Social Capital and the Need for Devolution

Compiled by Andrew Burbidge from the writings of Mark Latham

The concept of social capital arises from the way in which social relationships generate trust and cooperation for gains enjoyed in common. It largely arises from shared feelings of trust and reciprocity, although there are differences between ‘vertical’ and ‘horizontal’ social capital.

Vertical social capital – our trust of people like judges, teachers, police and doctors – is trust exercised through systems of hierarchy and authority rather than enlightened mutuality.

Horizontal social capital, in contrast, arises with greater spontaneity and mutuality, such as occurs among family, friends, workmates and neighbours. Successful institutions are able to nurture and maximise the flow of horizontal social capital, thereby sustaining the virtues of reciprocity and cooperation.

As Putnam (1995) states, life is easier in a community enriched by a substantial stock of social capital. Networks of civic engagement foster sturdy norms of generalised reciprocity and encourage the emergence of social trust. Such networks facilitate coordination and communication, amplify reputations, and thus allow the dilemmas of collective action to be resolved.

While the sort of trust generated by family and friendship ties is undoubtedly important, it does not automatically establish the basis of broader forms of social trust. This is the critical test of horizontal social capital: to be able to trust another when the direct experiences of mutual aid are not necessarily deep and binding.

Trust of this nature boosts the success of society’s institutions because it provides the basis for establishing shared interests and pursuing the logic of collective action.

Without reciprocated trust a family cannot reach its full potential for nurturing children and establishing systems of mutual support. Only with trust can people serve as good neighbours, with the mutual cooperation needed to care for each other’s interests. Social trust allows a community to avoid the defensive actions otherwise required to combat public disorder and lawlessness.

Without social capital it is difficult to define common interests in the public arena and act upon them in a sustainable way. In the workplace, mutual trust provides the foundation on which cooperation and innovation create a productive enterprise, and greatly reduces the costs associated with supervision, monitoring and quality control.

Unhappily, in many parts of Australian society the basis of trust and mutuality appears to be in decline. Evidence is to be found in the growth of walled housing estates, single-resident households, individualised recreational pursuits, falling rates of participation in many aspects of community life, plus constant calls for more punishment and imprisonment.

Decline in social capital

Fukuyama (1995) argues that human behaviour is primarily motivated by the need for recognition, and that trust is a mode of recognition. What usually passes as economic motivation is in fact not a matter of rational desire but a manifestation of the desire for recognition. Natural wants and needs are few in number and rather easily satisfied, particularly in the context of a modern industrial economy. Our motivation in working and earning money is much more closely related to the recognition afforded by such activity, where money becomes a symbol not for material goods but for social status or recognition.

This suggests that the search for recognition and self-esteem is fundamental to the participation of each person in society. It helps to explain the sense of non-material loss people feel when they face unemployment and why some young people, without the capacity or opportunity to excel by conventional means, seek recognition through various forms of negative behaviour. It helps to deepen our understanding of the full meaning of insecurity: the lack of dignity and worth in one’s life which comes from a lack of recognition.

This line of thought suggests that narrow individualism in society is not enough. Recognition can only come from an engagement in social activities. Without social connectedness none of us can attain recognition. Without such a thing as society there can be no value or purpose to any of our lives. The satisfaction we derive from interacting with others comes from our search for recognition. This framework leaves open the probability of altruistic as well as individualistic behaviour. Recognition can be obtained from assisting others in a range of social situations. The economic libertarian notion that rights and motives are directed solely for the purpose of self-interested materialism is misplaced.

In its various forms, however, ‘globalisation’ has uprooted many of the mechanisms for recognition upon which the strength and cohesiveness of civil society has traditionally relied. For instance, the internationalisation of the economy has weakened the type of producer and consumer cooperatives which flourished in most nations during the first part of this century.

A similar process has taken place among our social institutions. When social contact was structured on a local scale, people tended to be recognised for their contribution to civic endeavours – the success of local enterprises, contributions to the parish, achievements at the local school, the town’s sports people, and the recognition and support of family members. Voluntary effort and cooperation through civic associations were regarded as being of lasting social worth. Now, with a global system of communications, the bar has been lifted on what constitutes a recognisable contribution to society.

The modern search for recognition has been intensely frustrating. Globalisation of the media has downgraded the value of local civic effort. Television creates false expectations and delivers, at best, ephemeral satisfaction and recognition. It fosters a form of social interaction without the lasting benefits of social connectedness. It is not able to create the depth of dignity and worth founded in interpersonal trust and mutuality. Indeed, it may be that television’s comparative mode of recognition has contributed to the growth of anxiety and personal insecurity now noted by many sociologists.

Never before has society left it to a commercial market to fashion its norms, values and sources of social recognition. Young people...
in particular no longer take the bulk of their social atlas and role models from family life and community, but from television and other forms of electronic entertainment. The neighbours most commonly invited into Australian homes are from the fictitious Ramsay Street. In the United States it is estimated that the average teenager watches 21 hours of television per week, while spending five minutes per week alone with his or her father, and 20 minutes alone with his or her mother.

**Increasing the stock of social capital**

In developing a strategy for encouraging citizen involvement and the growth of horizontal social capital, it is important to note differences with some other commentators from both the ‘new Right’ and the ‘unreconstructed’ Left.

In particular, the economic libertarians are mistaken in their belief that the establishment of welfare rights and entitlements have caused citizens to lose the habits of social and economic connectedness. In fact, as Putnam’s (1995) research demonstrates, factors external to the provision of welfare have eroded the public’s confidence in the value of personal interaction and collective activity, whether expressed through the institutions of the state or civil society.

Putnam’s data show that ‘indicators of social capital are, if anything, positively correlated with the size of the state’. While not claiming a causal relationship between social connectedness and the strength of the public sector, this simple finding is not easily reconciled with the notion that big government undermines or ‘crowds out’ social capital. The crowding out thesis underestimates the way in which economic relations themselves have most likely placed new pressures on the cohesiveness of civil society.

Indeed, a practical argument can be put that the same economic and social changes which have weakened the effectiveness of government have also eroded the strength of social capital. Globalisation appears to be associated with new pressures on the sustainability of social connectedness. The weight of life’s responsibilities has lifted to the global arena, with a growing number of citizens devoting themselves to international communications, employment and travel. For other citizens, without these opportunities and horizons, the strain of economic and social change has become more acute. In aggregate, these trends have loosened the glue of localism, making it harder to hold communities, families and civil society together.

It is also important to identify differences with those on the Left who argue, for example, that ‘increasing the functions and visibility of government’ can rebuild social capital (Cox 1995). In fact the public sector should not be expanded until it demonstrates a capacity to foster the interdependence of civic effort. Otherwise expansion of passive welfareism is likely to generate elements of dependence between governments and citizens rather than interdependence within civil society. A different set of organisational principles – emphasising horizontal devolution, mutual aid and active welfare – offer greater potential for the enhancement of social trust.

Another problematic argument is the view that competition policy inexorably breaks down the strength of social capital. In practice, most economic and social competition (for example, in enterprises and sporting teams) is underpinned by various forms of cooperation and social interdependence. The success of a society relies on an appropriate balance between competition and cooperation in its values and institutions: competition to foster innovation and creativity; cooperation to build trust and inclusiveness.

While the state is not able directly to create social capital through its conventional legislative and welfare programs, it can influence, indirectly and incrementally, the type of social relations which give rise to the formation of horizontal bonds and forms of trust.

Governments have a role to play in building social trust by creating an environment which maximises the potential for horizontal social capital. With the upward shift of capital and many forms of social activity to an international arena, there may be a compensatory role for the state public sector in devolving some of its functions closer to a local scale of self-governance.

**Devolution and the role of government**

Public policy has a role to play in smoothing the path to social trust. Governments have the capacity, through their design of public institutions, to create an environment within which citizens are able to find and foster mutuality.

This means devolving, or reorganising, the structures of governance such that people are able to establish commonality in their interests and, in acting to advance these shared goals, are in a position to build the habits of reciprocated trust.

It is not possible to create social connectedness unless people are able to interact in a way that exposes them to the logic of mutuality. Cooperation is always more likely if people expect to be involved with each other again, and they regard this future interaction as important. Social capital is created as a by-product of this recurring pattern of shared interests and interaction. The formation of social trust and mutuality relies, therefore, on a certain type of institutional design. People need to be able to interact on an organisational scale within which they can constantly assess the behaviour of others and find reasons for the creation of trust.

An important part of the creation of public mutuality, of course, lies in the identification of mutual interests. The concept of public universality is now best understood and expressed through forms of public governance which address the core insecurities of life – in employment, income support, lifelong learning, health care, personal safety, and social connectedness.

These responsibilities provide an appropriate charter from which social democracy can consider a program of devolution in the administration of the public sector. They hold potential, through the facilitation of self-governance, for rebuilding the citizenry’s faith in the logic of collective action. They help to accommodate the diversity of a post-industrial society by allowing people with like interests and inclinations to realise the benefits of public mutuality.

**Proposals for reform**

The following reform proposals offer a guide to the way in devolution might occur in practice.

An obvious starting point lies in more thoroughly resourcing the work of the non-state public sector. With the advent of globalisation, most of our society’s problems have deepened and become more complex. The conventional methods of government are struggling to deal with the entrenched problems of economic and social exclusion. Social problems are not being solved by the old formula of providing more money for more programs. Without effort, risk and innovation at a community level – without solutions from the bottom-upwards as well as top-down – there can be no resolution of the issues facing our open society and economy.

In this age of immense social change – a time when the challenges and choices in our lives have never been so great – the state needs to establish a new relationship with its citizens. It needs to get out of the habit of telling people what to do, of always trying to plan and control society’s direction, and allow more of society’s answers to come from community and civic life.

A key feature of the strategy is that the state plays a supportive rather than directive role. The state needs to turn over its decision-making power, as much as possible, to intermediaries...
associations linking the power of government to the capacity of citizens to engage in mutual trust.

**Employment**

Solutions to the problem of unemployment, for example, now rely on the creation of new forms of work in the non-state public sector. Civic associations should be able to access public resources to sponsor projects and employment, especially in dealing with the spatial features of the new labour market.

This does not mean using the authority of the state to direct changes in civil society, but turning over a share of its resources for genuinely civic purposes. Too often it is assumed that law making in itself remakes values and outcomes across society. Often better results arise from placing people and organisations in a position where they can freely and mutually arrive at solutions themselves.

Nor should the formation of social capital be seen as outside the domain of the workplace. Putnam's (1995) research has shown that in highly civic societies, solidarity in the workplace is one of the preconditions of social trust. In public policy, this means supporting the role of organised labour, as well as enacting industrial laws that facilitate the spread of collective bargaining ahead of individualised employment contracts. Importantly, worker-owned cooperatives also can assist in the creation of trust and mutuality in the workplace.

These strategies, in the framing of economic policy, help to strike an appropriate balance between competition at the point of market exchange and cooperation in the production of goods and services. They recognise the importance of social capital in the workplace as much as in any other part of society.

**Health care**

Health care and other forms of welfare support are also conducive to this type of policy devolution. Improvements in health and information technology now make it possible for governments to move towards a system of consumer entitlements in the provision of health services.

This approach relies on the payment of a risk-rated amount to each citizen, covering the estimated cost of their service needs and circumstances. For instance, high-risk groups, such as the elderly and chronic health care users, would receive a larger payment than low-risk health consumers. Citizens would then be free to use their entitlement to form mutual health care organisations, much in the style of health consumer cooperatives. These self-governing groups would be chartered with identifying and meeting the health care needs of their members, specifically through the purchase of an appropriate set of health services and insurance arrangements.

Within this framework, the direct role of government is limited to the funding of entitlements, along with the regulation of the administrative and prudential standards of the cooperatives system. The establishment of a citizen controlled market for health care – much as creating room at the middle of society for the formation of self-governing mutual bodies.

These strategies, in the framing of economic policy, help to strike an appropriate balance between competition at the point of market exchange and cooperation in the production of goods and services. They recognise the importance of social capital in the workplace as much as in any other part of society.

**Durability of social capital**

To conclude, the durability of social capital relies on people having interests to pursue and things to do in common. Without the interpersonal contact arising from mutual self-governance, it is difficult to create the basis of social trust. Governments have the capacity, through their design of public institutions, to create an environment within which citizens are able to find and foster mutuality.

This means devolving and making more transparent the structures of governance so that people are able to establish commonality in their interests and, in acting to advance these shared goals, build the habits of reciprocated trust. Devolution does not mean transferring power to new types of parliaments or departments so much as creating room at the middle of society for the formation of self-governing mutual bodies.

Passive systems of welfare and governance are a poor way of creating commonality and trust in a post-industrial society. Reformers need to recognise the limited scope of collectivism expressed through the vertical structures of the state. What is required is a strengthening of the citizen-to-citizen relationship in society, rather than the state-to-citizen relationship. To realise goals for social mutuality and equality there is a need to embrace the goals, values and policies of public devolution. Only in this fashion can social democratic ideals be relevant to the emerging public debate about social capital and the importance of community values.

**References**


Andrew Burbidge is a Senior Research Fellow with the Australian Institute of Family Studies. This article was compiled from the following works by Mark Latham: