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Bonding, Bridging and Investment – Important aspects of a National Social Capital Policy Strategy

Abstract

Social capital can be built through investment in employment and education, though different forms of capital – bonding and bridging capital – generate conflicting claims on such investment. Theoretical and empirical evidence suggests that any public policy strategy seeking to build social capital must take account of the need to balance bonding and bridging capital, link the long term interests of local residents and national citizens and institutions, and maintain a strong focus upon equality as an important outcome. State level strategies, such as the Victorian ‘Community Building Initiative’, are making good headway, but a national approach is needed. An integrated national social capital policy is most likely to require a degree of regulation of local investment to insure the balance between bonding and bridging capital is maintained and the focus upon equality is not lost.

Keywords: Social Capital, Bonding, Bridging, Investment, Equality, Policy

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Introduction

Social capital is a valuable concept built upon – but not simply reiterating – many traditional theories of social and political integration. Its value lies in asserting not only the importance of social ties in their own right, but also that such ties are resources that can be built up or depleted, just like other forms of capital. On a positive note, despite the fact that social capital has attracted numerous definitions,¹ most appear now to be consolidating around a focus upon networks and norms of trust and reciprocity. The official OECD definition has honed in on this focus, and will serve as a working definition here: “*Social Capital is networks together with shared norms, values and understandings that facilitate cooperation within or among groups*”.² Social capital is comprised of networks, and such networks serve to foster important social outcomes, including employment, education, voluntary activity, and confidence in government and institutions of governance.

Despite increasing definitional clarity, however, measurements have continued to proliferate in numerous Australia surveys, with items such as safety, proactivity and tolerance of diversity, citizenship and disposition, assistance and confidence in support, and many potential others being included. Some headway towards consensus is being made, however. The most specific survey on social capital within Australia, the Australian Institute of Family Studies’ ‘Social Capital and Citizenship Project’ focuses solidly upon networks and norms. The Institute avoids the ‘rush to measurement’ by premising their investigation upon a thorough review of the theoretical social capital literature, and their findings³ do much to map the social capital landscape of Australia, and lay the groundwork for the development of a national social capital initiative.

¹Commission, Australian Productivity, (2003) ‘Social Capital: Reviewing the Concept and Its Policy Implications.’ pp.1-89. Canberra: AusInfo. pp.8.

² Ibid.

³ Stone, Wendy, Mathew Grey, and Jody Hughes, (2003) ‘Social Capital at Work: How Family, Friends and Civic Ties Relate to Labour Market Outcomes.’ Melbourne: Australian Institute of Family Studies, Stone, Wendy, and Jody Hughes, (2001) ‘Social Capital: Linking Family and Community?’ Paper

Building social capital is a 'hot topic', and input as to how to go about doing so is eagerly sought by governments and agencies, despite the problems in social capital meaning and measurement. Local and state governments aimed at promoting community empowerment have actively engaged with the concept of social capital. The 'Community Building Initiative' and 'Community Support Fund' (amongst others) in Victoria and the 'Community Renewal' program in Queensland are prime examples of this, encouraging the development of strong communities through the targeted investment of funds into collaborative 'local-govt' efforts at improving education, employment, crime reduction, and so on, with commendable emphasis upon equality. However, sufficient emphasis upon long-term stake holding by local community members within these strategies is questionable, given the powerful dislocating effects of increasingly competitive markets upon communities and individuals. In addition, there is no overarching strategy to coordinate and integrate state efforts nationally, despite investigations by federal bodies such as the Productivity Commission⁴.

The need for any kind of national strategy to consolidate the role of gov't and long-term stake holding in social capital building may be legitimately questioned. The importance of a role for government will be discussed in relation to theory in the first section of this paper. A review of the major theoretical contributions to social capital is undertaken to suggest the necessary characteristics for any potential social capital strategy. Following this, a brief non-comprehensive examination of social capital strategies and policy debates within Australia will be provided, in order to demonstrate the weaknesses inherent in present policy strategy. Issues of fundamental importance to any alternative national social capital policy strategy will be discussed in conclusion.

presented at the Family Strengths Conference, Newcastle, ———, (2001) 'Sustaining Communities: An Empirical Investigation of Social Capital in Regional Australia.' Paper presented at the SEGRA Fifth National Conference, Townsville, ———, (2002) 'Social Capital: Empirical Meaning and Measurement Validity.' Melbourne: Australian Institute of Family Studies.

⁴ Commission, 'Social Capital: Reviewing the Concept and Its Policy Implications.'

Social Capital – Theoretical Considerations

Following Anhier's⁵ useful typology, social capital can be seen to have developed from three major disciplines: sociology, political science, and economics. Some authors claim social capital is an important synthesis of these disciplines, whilst others note that the separation between economics and sociology has always been somewhat 'artificial'; norms and markets are very much interrelated. Findings from each discipline cut across all the facets of social capital, networks (closed and open) and norms (into their historical/cultural derivations, and the rational motivations that accompany and underlie them). Networks and norms/rationality will each be discussed here in terms of their theoretical considerations.

Networks

Networks can be both closed and open. Network theorists have examined the different types of social interactions, information flows, and levels of advantage that adhere within these types. Bourdieu⁶ gives probably the most critical perspective of social interaction centred upon networks. He notes that social networks are based upon shared habits and cultural understandings, but also that such networks are almost by definition finite and contested by warrant of their exclusion of others; thus the analogy with capital:

“The social world is accumulated history, and if it is not to be reduced to a discontinuous mechanical equilibrium between agents who are treated as interchangeable particles, one must reintroduce into it the notion of capital and with it, accumulation and all its effects.”⁷

Coleman⁸, like Bourdieu, notes the importance of closed networks and of reputations in maintaining them. However, unlike Bourdieu, he emphasises the influence not of the

⁵ Anhier, Helmut K, and Jeremy Kendall, (2000) 'Trust and Voluntary Organisations: Three Theoretical Approaches.' pp.1-23. London: Centre for Civil Society, LSE.

⁶ Bourdieu, Pierre, (1986), 'The Forms of Capital.' In *Handbook of Theory and Research in the Sociology of Education*, edited by JG. Richardson, pp.241-58. New York: Greenwood Press.

⁷ Ibid. pp.241

⁸ Coleman, James S, (1990) *Foundations of Social Theory*. Cambridge: Harvard Uni Press.

individual capital holder within the network, but of the trusted intermediaries that facilitate a network, creating specific networks of connections between individuals and institutions, which settle down over time to become social structures. Both Coleman and Bourdieu thus locate social capital within networks. However, they tend to focus on the advantages simply of being an insider versus an outsider in the networks.

Burt⁹ takes the analysis a step further. He, like Bourdieu and Coleman, attributes the advantages networks confer to the mechanism of closure, in that closure allows control over access to information resources held by the network, and facilitates effective sanctioning. However, he goes on to further suggest that brokerage across the ‘holes’ between closed network structures grants the greatest influence. Thus it is not insiders in a network that hold advantage, but the person who spans two or more networks, and can mediate the interactions between them. This idea is captured in a similar fashion by Granovetter¹⁰, who notes that strong networks have ties to ego and are essentially closed information networks; weak ties, on the other hand, move in circles different from ours and have access to different information. Lin¹¹ is close to Burt’s perspective, and talks of people’s use of positions (theirs and others) in and between institutions and structures as ‘resources’. However, neither author denies the importance of closure; Burt, indeed, emphasises that brokerage is predicated upon it: “*Structural holes are the source of value added, but network closure can be essential to realising the value buried in the holes.*”¹²

However, Burt’s ‘organisational’ focus precludes a stronger focus upon society as a whole, with two drawbacks. Firstly, completely open networks – such as those that make up the loosest levels of civil and economic society – are not appropriately accounted for. Without closure, there can be no barriers, no holes, and no brokerage. Wherein lies the

⁹ Burt, Ronald S, (2000) 'The Network Structure of Social Capital.' *Research in Organisational Behaviour* 22 pp.1-83.

¹⁰ Granovetter, Mark, (1973) 'The Strength of Weak Ties.' *American Journal of Sociology* 78 pp.1360-80.

¹¹ Lin, Nan, Karen Cook, and Ronald S Burt, (2001) *Social Capital: Theory and Research*. New York: Aldine de Gruyter.

¹² Burt, 'The Network Structure of Social Capital.' Quote from abstract.

advantage to be gained? This will be discussed further below. Secondly, the idea of ‘zero-sum society’ – that capital levels are finite, and one person’s capital loss is another’s gain – is not sufficiently engaged with. This is one of Marx’s most powerful points originally, and is reinforced with specific reference to social capital by Bourdieu. From the broader society's point of view, there are only a finite number of places within any closed network, and each position occupied prevents someone else in society from taking it. ‘Reorganising’ society to encourage brokerage without reducing closure is akin to promoting economic reform without redistribution. At best, it can promote direct capital gains for some and ‘trickle down’ gains for others, resulting in ambiguous effects upon the absolute disadvantage and detrimental effects upon the relative disadvantage (heightened inequality) of those at the bottom it seeks to help. At worst, it can encourage distrust, and erode social capital; this phenomenon will be addressed in the discussion of norms, below.

From a network theory point of view then, a ‘balance’ is needed between closed and open networks; closed to create value (from closure and brokerage), and open to redress inevitable inequality. Recent definitions of social capital have crystallised around the idea of social capital as existing in *numerous* dimensions or networks, each characterised by its own norms of trust and reciprocity, which are in turn conducive to other forms of social action (economic, political, voluntary, etc). Most notably, Woolcock and Narayan¹³ and Putnam in his later work¹⁴ divide social capital into two distinct and separate dimensions, *bonding* and *bridging*, which are vital to maintain in balance. Bonding, also known as particularised social capital, is essentially inward looking, and focussed upon experience and familiarity. Whilst not overlapping exactly with the closed networks identified by Bourdieu, Coleman, Burt and Lin, the similarities are distinctive. It can thus be defined as a finite network cultivating ‘private’ good resources. Bridging on the other hand, also known as generalised social capital, is more outward focussed.

¹³ Woolcock, Michael, (1998) 'Social Capital and Economic Development: Toward a Theoretical Synthesis and Policy Framework.' *Theory and Society* 27(2) pp.151-208.

¹⁴ Putnam, Robert D, (2000) *Bowling Alone: The Collapse and Revival of American Community*. New York; London: Simon & Schuster.

Again, whilst not an exact overlap, this orientation brings it closer in definition to the open networks depicted as characterising civil society, and it can be defined as a more 'infinite' network cultivating 'public' good resources, un-depleted by use.

Woolcock¹⁵ also asserts the existence of 'linking' capital, or links formed by communities with economic, political, and social institutions. Such a conception is intended to 'politicise' bonding and bridging, and emphasise the role government can play in the development of either. However, such linking capital overlaps with both bonding and bridging capital and is not so easily distinguished from them in concept. The effects of linking capital are opaque and measured only by such means as levels of confidence in government.¹⁶ This might be appropriate if the desire was to measure public perception concerning the effectiveness of government. However, perceptions do not necessarily translate into effective governance.

A number of more appropriate linking measures present themselves. Firstly, the personal links individuals and communities have with persons in government/institutional positions could be measured.¹⁷ Secondly, the degree to which persons are unwilling to cheat on taxes and paying for public services could serve as a measure of governmental efficiency - in effect, the belief that their contributions are being appropriately used to benefit others. And thirdly, the degree of willingness on the part of governments to support communities and fund joint ventures could be measured (in effect, the degree of trust or confidence *the government* has in communities and individuals, rather than the other way around). However, all potential measures of linking capital are confounded by

¹⁵ Woolcock, Michael, (2000) 'Social Capital and Its Meanings.' Paper presented at the National Institute for Governance seminar, Canberra, ———, (2003) 'Social Capital and New Communities.' Paper presented at the InsideOut Conference, Ipswich

¹⁶ Brehm, John, and Wendy Rahn, (1997) 'Individual-Level Evidence for the Causes and Consequences of Social Capital.' *American Journal of Political Science* 41, no. 3, pp. 999-1023, Newton, Kenneth, and Pippa Norris, (2000), 'Confidence in Public Institutions: Faith, Culture, or Performance.' In *Disaffected Democracies: What's Troubling the Trilateral Countries?*, edited by Susan J. Pharr and Robert D. Putnam, pp.52-73. Princeton: Princeton University Press, Stone, and Hughes, 'Social Capital: Empirical Meaning and Measurement Validity.'

¹⁷ For example, see Stone and Hughes (2002).

considerable overlap with the bonding and bridging forms. Personal links with others in institutions are a form of bonding capital, whilst confidence, non-cheating and investment are all premised on a 'flow-through' of resources from the individual (through taxation) to the wider community; in effect, a form of bridging capital. As such, policy aimed at building linking capital directly is rendered problematic and, most properly, subsidiary to policy targeting bonding and bridging.

The idea of distinct bonding and bridging dimensions is indeed being increasingly accepted in Australian policy formulations.¹⁸ However, the bonding/bridging distinction remains largely unincorporated within policy strategies. Certain of the normative properties underlying such networks remain largely unrecognised and likewise unincorporated; these will now be discussed.

Norms and Rationality

Of the norms or values most relevant to social capital, the most propitious is trust. From sociology, theorists such as Luhman¹⁹ and Giddens²⁰ have argued about the primacy of trust to everyday life. Luhman notes that trust's primary 'function' is to cope with the increasing social complexity and uncertainty characteristic of post-industrial/modern society. If we lack information, we must trust. Trust becomes for Luhman a necessary 'force' that moves to fill the information vacuum of modern society, and enable decision-making. This is not to suggest that trust is antithetical to information – it is easier to trust those we know well (it is just that we can never know them completely). Trust is mandatory under conditions of uncertainty – but decreases as uncertainty increases.

¹⁸ Commission, 'Social Capital: Reviewing the Concept and Its Policy Implications.', Hampshire, Anne, (2000) 'Stronger Communities and Social Connectedness - Social Capital in Practice.' Paper presented at the Council on the Aging National Congress, Simons, Rob, and Martin Laverty, (2002) 'Learning for Life: Networks for Social Inclusion.' Paper presented at the Learning Cities and Regions Conference, Melbourne

¹⁹ Luhman, Niklas, (1979) *Trust and Power*. Chichester: Wiley.

²⁰ Giddens, Anthony, (1990) *The Consequences of Modernity*. Stanford: Stanford University Press, ———, (1994), 'Living in a Post Traditional Society.' In *Reflexive Modernisation*, edited by Ulrich Beck, Anthony Giddens and Scott Lash, pp.56-110. Stanford: Stanford Uni Press.

Giddens, amongst others, argues that under increasingly complex post-industrial conditions, trust is becoming particularised to intimate interpersonal conditions, and confidence – or trust in expert systems – has become a more generalised variant. Trust is intimate and experience-based; confidence is general, and either normative-value or expert-contract based. The generalised normative-value dimension of trust is the most commonly studied dimension of social capital within political economy.

Trust has been studied by a host of experts in the context of economic decision-making and political patronage.²¹ The most popular views, however, place trust as a culturally distinct, historically based entity. Fukuyama,²² whose work on trust is in relation to economic development, sees trust as the basis of healthy political and economic institutions, and that such trust is culturally founded. Putnam, who promotes trust, also notes that social capital works on historically derived norms of trust and reciprocity:

“A society that relies on generalised reciprocity is more efficient than a distrustful society, for the same reason that money is more efficient than barter. Trust lubricates social life”²³

However, such conceptions bode ill for policy seeking to alleviate broadband declines in voluntary activities and organisational memberships contemporary society. What is the cause of such decline and how can it be arrested, if social capital is rooted so strongly in history? Political science, steeped in normative conceptions, offers little clarity to the question of trust formation. For this, we must turn to rational choice theory.

²¹ Hardin, Russel, (1999), 'Do We Want to Trust in Government?' In *Democracy and Trust*, edited by Mark E Warren, pp.22-41. Cambridge: Cambridge Uni Press, Newton, Kenneth, (1997) 'Social Capital and Democracy.' *American Behavioral Scientist* 40, no. 5, pp.575-86, Newton, and Norris, 'Confidence in Public Institutions: Faith, Culture, or Performance.', Offe, Claus, (1999), 'How Can We Trust Our Fellow Citizens?' In *Democracy and Trust*, edited by Mark E Warren, pp.42-87. Cambridge: Cambridge Uni Press, Uslaner, Eric M, (1999), 'Democracy and Social Capital.' In *Democracy and Trust*, edited by Mark E Warren, pp.121-50. Cambridge: Cambridge Uni Press, Woolcock, 'Social Capital and Its Meanings.'

²² Fukuyama, Francis, (1995) *Trust: The Social Virtues and the Creation of Prosperity*. London: Penguin.

²³ Putnam, Robert D., (1993) 'The Prosperous Community: Social Capital and Public Life.' *The American Prospect* 4, no. 13, pp.35-42. pp.3

Coleman formalises trust as a conscious rational process. He reduces the uncertainty inherent in decision-making to time and 'rational' risk solutions. The problem though is that 'trusting' is more often than not an irrational action. Coleman notes that according to the famous Prisoner's Dilemma scenario – a trust game where two prisoners are separated and asked to confess their mutual crime, knowing that if they do so and their partner does not, they receive a bigger sentence than if both confess, (shared sentence) or neither confess (both get off free) – it is rational to distrust (confess), as the risk (cost) of getting sold out by the other is too great to trust. However, research from economics – despite rejection of the social capital conception by some, and acceptance by a sufficiency of others – has made headway into solving this dilemma. Dasgupta²⁴ asserts the roles of credible punishment and network expectation in trust-building, reinforcing Coleman's conceptions of sanctions and 'intermediary' connections and networks. Her ideas on trust, like most from economics, stem from an additional avenue of solution for the Prisoner's Dilemma. A 'one-shot' Prisoner's dilemma game sees trust as irrational, as costs of defection are low (given insufficient sanctioning) and the long-term rewards are low (given insufficient information concerning the other) to encourage trust. However, as so pertinently pointed out by Axelrod,²⁵ reiterated Prisoner's Dilemma games produce a different result, with experiments suggesting that a repeated Prisoner's Dilemma develops into a cooperative equilibrium. Why is this?

The requirement to repeatedly interact – based on sufficiently harsh penalties for defecting in the present and substantial rewards in the future – offers long-term incentives to cooperate. In addition, such interaction induces players both to learn of each other's commonalities and common interests, which serves to reduce the risks and costs of trusting. This principle of 'iterated prisoner's dilemma' has been applied to areas as

²⁴ Dasgupta, Partha, (1988), 'Trust as a Commodity.' In *Trust: Making and Breaking Cooperative Relations*, edited by Diego Gambetta, pp.49-72. Oxford: Basil Blackwell.

²⁵ Axelrod, Robert, (1984) *The Evolution of Cooperation*. New York: Basic Books.

diverse as the biological evolution of cooperation²⁶, the reciprocal relation between trust and volunteering²⁷, and development issues²⁸. Mansbridge²⁹ criticises the concept as being insufficient to instigate cooperation when compared to altruistic behaviour. However, her approach simply shifts the problem back a stage – if trust comes altruism, where does altruism itself derive from? It is likely that altruism and trust are caught up in the same nexus of mutual causation – altruism being recognition of both the value in trusting and the possibility of stimulating it in others – which leads us back to trust development and rational choice.

Ideally then, we should have distinct policies for developing bonding and bridging social capital containing effective sanctions and long-term reward structures aimed at fostering iterated prisoner dilemmas. Policies concerning the different network types should complement each other, so as not to crowd out local distinctiveness and value (structure and holes), whilst redressing entrenched inequalities.

A problem, however, is the possibility that the different dimensions are not always complementary. There are three reasons why this could be so. Firstly, different forms of social capital might directly crowd each other out, whereby attachments to one's smaller community might be so strong – or based upon opposition to outsiders – that no links are sought with wider communities. This phenomenon has been little investigated within Australia, with Stone (finding no link between bonding family and bridging capital)

²⁶ Bateson, Patrick, (1988), 'Biological Evolution of Cooperation and Trust.' In *Trust: Making and Breaking Cooperative Relations*, edited by Diego Gambetta, pp.14-30. Oxford: Basil Blackwell.

²⁷ Brehm, and Rahn, 'Individual-Level Evidence for the Causes and Consequences of Social Capital.', Patulny, Roger, Kimberly Fisher, and Michael Bittman, (2003) 'Trust and Volunteering - Contrasting Time Diaries with Values Data.' Paper presented at the COMPARING TIME - The 25th IATUR Conference on Time Use Research, Brussels, 17-19 September.

²⁸ Woolcock, Michael, and Deepa Narayan, (2000) 'Social Capital: Implications for Development Theory, Research and Policy.' *The World Bank Research Observer* 15(2) pp.225-49.

²⁹ Mansbridge, Jane, (1999), 'Altruistic Trust.' In *Democracy and Trust*, edited by Mark E Warren, pp.290-309. Cambridge: Cambridge Uni Press.

being the only quantitative study of note. Recent qualitative work by Leonard and Onyx³⁰ specifically denies this bonding-bridging ‘crowding out’ thesis, finding that people ‘bridge’ cautiously across networks using strong, rather than weak ties. However, their recruitment selection was a ‘snowballing’ process that required participants to have intimate knowledge of each other; despite the impetus to bridge, a bonding sample was an almost inevitable result. This does not detract from Leonard and Onyx’s general findings, but does raise the point that people have to *want to bridge* before going ahead and doing so, either through bonding or bridging means. The possibility of closed communities seeking to reject external values appearing within Australia – particularly amongst indigenous communities – should not be ignored.

A second possibility rendering bonding and bridging incompatible is the adverse risk effects of extreme poverty. This situation is described in Edward Banfield’s study of the southern Italian town of Montegrano,³¹ where the slightest risk means losing all, so only nuclear family arrangements are considered trustworthy. It becomes more common to prey on one’s neighbours for scraps than to combine to seek an overall improvement in resources – equilibrium of distrust results. If such equilibrium evolves into a cultural institution, the ‘dark side’ of social capital emerges, whereby reiterated interactions involving expectations of rewards and sanctions are associated with completely closed networks, creating the exclusionary ‘mafia’ like networks identified by many authors.³²

A third possibility is that bridging and bonding are in competition for the same resources, and that policies designed to stimulate one type of capital (eg bonding capital, through

³⁰ Leonard, Rosemary, and Jenny Onyx, (2003) 'Networking through Loose and Strong Ties: An Australian Qualitative Study.' *Voluntas* 14 (2) pp.191-205.

³¹ Banfield, Edward, (1958) *Moral Basis of a Backward Society*. Chicago: Free Press.

³² DeFilippis, James, (2001) 'The Myth of Social Capital in Community Development.' *Housing Policy Debate* 12 pp.783-84, Gambetta, Diego, (1988), 'Mafia: The Price of Distrust.' In *Trust: Making and Breaking Cooperative Relations*, edited by Diego Gambetta, pp.158-75. Oxford: Basil Blackwell, Portes, Alejandro, and Patricia Landolt, (1996) 'Unsolved Mysteries: The Tocqueville Files II. The Downside of Social Capital.' *The American Prospect* 7, no. 26, pp.18-21, Sobel, Joel, (2002) 'Can We Trust Social Capital.' *Journal of Economic Literature* 40, no. 1, pp.139-54.

promotion of self-reliance and local investment initiatives) might come at the cost of the other sort of capital (bridging capital, in terms of wealth transfers, or external investment). Implicitly tied up in this third possibility is the role of government and investment in building social capital. This will be discussed in more detail below.

Social Capital Policy Strategies in Australia

Investment and Self Reliance

Some policy strategists see government as a corrosive influence upon social capital. Such persons are keen to point out the failings of the welfare state. Norton sees social capital as a convergence of liberal and communitarian action against a welfare state that has sought to replace the 'natural' institutions of business', schools and families with inferior government products³³. Stewart-Weeks promotes social capital as part of the necessity of developing autonomous communities with decentralised organisations.³⁴ Prominent political commentaries exhibit some of the strongest tendencies towards promoting self-reliance.³⁵ The underlying assumption behind perspectives such as these is that the welfare state erodes the 'natural' associations between community members, and destroys trust.

An examination of social capital theory and evidence does not support these perspectives. In terms of evidence, studies by Putnam show no link between welfare states and erosion in trust;³⁶ in fact Scandinavian countries, with some of the highest levels of social expenditure as a percentage of GDP in the world, also exhibit the highest level of trust

³³ Norton, Andrew, (1997), 'Social Capital and Civil Society: Some Definitional Issues.' In *Social Capital: The Individual, Civil Society, and the State*, edited by Andrew Norton, Mark Latham, Gary Sturgess and Martin Stewart-Weeks: The Centre for Independent Studies.

³⁴ Stewart-Weeks, Martin, (1997), 'Voluntary Associations: Social Capital at Work or Post-Modern Romance?' In *Social Capital: The Individual, Civil Society, and the State*, edited by Andrew Norton, Mark Latham, Gary Sturgess and Martin Stewart-Weeks: The Centre for Independent Studies.

³⁵ Costello, Peter, (2003) 'Building Social Capital.' *Sydney Morning Herald*, July 16, 2003.

³⁶ Putnam, *Bowling Alone: The Collapse and Revival of American Community*.

world-wide.³⁷ Commentators in Australia supporting a balanced approach between government and community are also numerous.³⁸ Latham³⁹ in particular defends the welfare state against its social capital detractors, noting a need to balance the ‘actuarial’ strength and universality of the welfare state against interpersonal ‘spontaneous’ trust and social capital that builds up in local areas through non-interference – in effect, although he does not use the terms, a balance between bridging and bonding social capital.

The ideas of anti-statists can largely be attributed to a fixation upon bonding capital to the near total exclusion of bridging capital, which for the most part ignores the large and real structural constraints facing many communities. Given such conceptions, it is no surprise that many in the left view social capital with suspicion as a neo-liberal game of “*blame the victim*.”⁴⁰ Local material conditions should be acknowledged in attributing responsibility to communities and/or governments, if social capital is to be accepted as a viable concept and strategy across the political spectrum.

What is the link between material prosperity and social capital? Empirically, social capital bears strong positive relations to growth.⁴¹ In terms of regressions of individual

³⁷ Inglehart, Ron, (1999), 'Trust, Well-Being and Democracy.' In *Democracy and Trust*, edited by Mark E Warren, pp.88-120. Cambridge: Cambridge Uni Press.

³⁸ Adams, David, and Michael Hess, (2001) 'Community in Public Policy: Fad or Foundation?' *Australian Journal of Public Administration* 60 pp.13-23, Lyons, Mark, (2000), 'Non-Profit Organisations, Social Capital and Social Policy in Australia.' In *Social Capital and Public Policy in Australia*, edited by Ian Winter, pp.165-91. Melbourne: Australian Institute of Family Studies, Sturgess, Gary, (1997), 'Taking Social Capital Seriously.' In *Social Capital: The Individual, Civil Society, and the State*, edited by Andrew Norton, Mark Latham, Gary Sturgess and Martin Stewart-Weeks: The Centre for Independent Studies.

³⁹ Latham, Mark, (1997), 'The Search for Social Capital.' In *Social Capital: The Individual, Civil Society, and the State*, edited by Andrew Norton, Mark Latham, Gary Sturgess and Martin Stewart-Weeks: The Centre for Independent Studies, ———, (1998) *Civilising Global Capital*. St Leonards: Allen and Unwin.

⁴⁰ Grieg, Alastair, Frank Lewins, and Kevin White, (2003), 'Inequality in Australia.' Cambridge: Cambridge Uni Press. pp.47

⁴¹ Inglehart, 'Trust, Well-Being and Democracy.', Knack, Stephan, (2000) 'Trust, Associational Life and Economic Performance.' Paper presented at the International Symposium on The Contribution of Investment in Human and Social Capital to Sustained Economic Growth and Well-Being, Québec City, ———, (2003) 'Groups, Growth and Trust: Cross-Country Evidence on the Olson and Putnam Hypotheses.' *Public Choice* 117 pp.341-55, Patterson, Orlando, (1999), 'Liberty against

demographic characteristics to social capital, income, employment, and particularly education are all strong predictors of trust and volunteering.⁴²

An important additional finding by a number of authors is that economic inequality is negatively related to trust.⁴³ This makes implicit sense, in that all the incentives work towards persons who are party to increasing disparity of gains ceasing to trust one another. In the short term, the less well off become less trustful, in that despite their best efforts they fall seemingly further behind, whilst the more well-off become protective of what they have, and suspicious of those who might try to take it from them. In the long term, consumption, values and lifestyles split and polarise around two disparate set of means, and class relations become accented (with all the accompanying hostility and stigma).

Grieg et al⁴⁴ stress the negative effects of business and industry closures upon local communities in terms of heightening inequality. Such closures deal social capital a double blow. On the one hand, the loss of personal income and employment in an area, and the subsequent loss of tax income to spend on local services, education

the Democratic State: On the Historical and Contemporary Sources of American Distrust.' In *Democracy and Trust*, edited by Mark E Warren, pp.151-207. Cambridge: Cambridge University Press, Putnam, *Bowling Alone: The Collapse and Revival of American Community*.

⁴² Glaeser, Edward L, David Laibson, Jose A Scheinkman, and Christine L Soutter, (2000) 'Measuring Trust.' *The Quarterly Journal of Economics* 115 pp.811-46, Hogan, David, and David Owen, (2000), 'Social Capital, Active Citizenship and Political Equality in Australia.' In *Social Capital and Public Policy in Australia*, edited by Ian Winter, pp.74-104. Melbourne: Australian Institute of Family Studies, Hughes, Philip, John Bellamy, and Alan Black, (2000), 'Building Social Trust through Education.' In *Social Capital and Public Policy in Australia*, edited by Ian Winter, pp.225-49. Melbourne: Australian Institute of Family Studies, Inglehart, 'Trust, Well-Being and Democracy.', Patterson, 'Liberty against the Democratic State: On the Historical and Contemporary Sources of American Distrust.', Putnam, *Bowling Alone: The Collapse and Revival of American Community*, Temple, Jonathan, (2001) 'Growth Effects of Education and Social Capital in the Oecd Countries.' *OECD Economic Studies* 33 pp.57-101.

⁴³ Patterson, 'Liberty against the Democratic State: On the Historical and Contemporary Sources of American Distrust.', Smeeding, Timothy M, (2002) 'Globalization, Inequality and the Rich Countries of the G-20: Evidence from the Luxembourg Income Study (Lis).' pp.1-34. Sydney: Social Policy Research Centre, Uslander, Eric M, and Mitchell Brown, (2002) 'Inequality, Trust and Civic Engagement: A Review of the Literature for the Russell Sage Foundation.' College Park: University of Maryland.

⁴⁴ Grieg, Lewins, and White, 'Inequality in Australia.'

and infrastructure weakens local bonding capital. And on the other hand, the simultaneous rise in prosperity of other regions (relatively, and quite possibly, in real terms) fosters inter-regional suspicion and bifurcation of values (eg country-city), and creates incentives for the movement of what resources remain from struggling to more prosperous regions (eg from country to city) - this constitutes a weakening of bridging capital. There would seem to be a need, therefore, for government involvement in rectifying increasing inequality, in order to preserve and create both bonding and bridging social capital – not least by producing a stable and human-capital-sufficient environment in which to do business. Financial investment is needed then in key areas, to redress inequalities and improve social capital both locally and nationally. The question is, what is the role of government policy in this process?

Government Initiatives

Are social capital strategies in Australia mostly oriented towards ‘blaming victims’? Do they erode particular community situations, and/or redress inequalities sufficiently? It is not the purview of this article to provide a comprehensive review of social capital and community building strategies within Australia. However, certain examples will be cited for the purposes of exemplifying the points made here and above.

The Productivity Commission⁴⁵ report into social capital recommends a host of general social capital policy building suggestions into areas such as work, urban planning, schools, devolution of welfare, local input, juries, corporations, family, education, volunteering, IT, corporate responsibility, community services, and participative rights. However, the report provides no comprehensive strategy for integrating and instituting these various policies. Its overall conclusion seems to be that social capital should be ‘considered’ but not targeted within regular policies and business activities.

⁴⁵ Commission, 'Social Capital: Reviewing the Concept and Its Policy Implications.' pp.61 and pp.71-79

More active policies have been pursued by a number of state governments however. The 'Neighbourhood Renewal Project', a component of the Victorian Government's Community Building Program, deserves particular attention. It involves collaborations between an exhaustive list of stakeholders, including residents, local communities, local councils, state and commonwealth government agencies, police, and range of voluntary groups. Its stated aim is to bridge the gap between the most disadvantaged neighbourhoods and their surrounding communities. Its distinction lies in its targeting of specific communities of place – public housing sites – for a range of interventions and social capital building responses. Six areas are targeted for improvement in each project:

1. Participation – setting up resident boards of management, steering committees, regular community gatherings
2. Education/employment – targeted work placement within the communities themselves, accredited job training, job creation through local area renewal
3. Crime/safety – more training of police and investigation, improved lighting and rubbish removal, new fences
4. Housing/environment – upgrade properties, rejuvenate public areas, community gardens, internet and intranet access, encourage public housing dwellers to buy their own house, greater mix of private and public housing
5. Health/wellbeing – improved youth, child and maternal care services, immunisation, healthy food access, public health focus
6. Access to services – moving government services and offices into these areas, bus routes and improved transport facilities.⁴⁶

What is noteworthy about this project is that it targets the key areas of social capital and trust formation – providing investment funding, and building up long-term stake-holding and reward structures. Money is invested through processes decided upon in great part by local stakeholders, residents and community groups. Jobs are localised, and where

⁴⁶ Communities, Department of Victorian, *Neighbourhood Renewal Project* 2003 [cited 7/7/2003 2003]. Available from http://www.communitybuilding.vic.gov.au/programs/major_programs/neighbourhood.asp.

possible, program participants are encouraged to care for and invest in their local area, through house-buying and other initiatives.

The approaches of encouraging long-term stake holding and engaging in direct investment through a dispersion of local networks are correct. However, two problems arise. Firstly, is the level of stake-holding high enough? Coming to own one's own home is a significant long-term stake holding in a local community, but is this common, and do residents remain for significant amounts of time after buying? Secondly, are the levels of investment high enough? Are they sufficient to stimulate local business, and create a business environment that will hold onto existing social capital, and attract new human and economic capital from elsewhere? Are they sufficient to halt or reverse the growing gap in prosperity between poor and richer communities? All of these factors must be addressed and overcome, if the community is to develop a steady, self-supporting equilibrium of trust and high social capital.

These questions cannot be answered in this paper; there is insufficient information and evaluation completed at present to do so. However, let us proceed briefly on the assumption that greater financial investment is required to redress these concerns and establish social capital. The question then arises as to where the funds will come from. Higher returns in more prosperous regions will discourage investment from private external business and (slight philanthropic gestures aside) local residents. Third sector and community groups can provide some funding. However most of their support is in services rather than direct cash injections. Micro-credit can provide more of the requisite funding. The Victorian Community Support Fund is an example of one such source, whereby community organizations and local government make program submissions for a diversity of community building projects. Community credit co-ops and the Bendigo Bank are other potential sources. But, in each of these cases, reliance is upon a 'trickling down' of resources to areas competing against others more flush with funds. Micro-credit is most likely insufficient to redressing inequality. Such funding would almost have to come from government.

Frankel⁴⁷ questions the possibility of broad government investment in private (and increasingly public) infrastructure in the neo-liberal age, however, noting that government must be seen to be ‘revenue neutral’ budget balancers. Indirect investment is the preferred option in contemporary policy, encouraging the private sphere to invest in Australia and specific regions within Australia with the use of tax breaks and subsidies. However, in doing so, Frankel notes two problems. Firstly, the possibility of ‘bidding wars’ emerges, with companies ‘shopping around’ for the best deals, locally and internationally. Secondly, such payments serve as a drain on the tax base and resources available for local investment in public services. In effect, amounts of bonding capital – an area’s tax-based funds that could be used for self-development – are traded for increased amounts of bridging capital. Funding therefore is needed, but in order that it avoids the bonding/bridging trade-off of ‘taxes for investment’, its sources should be local, but paradoxically, non taxation-based. Some form of regulation of local investment funds would appear to be necessary to achieve these goals. This would require legislation and strategy at the national level of government. This paper is of insufficient scope, however, to outline the details of such a form of regulation here.

Conclusion

Social capital is a useful concept to incorporate the value of social interaction into society, community and economy when it takes account of links to financial investment in employment and education within impoverished communities, links the long term interests of locals and the nation, emphasises the need to balance bonding and bridging capital, and emphasises the maintenance of equality as an important outcome. Some degree of regulation of local investment is one potential means to build social capital accounting for these issues. If instituted with sufficient scope – as a federal government policy - and in a manner that incorporates ethical and pragmatic auditing concerns (overseen by a body with sufficient powers of audit and punishment), some degree of investment regulation offers the best solution to balancing, rather than crowding out, the different and often competing forms of social capital. Such a strategy, properly

⁴⁷ Frankel, Boris, (2001) *When the Boat Comes In*. Annandale: Pluto Press.

conceived, would also have the benefits of greater efficiency than tax and spend solutions, and a greater sense of local and public ownership of the workings and results. More research into the effects of investment upon (the different types) of social capital and evaluation of existing social capital initiatives is needed, at any rate.

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