

Is Social Capital the New Socialism?

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THE last century of world history has revealed the results of governments' efforts to regulate the economic behaviour of individuals. But as socialism is retreating, new theories of regulation are emerging. These new theories don't aim to regulate the economic relations between individuals; instead, they seek to regulate the social relations between them.

The desire to increase the community's 'social capital' is the justification used by the advocates of the new theories of regulation. In recent years, politicians and public policy experts have considered how governments can increase social capital. Few, however, have paused to ask whether governments *can* create social capital. Even fewer have considered whether governments *should* create social capital.

An important research paper by the Productivity Commission *Social Capital: Reviewing the Concept and its Policy Implications* published in July this year provides a valuable antidote to the 'there's a problem and the government should fix it' school of policy-making. The report quotes Fukuyama:

States do not have many obvious levers for creating many forms of social capital. Social capital is frequently a by-product of religion, tradition, shared historical experience, and other factors that lie outside the control of any government.

If 'social capital' is defined as norms and networks which encourage co-operation and trust between individuals, then the existence of social capital can be beneficial. Social capital reduces transaction costs, assists the diffusion of knowledge, and can enhance the sense

of community well-being. Numerous academics around the world have been active finding connections between levels of social capital and everything from a country's economic performance to the incidence of the common cold.

CAN GOVERNMENT CREATE SOCIAL CAPITAL?

Whether governments can create social capital is questionable. The 'crowding out' effect of government action has long been recognized, and nowhere is it more apparent than in the area of social capital. As in recent decades governments have taken over the provision of health, welfare and education, so the voluntary services sector has been reduced.

Given that social capital is determined according to the quality of relationships between individuals, a vast array of legislation and policy positively destroys social capital. For example, until very recently, Australia's industrial relations system has been based not upon the concept that individuals can freely negotiate their employment conditions with other individuals, but upon the concept that the state is required to arbitrate *between* individuals—the very antithesis of social capital.

SHOULD GOVERNMENT CREATE SOCIAL CAPITAL?

The idea that the state should attempt to create and enforce particular norms is not new. The issue is *which* norms and *how* should they be enforced. For instance, the community accepts that wearing seatbelts should be compulsory, but that church attendance should not be.

It could be argued that government efforts to create social capital contra-

dict a fundamental tenet of political liberalism. Within reasonable limits, how an individual decides to relate, or not relate, to others is of interest to no-one other than that individual. The best exposition of this principle remains Mill's *On Liberty*—unless an action concerns another, no person should be compelled to undertake that action, even if it is thought that do so would make that person 'happier'.

Certainly there are many aspects of social capital theory to which liberals should be not unsympathetic, such as the emphasis on individual responsibility, and local rather than centralized decision-making. Encouraging such efforts should not, however, provide cover for any broader agenda of state activity. According to the Productivity Commission:

Implicit in many proposals for government action to maintain and build social capital is the view that people and private institutions, when left to their own devices, will not generate sufficient social capital to serve the overall community interest.

Such opinions come from those who believe that social capital has diminished as a result of economic rationalism and there being 'too much market'. On the contrary, there hasn't been 'enough market'. The claim that 'market logic' undermines 'trust, co-operation and mutuality' fails to comprehend that the entire basis of markets is mutuality. It is only when people and private institutions *are* left to their own devices that social capital can be generated.

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