

Ideas of Social Capital in Early German Historical Economics

The final, definitive version of this article has been published in *Essays in Economic & Business History*, XXVII . pp. 47-60. ISSN 0896-226X

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The interest in the concept of social capital has generated a continuous stream of publications and new research from the 1960s onwards, as well as some interest in the origins of the concept. These conceptual histories of social capital start from the beginning of the twentieth century. Arguing that one should look further back in time, this paper shows how the earlier German historical economists – including Wilhelm Roscher (1817–1894), Bruno Hildebrand (1812–1878) and Karl Knies (1821–1898) – disagreed about capital; Roscher and Hildebrand used concepts of intangible capital that came close to the idea of modern social capital, while Knies considered such applications of the idea of capital detrimental for economics.

In 1885 Karl Knies – followed by Eugen von Böhm-Baeverk in 1888 – criticized his fellow economists for confusing the concept of *capital* by extending it to intangible objects, such as state, peace, law, national honor, and virtue. Moreover, some scholars included useful personal properties and powers under the same term. Knies and von Böhm-Baeverk thought that by conveying such a variety of ideas, the word was losing, or had already lost, its analytical value. During the last five decades, the concepts of *human* and *social capital* have been presented in the social sciences as new ideas, despite the apparent variety of intangible capital theories in the nineteenth century, when the specialization of the modern disciplines of social science took place.

Conceptual histories of social capital in social capital literature usually start from the beginning of the twentieth century.¹ Though illustrative, these studies have ignored earlier conceptions of immaterial capital, the general nineteenth-century debate on capital and the scale

and scope of German economics in the nineteenth century, which may be considered crucial to the development of the modern social sciences. To offer insight into the nineteenth century discussion, this paper shows how the earlier German historical economists Wilhelm Roscher (1817–1894), Bruno Hildebrand (1812–1878) and Karl Knies (1821–1898)² connected social phenomena to the concept of capital and to what degree it is possible to see their views through the contemporary concept of social capital. Furthermore, this paper argues that the assumption of a universal pre-1960s definition of capital, which Pierre Bourdieu and other social capital theorists then extended into new areas, could lead one astray. John Field has written that only in the 1960s was capital expanded to include people and their capacities, and that until the birth of the contemporary conception, social ties, as a form of capital, were simply a metaphor.³ In fact, human skills and capacities, as well as social ties, networks and trust had already been *defined* as capital in the nineteenth century. This view had critics then, as there are critics of social capital theory now in the twenty-first century.⁴

Ernest Renan, a Frenchman, lectured in 1882 that “An heroic past, great men and true glory are the social capital on which the idea of a nation is based.”⁵ The citation is one of the first to use social capital similarly to the way it is used today. It describes a bond, a common history that binds a group of people and gives meaning to their actions, although its use here seems to be metaphorical. In the political economy of the nineteenth century, social capital coincided with the term *national capital*. Böhm-Baverek (1851-1914), an Austrian theorist of capital and interest, used the term as a purely economic category of the means of production of a nation, i.e. machinery and infrastructure, as opposed to private acquisitive capital.⁶ Karl Marx’s use of the equivalent German term (*gesellschaftliches Kapital*) was similar.⁷ This usage has little to do with

the current use of social capital, though if the term is understood as a collective good and means of production, an analogy is possible.

The first modern use of the term was probably that of Lyda Judson Hanifan in 1916 in her work, *The Rural School Community Center*. Alex MacGillivray and Perry Walker have claimed that it was Hanifan who first used the term.⁸ The *term*, however, has actually been around longer, though the content has changed quite a bit. Robert D. Putnam's reference to Hanifan seems more felicitous, since he emphasized that Hanifan's definition anticipated virtually all of the crucial elements in later versions.⁹ Furthermore, Putnam stated that the term social capital was invented independently at least six times over the twentieth century, "each time to call attention to the ways in which our lives are made more productive by social ties."¹⁰

There are, however, some mentions of social capital with modern nuances in the nineteenth century. First, there is the use in the political economy that observes social capital as an aggregate of individual capitals and often included public infrastructure (see Böhm-Baverek above). Usually, this referred to material goods or some kind of equivalent of GDP. However, Pierre Joseph Proudhon (1809–1865) used social capital to describe the social aggregate of talent in individuals.¹¹ Second, the term social capital was sometimes used, albeit metaphorically, to mean things that bound people or a nation together, as was the case in *Lalors Cyclopedia* referenced above. This use is found in various political and scholarly texts.¹² Finally, the most modern of these uses, which appears mostly in fiction; for example, Josiah Gilbert Holland (1819–1881), an American novelist and poet, described a scene where a couple of "unquestionably good descent" and impressive pastimes were a source of social capital for people of humbler origins.¹³ Here, social capital was something obtained through a network of acquaintances.

In discussions concerning the current notion of social capital, there are at least three authors – Pierre Bourdieu, James Coleman and Robert Putnam – who are almost universally mentioned. Robert Putnam has defined social capital as “*features of social organization, such as trust, norms, and networks that can improve the efficiency of society by facilitating coordinated actions.*” Pierre Bourdieu concluded that social capital was “[...] *the sum of resources, actual or virtual, that accrue to an individual or a group by virtue of possessing a durable network of more or less institutionalized relationships of mutual acquaintance and recognition.*” James Coleman defined social capital as a useful resource available to an actor through his or her social relationships.¹⁴

The first section of this article shows how Roscher connected trust, reputation, business and social relations and governance to the concept of capital as *unkörperliches Kapital*. The second section glances briefly at how Karl Knies criticized the application of the term capital in conjunction with what we now call human and social capital. The connection that Bruno Hildebrand made among moral character, trust, access to credit, and capital is discussed in the third section. Section four shows how Hildebrand tried to solve the problem of collective with his *mental capital*, which is comparable to social capital in some aspects.

To justify the idea that Roscher, Knies or Hildebrand could contribute to our discussions of social capital, it is worthwhile to notice Adam Müller (1779-1829), a German political economist and a precursor of German historical economists, who extended Adam Smith's idea of education and skills as capital considerably. According to Harm-Peer Zimmermann, Müller divided national capital to mental capital and physical capital. Mental capital consisted of idea capital, knowledge capital, science capital and applied science capital. Physical capital, embodied in persons; groups; institutions; objects and in assets bound to them, consisted of

experience and credit capital; power (*Kraft*) capital; production capital and money capital. These distinctions are comparable to Pierre Bourdieu's 1980s model of economic, cultural, social and symbolic capital. Furthermore, both considered capital as accumulated labor, whether in material form or internalized, mental or intellectual form.¹⁵

Wilhelm Roscher saw the history of the concept of capital as a curious example of the confusion that may follow if scientific concepts are used in daily life.¹⁶ He noted that the general public of his own times confounded the concepts of money and capital, interest and the price of money, as did many of the earlier writers. To understand Roscher's concept of capital, one needs to know how he defined economic goods. Roscher divided all economic commodities into three classes:

- A. Persons and personal services;
- B. Things, movable and unmovable; and
- C. Relations between persons and/or things.

Because these goods could be used for production, they are part of Roscher's concept of capital. He divided the capital of nations into ten commodity classes.¹⁷ From these classes, *immaterial or incorporeal capital* is the most interesting. By immaterial capital, Roscher meant customer and business relations and trust as well as acquisitions that were inseparable from the contribution of human work or skills acquired through experience or education. The state and many other institutions such as the Church also fell into the category of immaterial capital. Roscher's concept further included a characteristic that was similar to modern views of social and human capital: when used, it was not dissipated, but exactly preserved.¹⁸

Roscher derived his category of goods referring to relations between persons and between persons and things from the Roman law. He mentions *res incorporales*, which in Roman civil

law means things that cannot be touched: things that consist in rights, or which the mind alone can perceive. He believed that it was usually possible to evaluate these goods in a similar way as material goods. Customer relationships, different contracts between the actors in the economy and trust between these actors were the descriptive examples used. In explaining the value of relationships, he considered that when a new entrepreneur bought a newspaper company, he did not buy mere appliances or buildings but, above all, existing relationships with employees and subscribers. Similarly, he noted that a theatre director's relationship with a good actor was useful for both and thus, was also part of the director's and actor's wealth. When describing the value of trust Roscher considered that a large part of a trading firm's value lay in the confidence and trust that it aroused in its customers, thereby relieving them of many worries and difficulties. Similarly, an army commander could do wonders with an army he himself organized and trained, but he might be useless with a foreign army, perhaps in a foreign country. Roscher believed that through the progress of culture people would become increasingly sociable, and therefore, these valuable relations would multiply.¹⁹ When used commercially or as means of production, these economic goods constituted capital.

For Roscher, institutions such as the state, the judiciary and the church were also immaterial goods because they created favorable circumstances and sustainability for the economy. He viewed the state as the most important economic good and the most important form of immaterial capital.²⁰ When writing about useful relations as economic goods or as immaterial capital, Roscher regarded the state mainly as the good management of public affairs.²¹ This multifaceted view of the state, institutions and circumstances as capital made his concept of capital vulnerable to attack because the concept indeed seems to lose its analytical value when all existing social structures and institutions are seen as capital *and* the relational features of capital

are forgotten. On the other hand, Roscher emphasized that the nature of capital depends on the point of view.²²

Roscher saw relief for underprivileged people as closely connected with religion. While he believed that it must be based on religion, mere ecclesiastical poor relief was not enough for the Germany of his time.²³ Nevertheless, he stated: “The capital of the poor is the love of the faithful.”²⁴ Though Roscher is speaking metaphorically, the same connection between capital – or at least social capital – and religion has been made in recent discussion.²⁵ Putnam has also seen religious participation as an important factor in community life and its health. Like Roscher, he sees faith-based organizations serving civil life in two ways: first, by providing social support for members and social services for the wider community; and, second, by nurturing civic skills, i.e. by “inculcating moral values, encouraging altruism and fostering civic recruitment among church people.”²⁶ For Roscher, the church was also a provider of social services; this, of course, is natural, since European poor-relief and schooling services had traditionally been the duties of the churches. Religion also had an important role in combating self-interest.

Roscher’s concept of immaterial capital included most of the ideas now described as human and social capital. He presented descriptive examples of how the costs of education were compensated for by future wages or how special knowledge could increase revenue in industry. In connection with social capital, Roscher defined trust, social relations and institutions as capital. These could be seen as private goods (social relations), bringing advantage to an individual, or as public goods, benefiting the whole society (the judiciary, the state).

In his *Geld und Credit* Karl Knies took a critical view of the definitions of capital in his own times. Although scholars in general admitted the importance of capital as a concept, the ideas it included varied widely.²⁷ Knies considered that the definition of capital was central to

political economy as a discipline, but that its significance extended to areas of practical social life, too.²⁸ Economic goods formed what should be called capital, but unlike Roscher, Knies placed persons, their body parts, and their intellect outside capital.

The domain of study in political economy is, as already noted, the economic social life of Man; that is, one of those fields of interest and spheres of activity which in their entirety depict the whole existence of the human character. Human individuals appear here with their needs and accomplishments, with their sufferings and pleasures, in opposition to their outside world, which is constituted by the things they need, make subservient to themselves and want to utilize. It is, therefore, an unavoidable prerequisite that political economy, from beginning to end, distinguish “economic goods” as things “external” from human individuals, who are here asserted as “producers,” “consumers”, etc.

So it must then be held as an elementary, absolute requirement for the constructive treatment of the study of capital that at most all economic goods, or economic goods in any connection, can be understood as capital, but not persons or inseparable parts of their bodies or their intellect.²⁹

However, for Knies, economic goods were only another symbol that had to be defined in order to define capital. Knies agreed in principle with Smith and Turgot³⁰ that the part of the stock used for subsistence and continuation could not be counted as capital. The surplus left over after obligatory expenses, was the base of capital. J. S. Mill’s (British philosopher and political economist) view that it was not only the objective qualities of goods that made them capital but also their exchange value with another goods was some kind of transition position. When carried further, it led to views according to which goods had no natural characteristics that made them capital, but became capital by the will of economic man. The definition of capital would then be based on a pure abstraction, and this, Knies could not accept. According to Knies, this is comparable to the situation in Goethe’s poem – “Were not the eye akin to the sun, it could never perceive the sun.”³¹

Knies admitted the importance of administration and the state for economics³², but these were unrelated to capital. He criticized Roscher’s view of the state as capital on several

occasions.³³ Knies also denied categories such as personal capital, which, in Roscher's view, included the above-mentioned public goods.

[...] in political economy only economic goods should anyway be understood as capital, but in no case human persons or something that is inseparable from them as persons, which is why 'the worker', 'the special skills, knowledge and abilities' of man, along with the state, national feeling and the like are necessarily out of the question. Neither does the language of science need the awkward help of 'so-called' personal capitals or 'Quasikapitalien'.³⁴

As we can see, Karl Knies disliked the forms and definitions of capital that disconnected it from its relation to money and material goods, made it dependent on point of view, made it possible for almost anything to be called capital and, in the end, made it possible to see people as capital. The entanglement of political economy with the inner characteristics or inner goods of human beings led it into areas such as the mental or physical characteristics of the individual, which, according to Knies, could not be explained and understood by means of, or included in, the term capital. Nor did he see capital as being constituted by national feeling, which, if seen as devotion to the national community, could have some common footing with the concept of social capital.

Bruno Hildebrand developed a stage theory, which, in his opinion, examined an area that was common to all economies. *Vertheilung* (allocation or distribution), as opposed to production and consumption, was not dependent on labor, climate or the nature of the land, and he used this as the basis of his three different economic models. It was the social element in society, which made the division of labor possible. It tied together the two economic spheres of life, production and consumption. The three economic models that were based on the instrument of allocation and common to the development of every economy were the natural, money and credit economies.³⁵ Through capital, the money economy not only revolutionized the entire process of production, but also affected the whole of social life. It freed people from the yoke of the soil and

created a new social class of capitalists, which, unlike previous elites, was open to all.³⁶

Financial power became increasingly tightly intertwined with science and thereby changed the whole process of life and production.³⁷

Financial capacity, or capital, was distributed through credit: “Credit is trust in the fulfillment of a given pledge, and at the same time the sum of those attributes on which this trust is based.”³⁸ Here Hildebrand actually gives a formula for estimating the value of trust between two actors: trust is equivalent to the amount of credit one can get. According to Hildebrand, credit was something given not only to those who *had* something, but also to those who *were* something. He saw a person’s moral attributes as a possible debt security, and therefore there could be revenue in trust – in trust in a person’s future achievements. In this way, through the trust inspired by moral attributes, Hildebrand connected personal qualities with the concept of capital, and therefore, in the credit economy: “The moral worth of man gains the power of capital.”³⁹

Hildebrand observed that if this personal or moral credit was cultivated and realized through banks and credit institutions, it was possible to remove the monopoly of capitalists and the gulf between the propertied classes and those who had nothing but their labor and moral character. He considered banks the heart of the societal organism, being able to amass all the financial capacity of the society and immediately distribute it to areas in need. Banks and credit institutions were to be the mediators between the rich and the poor.⁴⁰

When writing about mental talents and faculties in connection with credit, Hildebrand used capital as a metaphor or analogy for mental powers and social relations and the returns they yielded. However, in another context, in writing about moral powers and the intelligence of a people in the sense of nation, he used the term mental capital without hesitation. To Hildebrand,

moral worth and the credit economy had also a social meaning, which comes close to the concept of social glue used in contemporary social science.⁴¹ The money economy brought people new powers and a new kind of life, but it created an egocentric interest economy and atomized society. The credit economy bound men again through mental and moral bonds:

[...] it united the highest mobility with inner stability, universalized the financial capacity [Kapitalkraft] of the nation, worked for the removal of the proletariat and thereby gave rise to an economic way of life that combined the advantages of both the earlier epochs of economic development.⁴²

Single institutions could not accomplish this. The honesty, conscientiousness, mutual trust and public morality of the people were its building stones.⁴³

The Bangladeshi economist, Muhammad Yunus, developed an interesting modern application of credit as an instrument of social and economic development in the 1970s. The idea of micro-credit, applicants for loans forming “solidarity groups” acting as co-guarantors, has since spread to dozens of countries. With some good will, one could say that Hildebrand’s idea of credit as a mediator between the haves and have-nots has therefore been realized in practice, though Muhammad Yunus hardly got the idea from Hildebrand. Roscher attributed a similar role to savings associations as that of Hildebrand and now Yunus, in discussing the new formations brought by the freedom of trade.⁴⁴ Sociologist James Coleman used “the rotating-credit associations of Southeast Asia and elsewhere” as an example of the value of the environment’s trustworthiness and saw them as efficient institutions amassing savings for small capital expenditures. He also mentioned credit when describing the obligations, expectations and trustworthiness of social structures, which for him were the embodiments of social capital.⁴⁵ Credit associations are also an example of cooperation and trust in Putnam.⁴⁶

Hildebrand’s third, and the last stage of the economy, was a credit economy, in which he considered that trust based on moral qualities could be transformed into financial capital through

credit. He, therefore, saw trust as a form of capital, or to be precise, he saw that trust gains the *power* of capital. Loans, based on a guarantee of the moral qualities of the borrower, could, when distributed through credit institutions, efficiently allocate capital where it was needed. Furthermore, this would narrow the gulf between social classes. When Hildebrand applied the term capital directly to something beyond the material sphere, he connected it with trust, obligations, self-government, associational life and man's rise above his narrow concerns of self-interest.

Hildebrand viewed public morals as comparable to intelligence, which increased the powers and capabilities of people. Since he ruled out natural laws from the sphere of political economy, public morality, or moral power, together with intelligence, became the soul of every national economic organism. Public morality increased a sense of duty, diligence, entrepreneurship, industriousness, mutual trust and self-sacrifice for the common good. Moral power ennobled individuals, taking them out of their bounded egoistic world to the higher viewpoint of common welfare. It made people conscious of the connection between their actions and national work thereby giving their activities a higher goal and consecration, which further gratified them in their work and improved performance.⁴⁷

Hildebrand described this moral force as the mental capital of the people, which was not easy to create. Neither economic institutions nor administrative measures alone could do so since it was a result of a long history filled with experience and an intensive national culture, and it required a stable, free government. Where the state was based on distrust, where government extended its centralized bureaucracy to every sphere of life, and where everything was made subject to license, there, neither mutual trust, nor personal or moral vigor nor a public spirit could flourish. Hildebrand believed in the self-government and self-help of individuals and

different spheres of society. Most importantly, when the state trusted its citizens and protected the above-mentioned rights as sacred, then not only did the ability of the people to identify and fulfill their central needs rise, but so did its support for the system of government, self-sacrifice for the common good, and the moral, political and economic power of the whole nation. Mental capital was the point of contact between the national economy and the whole state organism.⁴⁸

Hildebrand saw that trust inspired trust in society: “The state harvested the fruits it had sown.”⁴⁹

As in his theory of the credit economy, there are some points of contact with the concept of social glue in Hildebrand’s view of moral power as the soul of the economy and society.

The main function of Hildebrand’s mental capital was its power to raise people from their egoistic world of self-interest. By giving meaning to their work and actions, it promoted efficiency, self-sacrifice and collaboration. Hildebrand was writing from the perspective of the nation; mental capital was “*mental capital of nations*.” Despite the principles of laissez faire and hypotheses based on natural law that aspired to remove this moral power, according to Hildebrand, it was precisely the soul of every healthy national economic organism.⁵⁰ In short, Hildebrand’s mental capital facilitates cooperation. This is also what James Coleman’s social capital does, but Coleman’s theory has its ancestry partly in “laissez faire” and hypotheses that Hildebrand would have seen as based on natural laws. Coleman’s theory, on the other hand, is based on the rational choice theory of economics, which sees individuals as rationally maximizing their own interest. Here, cooperation is an exception to the broad rule of solitary action, and if it happens, it is in the interest of the actors to exercise it. Coleman’s expectations and obligations, i.e. social capital, “arose as an unintended consequence of their pursuit of self-interest.”⁵¹

When discussing innovation, Hildebrand tried to show that science and education were replaceable, up to a point, by proper institutions, mainly based on the principle of self-government; without proper institutions and moral character, science and education could not alone create an innovative environment. Here, he used Britain as an example: albeit the British were lagging behind in science, he saw that nationalism, freedom and self-government could at some point compensate for the difference.⁵² It is possible to regard Hildebrand's mental capital replacing or complementing human capital, i.e. science and education, in much the same way as James Coleman saw social and human capital as generally complementary, although Hildebrand was writing about the national level.⁵³

To summarize Hildebrand's view on cooperation and reciprocity, one must consider the eternal trade-off between self-interest and the common good. Since the days of Adam Smith, despite his notion of *sympathy*, studies of economics have usually presupposed a self-interested man seeking his own profit. Because the greatest achievements of humanity seem to be results of collective action, various authors have devised differing theories on why man chooses to cooperate instead of seeking immediate gain. Social capital, in the form of reciprocity, trust and civic action, has in many respects been an attempt to solve this problem. Likewise, Roscher's public spirit and Bruno Hildebrand's mental capital were answers to the question of what makes man look further than his own immediate gain. Whereas James Coleman denied the problem by regarding social capital as arising unintentionally as a result of people seeking their interests among other people, Hildebrand's mental (or moral) capital was a result of a history filled with experience, common culture and stable government.

To conclude, it must be stated that neither Roscher, Hildebrand nor Knies used a precise German equivalent of the term social capital. Still, whether as an analogy, metaphor, or by

definition, they discussed phenomena that are now considered to be human and social capital as *Kapital*, usually with modifiers like *immaterial*, *personal*, *mental* or *quasi*. Roscher's definition may be the most rigorous one, though Hildebrand's mental capital, with its emphasis on cooperation and access to credit enabled by trust, may come closer to modern ideas. Knies may have been happier if the physiocrats and Adam Smith had adhered to traditional uses of the term capital, since he accused them of causing the confusion that surrounded the concept. Although Knies did not expect a quick change in this state of affairs, he nevertheless presented his own proposal for correcting the errors made by the leading authorities.

Political economy of the nineteenth century is sometimes called *Begriffsnationalökonomie*.⁵⁴ The term refers to the fact that the taxonomy of the concepts used was of immense importance. Capital was one of the most controversial concepts in these debates. Therefore, it is no wonder that the boundaries of the concept were expanded to include almost everything that could be seen as productive. Later on, this development, which stemmed from the physiocrats, even came to be described as the "emancipation of the concept of capital from financial capital."⁵⁵ Somehow these contributions of the nineteenth century often go unnoticed in social capital literature, thereby giving the false impression that the connection between the concept of capital and phenomena belonging to the social sphere is an invention of the twentieth century. This was also true when human capital reigned over the social sciences.⁵⁶ These problems of conceptual history do not reduce the significance of social capital research, since it is a long way from a mere idea of social relations and trust as capital to effective theory, measurement and application.

Furthermore, it would be tendentious to claim that the forms of intangible capital discussed here, or these ideas on the boundaries of the concept of capital, were somehow limited to the German-

speaking world. The examples given in the introduction and also Roscher's references to French and English economists clearly show that this is not the case.

NOTES

1 Putnam, among others, has propagated the contribution of Hanifan from 1916. Robert D.

Putnam, *Bowling Alone: The Collapse and Revival of American Community* (New York: Simon & Schuster, 2000), 19. Farr finds earlier relatively modern uses of the concept in John Dewey and Edward Bellamy. James Farr, "Social Capital: A Conceptual History," *Political Theory* 32, no. 1 (2004): 17–20. Some critical points by Ben Fine, "Eleven Hypotheses on the Conceptual History of Social Capital: A Response to James Farr," *Political Theory* 35, no. 1 (2007): 47–53; James Farr, "In Search of Social Capital: A Reply to Ben Fine," *Political Theory* 35, no. 1 (2007): 54–61. Some scholars have sought to find social capital in works of the Scottish Enlightenment, but the connection with the concept of capital is lost here: Lindsay Paterson, "Civil Society and Democratic Renewal," in *Social Capital: Critical Perspectives*, ed. Stephen Baron, John Field and Tom Schuller (Oxford: Oxford University Press, 2000).

2 *Wilhelm Georg Friedrich Roscher* (1848–1894) studied in Berlin at the guidance of August Boeckh and Leopold von Ranke. Professor of political science in Leipzig 1848–1894.

Roscher is usually regarded as the founder of the Historical School and its methodological mentor. *Karl Knies* (1821–1898) was a professor in Freiburg and Heidelberg. His pupils include Max Weber. *Bruno Hildebrand* (1812–1878), professor in Breslau and Philipps-Universität in Marburg. Theoretical main work *Die Nationalökonomie der Gegenwart und*

Zukunft (1848). Founded the first cantonal statistical office in Switzerland and started internationally influential *Jahrbücher für Nationalökonomie und Statistik*, later known as *Hildebrands Jahrbücher*.

3 John Field, *Social Capital* (London: Routledge, 2003), 11–12.

4 Knies offered fierce criticism, see section two. One present-day critic is Ben Fine: Ben Fine, *Social Capital Versus Social Theory: Political Economy and Social Science at the Turn of the Millennium* (London: Routledge, 2001); Ben Fine, “Eleven Hypotheses,” 47-53.

5 “A nation is a soul, a spiritual principle. Two things which, in truth, make only one, constitute that soul, that spiritual principle. One is in the past, the other in the present. One is the possession in common of a rich legacy of memories; the other is the actual consent, the desire of living together, the disposition to continue to give value to the undivided inheritance they have received. Man is not improvised. The nation, like the individual, is the outcome of a long past of efforts, sacrifices and devotion. The worship of ancestors is the most legitimate of all; our ancestors have made us what we are. An heroic past, great men and true glory are the social capital on which the idea of a nation is based.” Ernest Renan, "Nation," in *Cyclopedia of Political Science*, ed. Joseph Lalor (New York: Maynard, Merrill, and Co, 1899). First delivered as a lecture at the Sorbonne in 1882.

6 Eugen Böhm-Bawerk, *The Positive Theory of Capital*, trans. William Smart (New York: Strehert & Co, 1930), 62–63. For quote:

“The many individual capitals invested in a particular branch of production have, one with another, more or less different compositions. The average of their individual compositions

gives us the composition of the total capital in this branch of production. Lastly, the average of these averages, in all branches of production, gives us the composition of the total social capital of a country, and with this alone are we, in the last resort, concerned in the following investigation.”

7 Karl Marx, *Capital*, trans. Edward Aveling Moore (Chicago: Charles H. Kerr and Co., 1906),

VII.XXV.3. Also, “Social Capital includes all those products of past industry used in the further production of social wealth.” Willford Isbell King, *The Wealth and Income of the People of the United States* (New York: Macmillan & Co., 1915), 10.

8 Alex MacGillivray and Perry Walker, “Local Social Capital: Making it Work on the Ground,”

in *Social Capital: Critical Perspectives*, ed. Stephen Baron, John Field and Tom Schuller (Oxford: Oxford University Press, 2000), 197.

9 Putnam also spoke of a concept and not a term. If Putnam's ‘concept’ is to be understood as depicting an idea, this is a more plausible view. A term is a label or a name for something, but a concept carries an idea, theory, or an abstraction. We may have several terms expressing the idea that education increases the wage of an individual in the long run, but whatever we call it, the idea remains the same.

10 Robert D. Putnam, *Bowling Alone: The Collapse and Revival of American Community* (New

York: Simon & Schuster, 2000), 19. See also footnote 12 of the same page.

11 Proudhon is regarded more as an anarchist than a political economist. Perhaps the only

parallel here with the modern thought is that social capital was seen as a public good. The

term ‘social capital’ is from Pierre-Joseph Proudhon, *What is Property? An Inquiry into the Principle of Right and of Government*, trans. B. R. Tucker (Princeton, Mass: 2006).

12 For example, Francis E. Brewster wrote in 1851 that every wife may make the best possible use of her husband’s intellectual and social capital, and in 1896, John M. Taylor wrote about the “moral, social capital of the community.” Francis E. Brewster, *The Philosophy of Human Nature* (Philadelphia: Getz & Buck, 1851), 70; John M. Tyler, *The Whence and the Whither of Man: a Brief History of His Origin and Development through Conformity to Environment* (New York: C. Scribner’s sons, 1896).

13 Josiah Gilbert Holland, *Sevenoaks: A Story of Today* (New York: Grosset & Dunlap, 1875), IX.3. Note also, “[...] their acquaintance was really part of her social capital,” in Francis Hopkinson Smith, *The Fortunes of Oliver Horn* (New York: C. Scribner’s Sons, 1902), XI.8.

14 Citations and Coleman’s definition in: John Field, *Social Capital*, 4, 15 and 23.

15 Mental capital: A. Idea capital: theory, art, moral, religion, national consciousness etc.; B. Knowledge capital: empirical and positivist *Kulturwissenschaften*, factual social knowledge about trade and finance; C. Science capital: mathematics, chemistry, biology, physics, agronomy etc.; and D. Applied science capital: applied knowledge, technical know how. Physical capital: A. Experience and credit capital: institutions, moral values embodied in personal character but also property, real estates and possessions; B. Power (*Kraft*) capital: infrastructure, improvements; C. Production capital: means of production, industrial facilities, hand tools; and D. Money capital: finance capital, trade goods, all goods mentioned above if used in trade or as currency. Harm-Peer Zimmermann, *Ästhetische Aufklärung: Zur Revision*

der Romantik in Volkskundlicher Absicht (Würzburg: Königshausen & Neumann, 2001), 451–459.

- 16 The content of the concept varied from concrete means of production through very abstract notions of social structure and organization to an all-embracing culture. Marie-Elisabeth Hilger, "Kapital, Kapitalist, Kapitalismus," in *Geschichtliche Grundbegriffe: Historisches Lexikon zur Politisch-Sozialen Sprache in Deutschland*, ed. Otto Brunner, Werner Conze and Reinhart Koselleck (Stuttgart: Klett-Cotta, 1982), 399.
- 17 A. Bodenmeliorationen, B. Bauwerke, C. Werkzeuge, Maschinen und Geräte. D. Arbeits- und Nusstiere, E. Verwandlungstoffe, F. Hilfstoffe, G. Unterhaltsmittel, H. Handelsvorräte, I. Geld und K. Unkörperliche Kapitalien (Quasikapitalien). Wilhelm Roscher, *Grundlagen der Nationalökonomie: Ein Hand- und Lesebuch für Geschäftsmänner und Studierende*, 24th ed. (Stuttgart: Cotta, 1906), 122–124.
- 18 Wilhelm Roscher, *Grundlagen der Nationalökonomie*, 122–124. See also footnote 8 on page 127. Roscher considered that the state was fundamental for economic activity. Institutions like the Church or theaters and museums do have an economic function (*Zweck*), but their other functions as a rule are more important. This is stated in a footnote, which refers to Knies's *Geld und Kredit*, (Berlin: Weidmann, 1873–1876).
- 19 Wilhelm Roscher, *Grundlagen der Nationalökonomie*, 7. A general's relations with his soldiers could also have an exchange value. Roscher used Italian mercenaries of the fifteenth century as an example; see footnote 6.

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- 20 Wilhelm Roscher, *Grundlagen der Nationalökonomie*, 106 and 124. On the state as an economic good, see pages 7–9.
- 21 Roscher emphasized the role of the savings associations and funds as intermediaries between the capitalists and the poor workers and craftsmen. Wilhelm Roscher, *Nationalökonomik des Handels und Gewerbfleisses: Ein Hand- und Lesebuch für Geschäftsmänner und Studierende*, 7th ed. (Stuttgart: 1899), sections 155–160.
- 22 Wilhelm Roscher, *Grundlagen der Nationalökonomie*, 122–124.
- 23 Wilhelm Roscher, *System der Armenpflege und Armenpolitik*, 3th ed. (Stuttgart: J. G. Cotta'sche Buchhandlung Nachfolger, 1906), 67, §. 13.
- 24 “Das Kapital der Armen sei die Liebe der Gläubigen,” Wilhelm Roscher, *System der Armenpflege und Armenpolitik*, 86. Citations from the German works translated by the author.
- 25 John A. Coleman, “Religious Social Capital: Its Nature, Social Location, and Limits,” in *Religion as Social Capital: Producing the Common Good*, ed. Corwin Smidt (Waco, TX: Baylor University Press, 2003), 33.
- 26 Robert D. Putnam, *Bowling Alone*, 79.
- 27 Karl Knies, *Das Geld: Darlegung der Grundlehren von dem Gelde*, 2nd ed. (Berlin: Weidmann, 1885), 24–25.
- 28 Because it was ambiguous and changed from writer to writer, the definition complicated attempts to solve the social problems caused by rapid industrialization. Knies, *Das Geld*, 43.
- 29 Karl Knies, *Das Geld*, 40.
- 30 Anne-Robert-Jaques Turgot, 1727–1781, leading “economist” of the 18th Century France.

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- 31 “Wär’ nicht das Auge sonnenhaft, die Sonne könnt’ es nie erblicken.” Karl Knies, *Das Geld*, 42–44.
- 32 Karl Knies, *Die Politische Oekonomie vom Geschichtlichen Standpuncte* (Braunschweig: Schwetschke, 1883), 106–107.
- 33 E.g., Karl Knies, *Das Geld*, 38 and 41.
- 34 Karl Knies, *Das Geld*, 42.
- 35 Bruno Hildebrand, “Naturalwirtschaft, Geldwirtschaft und Creditwirtschaft,” *Jahrbücher für Nationalökonomie und Statistik II* (1864): 3–4. Direct trade of goods in natural economy, money as a medium of exchange in money economy, and trade through credit and credit as a medium of exchange in credit economy.
- 36 Bruno Hildebrand, “Naturalwirtschaft, Geldwirtschaft und Creditwirtschaft,” 12–14 and 17.
- 37 Bruno Hildebrand, “Die Gegenwärtige Aufgabe der Wissenschaft der Nationalökonomie,” *Jahrbücher für Nationalökonomie und Statistik I* (1863): 10–16.
- 38 Bruno Hildebrand, “Naturalwirtschaft, Geldwirtschaft und Creditwirtschaft,” 19.
- 39 Bruno Hildebrand, “Naturalwirtschaft, Geldwirtschaft und Creditwirtschaft,” 22.
- 40 The former were the educators of the poor and carried the moral obligation imposed to them by property and proprietorship. Hildebrand, “Naturalwirtschaft, Geldwirtschaft und Creditwirtschaft,” 22.
- 41 John Field, *Social Capital*, 5.
- 42 Bruno Hildebrand, “Naturalwirtschaft, Geldwirtschaft und Creditwirtschaft,” 22.

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- 43 If these were not available, institutions such as banking could not help because they were only the organs of credit. Bruno Hildebrand, “Naturalwirtschaft, Geldwirtschaft und Creditwirtschaft,” 22–23.
- 44 A craftsman, whose only pledge was his ability to work, had difficulties in getting credit because unexpected sickness or death could destroy the pledge. Co-operative organizations and associations that were big enough to bear such risks helped individual members to get credit. Wilhelm Roscher, *Nationalökonomik des Handels und Gewerbfleisses*, 962–963.
- 45 James S. Coleman, “Social Capital in the Creation of Human Capital.” *The American Journal of Sociology* 94, Supplement: 102–103.
- 46 Robert D. Putnam et al., *Making Democracy Work: Civic Traditions in Modern Italy*, reprint (Princeton, N.J: Princeton University Press, 1994), 167–171.
- 47 Bruno Hildebrand, “Die Gegenwärtige Aufgabe der Wissenschaft der Nationalökonomie, Zweiter Artikle,” *Jahrbücher für Nationalökonomie und Statistik I* (1863): 138–142.
- 48 Hildebrand, “Die Gegenwärtige Aufgabe der Wissenschaft der Nationalökonomie, Zweiter Artikle,” 141–143.
- 49 Hildebrand, Die Gegenwärtige Aufgabe der Wissenschaft der Nationalökonomie, Zweiter Artikle, ” 141. “Staat erntet die Frucht seiner Saat.”
- 50 Bruno Hildebrand, “Die Gegenwärtige Aufgabe der Wissenschaft der Nationalökonomie, Zweiter Artikle,” 140–141.
- 51 John Field, *Social Capital*, 24–25.

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- 52 Bruno Hildebrand, "Die Nationalökonomie der Gegenwart und Zukunft," in *Die Nationalökonomie der Gegenwart und Zukunft und Andere Gesammelte Schriften*, ed. Hans Gehrig (Jena: Fischer, 1922), 75–77.
- 53 John Field, *Social Capital*, (London: Routledge, 2003), 9.
- 54 Ernst Helmstädter, "Die Geschichte der Nationalökonomie als Geschichte ihres Fortschritts," in *Geschichte der Nationalökonomie*, ed. Otmar Issing (München: Vahlen, 2002), 6.
- 55 Walther Jacoby, *Der Streit um den Kapitalbegriff: Seine Geschichtliche Entwicklung und Versuche zu Seiner Lösung* (Jena: G. Fischer, 1908), 2.
- 56 B. F. Kiker, "The Historical Roots of the Concept of Human Capital" *Journal of Political Economy* 74, no. 5 (1966).