

Community Renewal and Social Capital
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Governments of both left and right, have been pursuing economic rationalist policies for about 10 years now. They are reaping the consequences of those policies, and are becoming alarmed at some of the negative consequences. I think we are seeing a change in the wind. But this change is not about a return to the welfare state, and it won't happen without all of our participation. There is now a real possibility for a different kind of partnership with governments at all levels and even with the corporate sector. But only if we, the third sector, are able to give up our sense of ourselves as victim, and become instead powerful co-actors initiating change. The key to this change is our mobilisation of social capital.

So what is economic rationalism:

And why has it been so devastating to civil society?

Economic rationalism is also known variously as “new right”, or economic libertarianism. It rests on the assumption that human beings are “rational utility-maximizing individuals”. That means that we are all out to meet our own individual, short term self interests, and this is OK. There is a discourse of privatisation and deregulation. Simply stated, economic rationalism is an ideology which rests on the free play of market forces. As public policy, the state has adopted the mechanisms and principles of the market. The basic assumptions are that the individual citizen/ consumer should exercise their free choice in accessing goods and services according to their capacity to pay; the provider of such goods and services will continue to provide them as long as demand is strong enough and the quality of their services are sufficiently attractive. Quality is ensured through competition between providers. All agents are motivated by rational self interest. The philosophical position that justifies all this is a form of liberalism which rests on the core value of individual rights and autonomy.

The state, according to this ideology, should adopt minimal intervention in market processes. The welfare state is no more. Responsibility for welfare services is returned to the community and the family. Basically, individuals and families should purchase the services they need within the marketplace. However, there remains a residual acknowledgment of responsibility for regulations that ensure a "level playing field" and for the provision of safety net services for those unable to purchase their own. Where individuals cannot purchase their own services, the state has created a surrogate market, by buying services on behalf of the consumer, this process being best achieved by contracting out services to agents of the state. The business objectives of government are thus achieved through agency relationships, in which the state attempts to maximise control of the output while minimising its own transaction costs. As a result funding bodies have become increasingly interested in various forms of contracting. A contract for service establishes explicit agreements for performance of agreed objectives at specified standards of quantity, quality, and cost. Quite often that cost will be set at below reasonable levels on the assumption that the difference will be made up by volunteer labour, cross-subsidizing or other productivity savings. Under competition policy, for-profit providers are encouraged to enter the market and compete for funding.

Economic Rationalist Policies applied to the Nonprofit Sector:

A number of studies have now begun to assess the impact of these policies. The results in terms of the policy objectives, have been mixed. On the surface, there have been gains in terms of more transparent processes, a growing clarity of outcomes, a more effective use of scarce resources, and competition driven improved quality of services (in some cases).

However the consequences for the community has been largely negative. Wherever a contract culture has been introduced, nonprofits perceive an increased burden of administration, both in terms of the bureaucratic control placed upon them by the purchasing agent, and in terms of the additional administration required to manage the

contract conditions. Invariably, a major effect, perhaps the major effect of the contract culture, has been an increase in control over the provider organisation by the purchasing (funding) body, and a concomitant loss of autonomy by the providing organisation. Small community based organisations which are totally dependent on government funding, are most vulnerable to such erosion of their independent status.

Despite the rhetoric concerning the greater choice and empowerment of the customer/consumer, there is no evidence of increased consumer power actually occurring, largely because there are still very few off the shelf services available within prevailing resource constraints.

While the delivery of social services under economic rationalist, or quasi-market conditions is open to criticism even within its own terms, the most serious critique is in terms of the systematic undermining of voluntary or nonprofit sector values and capacity to develop community. In particular, it is argued that economic rationalist policies have the effect of drawing on existing stocks of social capital, without providing the conditions for its replenishment or growth. In the long term this is a recipe for disaster.

What is social capital?

Social capital can be developed and used wherever humans gather together for a common purpose. It is primarily associated with civil society. I follow Walzer (1991) in defining civil society as “the space of uncoerced human association and also the relational networks formed for the sake of family, faith, interest and ideology, that fills this space”. The key ingredient in civil society, is social capital. Let me outline, very briefly, the core ingredients of that concept. The definitions most often used are those of Putnam as “those features of social organisation, such as trust, norms and networks that can improve the efficiency of society by facilitating coordinated actions” (Putnam, 1993) or “that enable participants to act together more effectively to pursue shared objectives” (Putnam, 1995)

If you don't like formal definitions, think about your own life. Think about a place where you live, or lived, or worked, and the networks you formed there. Think about a problem that came up. Maybe you were in trouble and needed some help to solve the problem. Maybe the community had a problem, that could only be solved by people coming together to deal with it. A bush fire comes to mind for me. I am not talking about calling in the professionals, but using the informal networks to make things happen. That is social capital. At one level it is obvious. At another level it is new...and has never been formally recognized or accounted.

A lot of research and debate around the world has occurred in the past 5 years concerning social capital and what it does. Let me summarise some of that with a few basic propositions. There is some debate around each proposition, but together they are starting to add up to some very powerful ideas.

1. Social capital, like other forms of capital, like money, is an essential ingredient in social action. Social capital does not refer to the social action itself but to the essential prerequisite of social action. If you want something done, you need more or less financial capital, natural capital, cultural or human capital, and social capital.
2. Any community of people who form networks of common interest can generate social capital. Social capital is not something that anyone can possess as an individual, although individuals may make use of it. Essentially social capital resides in the connection between people.
3. Social capital has a number of elements; it is not a unitary concept. It is about the connectedness between people, about networks and trust and the capacity to work together.
4. However, unlike other forms of capital, you don't need to be rich to acquire social capital. There is little or no correlation between material well-being and social capital except for the extremely poor and disadvantaged. For these groups the more social capital, the greater chance of material well-being and visa versa. Or put another way, without some minimal level of material well-being, it is unlikely that social capital will be generated. Without some minimal level of social capital it is unlikely that material well being can happen.

5. Like other forms of social capital, whether it is used for good or evil is up to those who use it. It is always used for the common good, but that leaves open the question of “whose common good” and “who decides”. It is the case that there are nearly always winners and losers in the use of social capital, as with any other form of human activity.
6. Communities appear to be remarkably resilient. The denser the networks of connection and participation, the more resilient the community. The key always is in the relationships.
7. There are however, two levels of social capital (at least). One concerns the bonding networks **within** communities, and the other concerns bridging links **between** different groups. The first is marked by what is termed “thick trust”, the mutual support of insiders, the thing that holds a small community together in the face of fire or the loss of banking services for instance. Bridging social capital is not about social support, but about drawing on resources from other networks. It also requires trust, but of a different kind.
8. Another essential feature of social capital is social agency: the capacity of people working together to take the initiative. It is about people as active participants, not as passive victims or even as “customers” or “clients”

Can we measure it?

Scholars around the world are developing ways of measuring social capital. Much of the work to date has made use of proxy measures of social capital. The most useful of these is the density of voluntary associations in a given region. This is the measure originally used by Putnam for example, and in some of the World Bank projects.

Another useful measure is the measure of trust, as used in the world values survey. This question is asked of many thousand people across many countries, at regular intervals: “do you agree that most people can be trusted?”.

There have been several recent attempts to develop a more systematic measure of social capital. I was involved in one of these developments. In order to explore empirically the structure of social capital, a study was undertaken of five communities in NSW (Onyx and Bullen (1997). The survey included 68 questions covering all the elements that had been discussed in the literature on social capital. Some 1200 adults in 5 communities in New South Wales completed the questionnaire in 1996.

The data suggested several conclusions. First, there was a general social capital factor, a common underlying theme that ran through people's responses. That general factor confirms the reality of social capital as an empirical concept. Second, there were eight, distinct elements, or factors that appear to be inter-related aspects of social capital. The eight elements included four "capacity building blocks" referring to 'Trust', 'Social Agency', 'Tolerance of diversity' and 'Value of life'. Underlying all these factors was the common or core ingredient of social connectedness.

The other four factors referred to four distinct social arenas: 'Participation in the Local Community' (formal engagement with local community organisations), 'Neighbourhood Connections', 'Family and Friends connections', and 'Work Connections'. This suggests that social capital may be generated in a variety of arenas, and that people may have access to, or be involved in the production of social capital in different arenas.

From the questionnaire responses, it was possible to compare the levels of social capital across different communities and groups. Communities may differ in their total level of social capital. But two communities with similar overall levels of social capital can also have very different profiles of social capital elements. Some communities demonstrated high levels of social capital on most indices, but relatively low levels of tolerance of diversity. Participation in community affairs, and the capacity for local action that this creates was strongest in small rural communities. However this capacity may be associated with low tolerance of difference.

To access the scale go to Paul's web-site at: www.mapl.com.au

Why is social capital important?

Social capital appears to be essential for the individual, and for the community at large.

A healthy economy, and a vibrant political democracy depend on a civil society with a strong stock of social capital. Basically, if any economic policy draws on, but does not replace the stock of social capital, it does so at its peril. When social capital becomes depleted, the capacity for society to pull together is reduced, as is the capacity for the community to support entrepreneurial activity of any sort.

As individual human beings, we need both bonding social capital and bridging social capital. The support of a close knit community of likeness (whether of family, friends, workmates, the local community) provides a sense of personal identity and support in adversity and meaningfulness in life. But bridging social capital allows growth, access to new knowledge and resources, tolerance, social justice and a sense of a common humanity.

What both of these have in common is a sense of the “common good”. Social life, even within a market economy, perhaps especially within a market economy, depends on the capacity to work together for the common good, as well as for individual gain. Short term altruism is necessary for long term personal gain. In simple terms, and as more than just a metaphor, if we do not get together to ensure clean air to breathe, well, before long we will all stop breathing. Social capital is a recognition that we are all in this together.

Community renewal

I want to explore the capacity of local rural communities to find new pathways to renewal. In doing so, I also draw on recent theoretical work relating to sustainable development, and in particular the analysis of Ann Dale (2000) who defines sustainable development as follows:

Sustainable development can be regarded as a process of reconciliation of three imperatives: (i) the ecological imperative to live within global biophysical carrying capacity and maintain biodiversity; (ii) the social imperative to ensure the development of democratic systems of governance to effectively propagate

and sustain the values that people wish to live by; and (iii) the economic imperative to ensure that basic needs are met worldwide. (Dale, 2000, p110)

The central concepts of development revolve around the four capitals: financial capital, natural capital, human capital and social capital. In particular we need to revision the relationship between the four kinds of capital. Traditional approaches to development have heavily emphasised the use of financial capital and the exploitation of natural capital. As the definition by Dale above suggests, we need to move away from thinking in insular, discipline specific, or institution specific terms, and move instead to more holistic thinking. The argument is that action taken with respect to any of the four capitals will have direct consequences for the others. If used correctly, the mobilisation of one form of capital can multiply the effects of another in a positive, or virtuous cycle. Equally, the misuse, or overuse of one can destroy another.

The United Nations ‘Agenda 21’ was a principle outcome of the United Nations Conference on Environment and Development (the Rio conference) which sets the agenda “to reverse the effects of environmental degradation and to promote environmentally sound and sustainable development in all countries” (Robinson, 1993, i). This agenda includes empowering communities. Section 3.7 establishes:

Sustainable development must be achieved at every level of society. People’s organizations, women’s groups and non-governmental organizations are important sources of innovation and action at the local level and have a strong interest and proven ability to promote sustainable livelihoods. Governments, in cooperation with appropriate international and non-governmental organizations should support a community-driven approach to sustainability..”(p26)

To do this, we need to pay much more attention to social capital, because social capital enhances returns to investment in other forms of capital. The point being that these various forms of capital are not independent, nor are they alternatives. They are interconnected in complex ways, and likely to be complementary, rather than substitute. Thus for instance, to draw a rather obvious example, the investment in saw mills creates a capital asset which is of no use if the timber is all gone. An over-use of other forms of

capital may well erode or destroy human and social capital, for example by processes of deskilling, and unemployment. A loss in these resources makes long term development unsustainable. Dale (1999) observes that ‘communities, although at the base of the development chain, had become the missing link in efforts to refashion relations between environment and economy’ (pxiv).

We need to understand much better what the role of the local community is. How can the local community mobilize the productive use of social capital, and what effect does that have.

Sweden: A case study

It is always easier to look at how someone else has done it. Rural Sweden is in much the same plight as rural Australia. Areas of north and west Sweden in particular have been faced with falling commodity prices, global competition making small scale production uncompetitive, industry restructuring, increasing unemployment, reduction in government welfare spending, closure of local public services, high levels of social distress and feelings of hopelessness.

However, the Swedes have remarkably high levels of public participation in almost everything. Literally thousands of new community based organisations have emerged in the face of this crisis of the rural economy. All of these have been grass-roots driven. Often a small group of angry women start the process going, with a determination that their village is not going to die. With some help from professional advisers, and many months of discussion, they work out a plan of action, usually involving the whole community. New organisations are formed, often small cooperatives, or what they call “community businesses”. These cover an enormous range of potential production or services. Many set out to develop tourist services, or market handicrafts, or set up an aged care service or child care. They may take over the local general store or bank if these are in danger of closing. They may form economic associations for the production of local meat or timber goods. They build houses, or form new eco-efficient forms of power distribution. They lobby government and form partnerships with the local industries.

The point is that all these ideas came from the community in question, not by government, not even by local government. The energy and the commitment came from the community itself. They were able to mobilise the local networks. Of course they did not have all the knowledge and skills necessary, and seldom had much financial capital. But that didn't make them victims, or welfare recipients. One thing they did have, was access to outside organisations that were willing to help with the necessary technical knowledge. Sometimes the municipal council provided that. Sometimes it was a peak body or a community development adviser from a state wide organisation. Sometimes it was a regional university. Financial capital sometimes came from local industry, or municipal council. Many groups were able to access a pool of state funding, not enough to run the service, but enough to get started. Most successful organisations (and they were mostly successful) used a complex funding arrangement which was part state funding, part market return for goods and services, and part community resourced (volunteer labour). However, it was always their show, never something imposed on them.

What did they gain? They gained a new sense of purpose and hope. Old people could 'age in place'. Young people could find employment. Many cooperatives were specifically designed by and for women with children so that they could gain an income while caring for children. Many created eco-communities so that they were able to rehabilitate their environment, find more effective methods of transport and heating. Above all they gained a strong sense of connection to each other and to the land.

What was the downside? Well several, depending on your point of view. Few if any got rich. We are talking here about collective survival and quality of life, not financial wealth. Some people, often the key initiators, felt burnt out. I know of several cases where the community funded key people to take a holiday. In social capital terms, massive bonding social capital was generated, but this did not always translate into tolerance for outsiders, or for minority groups. Although some of the best work involved groups of Sami people (Indigenous reindeer herders).sometimes there was ongoing conflict between different factions in the community, and where that was severe, little

could be accomplished. I guess I would also have to say that this huge community effort on its own could not counteract the negative effects of the loss of major industries. Nor could it replace government. But by being proactive and determined it was often able to bring the others into line.

Conclusion

I think we have much to learn from the Swedish example. We know that we Aussies can do things better than just about anyone else when we set our collective minds to it. The Sydney Paralympics demonstrated that. We can't turn the local social economy around on our own but, by taking a lead role in partnership with all levels of government (especially local government) and with local industry, and by drawing on our own energy, we can actually do the impossible. We do this not as victims but as the voice of civil society.