highly cited and consequently influential in subsequent research. The purpose of two of the four empirical articles in this group was focused on aims such as health and wellness, which are clearly not dominant aims in orthodox economics, which focus almost exclusively on economic growth. Another article was conceptual and critical of mainstream economists’ dependence on individual-level analyses. It is interesting to note that the four empirical articles were at the ecologic level of analysis—they used aggregate national statistics as data for their studies. Two of the articles (Hall & Jones, 1999; Knack & Keefer, 1997) could arguably be classified as “more” orthodox by virtue of their intent: These articles wanted to understand how social capital (also called social infrastructure) affected productivity at the ecologic level. The other two empirical articles (Kaplan et al., 1996;
Kawachi et al., 1997) represent a critique of traditional economics, and oppose economic policies and societies that permit the development of a wide gap between rich and poor. To these authors, health and mortality are more important than economic growth if that growth generates greater disparities in wealth amongst citizens. They found that social capital investments were one way to decrease wealth polarization and consequently improve health and wellness.

As illustrated in the above paragraphs, the discipline of economics influenced the scope, definition, and application of social capital in myriad different ways. Economic assumptions about individual behavior justified new social capital theories (Coleman, 1994; Nahapiet & Ghoshal, 1998). Economic assumptions were also rejected and were seen as limited (in Portes, 1998; Portes & Sensenbrenner, 1993), or were seen as harmful (Kaplan et al., 1996; Kawachi et al., 1997). Social capital in these influential articles is (a) a way to extend analysis of economic behavior into the social realm, (b) a way to understand the mechanisms of development—in terms of intellectual capital and gross domestic product, (c) a way to understand differences in productivity, and (d) a prescription for health and wellness. The next section describes the implications of how these differences matter to HRD theory and practice.

Implications

It is clear from this analysis that the emerging theory around social capital has much to contribute to the diverse goals of HRD professionals. Although HRD scholars seem to resist clearly delineating the primary foci of HRD, it is fair to say that the traditional focus of HRD practice has been training and development (TD), organizational development (OD), and, to a lesser extent, career development (CD). More recently, there is also an emerging movement to recognize and theorize HRD practice and theory at the national level (NHRD). Thus, Table 2 and the following discussion begins to explore how the social capital theories and research emerging from the four disciplines represented amongst the nine most influential articles might begin to inform these four domain areas in HRD.

Because management has traditionally had the closest affinity to HRD, the social capital theory from the management discipline is discussed first and most extensively. The social capital contributions from the other disciplines (economic sociology, development economics, and public health) are then explored, but in less detail.

Management

Nahapiet and Ghoshal’s (1998) theory has implications for three of the four domain areas currently of interest to HRD professionals. Because the authors
<table>
<thead>
<tr>
<th>Discipline Using Social Capital</th>
<th>NHRD</th>
<th>OD</th>
<th>TD</th>
<th>CD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Management</td>
<td>N/A</td>
<td>Provides theoretical framework for developing interventions to enhance innovative capabilities</td>
<td>Provides theoretical framework for developing training to improve combination and exchange of information</td>
<td>Provides theoretical framework that could be extended into the career development domain</td>
</tr>
<tr>
<td>Economic sociology</td>
<td>Provides mid-range theoretical framework for predicting and understanding economic (ecologic level) outcomes</td>
<td>Provides mid-range theoretical framework for predicting and understanding economic (firm performance) outcomes at the organization level</td>
<td>Provides mid-range theoretical framework for predicting and understanding economic (human capital) outcomes at the individual level</td>
<td>Provides mid-range theoretical framework for predicting and understanding economic (job mobility) outcomes at the individual level</td>
</tr>
<tr>
<td>Development economics</td>
<td>Provides empirical support for including social structure in development research; provides a critique of neoclassical economics’ exclusive focus on the individual</td>
<td>A subset of this research focuses on the role of institutions and organizations on national and international productivity and how social capital influences productivity levels</td>
<td>A subset of this research focuses on worker productivity and how social capital influences productivity levels</td>
<td>A subset of this research focuses on job mobility (the opportunities and barriers to obtaining paid work and advancement) and how social capital influences outcomes</td>
</tr>
<tr>
<td>Public health</td>
<td>Provides theoretical framework and empirical support linking economic policies to health and well-being of nations</td>
<td>Can extend framework to develop organizational level health and wellness interventions</td>
<td>Can extend framework to develop individual level health and wellness interventions</td>
<td>N/A</td>
</tr>
</tbody>
</table>

NOTE: NHRD = national-level human resource development; OD = organizational development; CD = career development; TD = training and development; N/A = not available.
specifically focused attention on the advantage of firms over markets in creating intellectual capital, it was not appropriate to extend their theory to the NHRD domain. For OD, TD, and CD, brief statements are provided in Table 2 that help to guide the reader as to the potential utility of this theory for each domain. Nahapiet and Ghoshal’s (1998) theory is grounded in more-orthodox economic thinking, yet it adds a more-heterodox component (motivation) to more fully explain or predict human behavior.

The three key concepts of Nahapiet and Ghoshal’s (1998) social capital theory are described here, and are extended into HRD. The three concepts are called “dimensions” in the article, and include the structural, cognitive, and relational dimensions. In reality, the authors acknowledged that the dimensions were interconnected, but for the sake of theory building the dimensions were distinguished and justified through logic and prior theory. The structural dimension can be considered from the OD, TD, and CD perspective. The structure of an organization can facilitate access to relevant information, and the structure can also indirectly influence willingness to share the information. Consequently, the structural dimension is the keystone to Nahapiet and Ghoshal’s theory of social capital because it represents a “pipe,” as well as a “value generator” for the organization. The pipe connects people; the value generator provides the reason for individuals to invest in social relations—they invest because they expect some return. The return is the efficient, timely, and accurate sharing of knowledge.

Knowledge sharing, organizational learning, and knowledge generation are important goals for OD interventions. Nahapiet and Ghoshal (1998) present a framework for developing OD theory and crafting OD interventions to improve knowledge sharing. HRD professionals can use the framework as one way to evaluate and improve the network structure in organizations. OD interventions can enhance network structures (Garcia, 2007) as well as change organizational culture (French & Bell, 2000). The purpose of OD interventions guided by Nahapiet and Ghoshal’s theory would be to (a) develop key conduits between departments, organizational members, geographic locations, or teams; and (b) generate a culture of sharing, collaboration, and trust.

Nahapiet and Ghoshal’s (1998) structural dimension of social capital can also inform TD interventions. For example, a structural analysis of the network configuration may illuminate a weak link in information sharing. On closer examination, the weak link may be a result of either lack of willingness to share information, or a result of lack of expertise. If the cause was determined to be lack of expertise, TD interventions can be developed and deployed as one way to strengthen the weak link in the knowledge value chain. Finally, the structural dimension can inform CD in a number of ways, ranging from succession planning to developing job-referral networks. These initiatives would be guided by the goal of developing the capacity and willingness to share timely and accurate information.
The cognitive and relational dimensions of Nahapiet and Ghoshal’s (1998) social capital theory can also inform HRD research and practice. According to the theory, these dimensions are influenced by the structural dimension. However, the cognitive dimension focuses on individual attributes, and the relational dimension focuses on the nature or quality of relationships within the network. An organization-wide OD intervention focused on improving communication would consider both the cognitive (ability to) and relational (feelings about) communicating, collaborating, and sharing. Within this type of OD intervention, specific training sessions could be developed to improve the capability of successful collaborations. Both OD and TD interventions consequently can focus on developing social capital, which in turn would develop intellectual capital, which ultimately (according to Nahapiet & Ghoshal, 1998) can contribute toward organizational advantage.

**Economic Sociology and Development Economics**

Table 2 illustrates how influential social capital contributions from these disciplines could be applied in the four HRD domains. NHRD initiatives would likely include both OD and TD initiatives. The developmental economics literature can likewise inform OD and TD, as well as CD in terms of career mobility and career progression. Social capital research can consequently inform new ways of evaluating, developing, and deploying HRD interventions in a variety of contexts and at a number of different levels.

HRD scholars and practitioners who are interested in social capital issues, problems, and questions in a more abstract sense may find their theoretical base in the economic sociology literature. The discipline of sociology arguably has the longest history wrestling with the agency/structure debate, and economic sociologists offer advanced frameworks to analyze and understand complex, multilevel issues. As presented in Table 2, literature from this domain has relevance to each of the four research and practice areas of HRD.

At the national HRD level, ecological models offer frameworks for understanding the role of social capital in developed and developing economies. These models can provide the theoretical justification for analyzing how social capital can influence education, health, economic well-being, among others. NHRD is arguably interested in all three of these important societal outcomes, and scholars and practitioners interested in contributing toward these outcomes will find rich support in the economic sociology literature as well as developmental economics journals and practitioner Web sites (e.g., the United Nations World Institute for Economic Development, http://www.wider.unu.edu/).

For example, the Woolcock (1998) article justifies the claim that traditional economic theories (e.g., orthodox perspectives) misrepresent the role of social relationships in the development process. In developing contexts, typical assumptions of rational choice and profit-maximizing behavior mask subtle and real influences of cultural norms, gender, and power. NHRD scholars are
provided analytical frameworks from development economics, as well as economic sociology, to develop interventions that take these relational influences into account.

Furthermore, studies have demonstrated the positive role of social capital in generating nation-level economic activity through developing trust and norms of reciprocity (Knack & Keefer, 1997). Social capital improves productivity (Hall & Jones, 1999) and can explain the degree of economic mobility in nation-states (Lin, 2001). NHRD scholars and practitioners who are interested in expanding opportunities for economic mobility—empowering people to develop higher levels of economic freedom—can find models and frameworks to accomplish this type of work.

Economic sociology and development economics also can guide NRHD scholars to understand the complicated area of investments in human capital, and how these investments can play out in a variety of developing contexts. Education and training initiatives have been demonstrated to work less effectively in developing societies with a disparate polarization of wealth (Kawachi et al., 1997). Consequently, NHRD practitioners are given support to justify interventions designed to minimize wealth polarization, and social capital tools and concepts can be leveraged toward this end. Interventions can consider social capital as a way to improve access to educational opportunities, which in turn have been shown to be positively related to improved economic wellness (Lin, 2001).

**Public Health**

Finally, an emerging area of focus for HRD scholars and practitioners comes from the domain of public health. Organization development consultants are being asked to develop wellness programs, work–life balance programs, or health education initiatives as one way to improve human wellness. Wellness can result in improved employee performance on the job, improved access to community health resources, or higher standards of living in the national arena. Either OD consultants are collaborating with health practitioners, or health practitioners are learning about OD. In either case, the collaborations between the two domains are resulting in improved access to health education, as well as improved performance outcomes for organizations (Morris, McMillan, & Storberg-Walker, in press).

At the macro level, studies have demonstrated the relationship between health and well-being to certain types of economic policies (Kawachi et al., 1997). NHRD researchers and practitioners are provided with research-based evidence that pursuing economic policies generating societal wealth polarization actually decrease the overall health and well-being of citizens. For NHRD, the choice is clear: Interventions, research, and public policies need to include social capital concepts in order to maximize both economic and health levels.
Social capital is one area that provides tools and concepts that explain how and why economic growth and health promotion develop and emerge in societies.

In all the discussion above, there has been an implicit assumption about economic growth that needs to be made clear here. The assumption is this: Economic growth is not the only, nor best, measure of development. This discussion makes the claim that noneconomic indicators, processes, and policies are as important or more important (depending on the context) than economic wealth accumulation. This is a decidedly heterodox assumption because it de facto asserts a measure of subjectivity into the equation. Subjectivity is not able to be assessed or modeled through formal mathematical modeling efforts, as true orthodox economic methods would require.

Social capital is the “push” behind many of the reasons to turn to heterodox economic theories, assumptions, and ideas. As described above, social capital allows for contextual influences, nuanced analyses of complex subjective experience (e.g., trust, motivation, cultural norms), and calls into question the idea of homo economicus as the level of analysis. Social capital includes consideration of noneconomic, subjective, and relational aspects of performance, learning, and wellness. Yet social capital is deeply wedded to economic assumptions, ideas, and methods. This is a very complex Web with nuances that require careful consideration for HRD research and practice. HRD scholars and practitioners need to develop an understanding of these complex theoretical foundations and their associated assumptions about methods, evidence, and analyses.

**Conclusion**

As this article has demonstrated, social capital theories and research are grounded in alternative economic perspectives ranging from more-orthodox (e.g., rational choice theory) to less-orthodox (e.g., critical theory or social theory). HRD can and should borrow these theories to inform the work in our field. However, it is important that HRD professionals acknowledge the theoretical assumptions underlying the social capital theory that they choose to adopt to guide their theorizing or practice.

It is clear that social capital theories have been generated from different epistemological foundations, and to generate epistemologically consistent HRD theories, researchers need to understand the diverse foundations. A deeper understanding of this diversity can enable more multiparadigm theories to emerge from HRD research. As I wrote in an earlier article,

Although functionalist theories, like the majority of social capital theories, continue to contribute toward the development of HRD research and practice, an exclusive focus on a single paradigm for borrowing or building theories can limit the development of the field (Torraco, 2004, 2005). Consequently, theory building research on social capital can and should be guided by considering alternative paradigms to borrow, build, and develop theory. (Storberg-Walker, 2007)
The discussion of the orthodox and heterodox economic assumptions and foundations is a step in that direction.

In addition to developing new HRD theories that include social capital as a concept or domain, understanding the differences between heterodox and orthodox conceptions of social capital affect the questions we pose and the outcomes we seek and value. For example, a social capital theory on the “more heterodox” side of the spectrum can generate research questions that are answered through qualitative inquiry. Researchers can explore the experiences of sharing resources, the role of trust or kinship in community development, or the experience of being excluded from community resources (e.g., barriers to access). In business organizations, researchers can use a heterodox-informed lens of social capital to understand how organizational culture can help or hinder social capital flows in the organization.

To conclude, this article aimed to examine the most influential social capital theories, identify their economic foundations, and analyze how various economic theories might potentially influence HRD. A “primer” in the discipline of economics was offered to explain the divergent views of the discipline. If economic theory is indeed one of HRD’s core theories, we need to deeply understand the forces and fractions that are occurring in the discipline of economics, and we need to be vigilant to ensure that the theoretical foundations of HRD theories are ontologically and epistemological consistent.

Note

1. This rational choice theory contribution from economics is also represented in the social capital theories of Coleman (1988) and Lin (2000).

References


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