
Individual social capital, class reproduction and social mobility: an agent-based model

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Abstract

Economic inequality has increased in almost all countries during the last decades, though at different speeds. The diversity of institutional, political, and social contexts has played a crucial role in shaping these trends. In fact, the persistence of inequality is inherent to its multidimensionality and its embeddedness in the social background. Increasing differences across groups may arise from social factors, such as ethnic origin, language or group. Social and cultural processes must thus be taken into account for explaining inequality and social mobility.

The economic literature has discussed a number of mechanisms to explain inequality. A strand of the literature emphasizes market imperfections, but poverty traps and social immobility may emerge even when markets are efficient, and the rich and the poor are supposed to be rational and share the same set of preferences. Social relations may affect the set of preferences and educational choices, but they may also have a real effect on the return on investments in education, or at least on the expected return on investments, thus exerting an impact on educational choices and subsequent income outcomes. Thus, it is not only a matter of preferences and, ultimately, of responsibility of the poor, nor only a problem inherent to cultural processes that impose a social structure that the poor internalizes. It is a choice of people that understand and anticipate that job candidates are not created equal. The consequences of this choice are reduced investments in education and differences across social groups in terms of education and productive abilities. This, in turn, boosts inequality.

The study of networks of social relations helps to understand better how this mechanism of educational investments and labour outcomes contributes to the persistence of inequality. Over the past few decades, there has been increasing examination of the role of social and cultural processes in the generation of social inequalities. The concept of social capital, and in particular of social capital as collective goods, is inextricably linked to its relationship with the reproduction of social stratification.

In this study, we make use of the concept of individual social capital, and we present an agent-based model that explains how persistent inequality emerges from individual investments in social relations, by means of the aggregate network effects of those investments on the distribution of resources. In particular, we show how the tendency to connect to similar people generate homogeneous communities, and how the relative power of a community results in diverging levels of income and wealth.

However, this same mechanism of socialization by homophily is also key to understand social mobility. Homophily may limit people's opportunities, but socioeconomic similarity depends

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on many dimensions, such as race, ethnicity, age, religion, education and gender, among others. In other words, relationships are based on much more than similarity in wealth and economic conditions. When the poor is able (or happen) to connect with the rich due to social homophily (for example, for sharing the same faith or the same ethnicity), than they may expect, and actually enjoy, better opportunities. By connecting to valuable networks, people initially endowed with unfavourable conditions may enjoy upward economic mobility. Individual social capital may contribute to the reproduction of the elite, but it may also have a bright side.

Keywords: Individual social capital, mobility, agent based model