SOCIAL CAPITAL
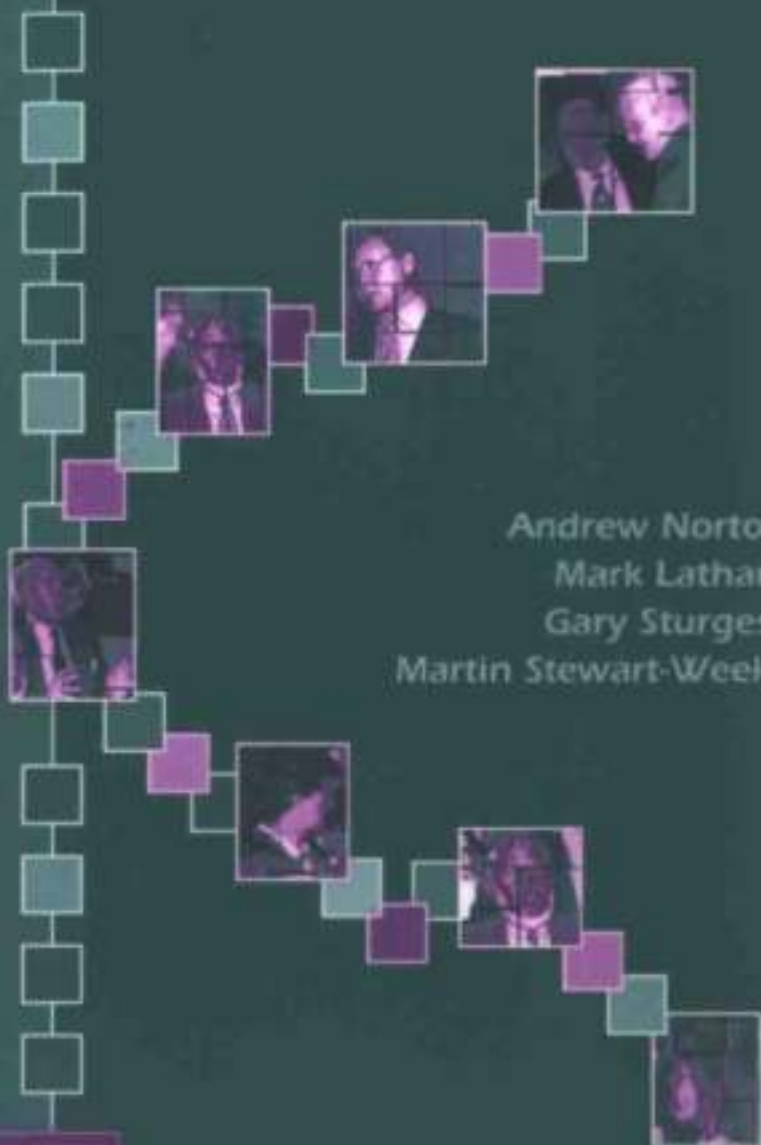
THE INDIVIDUAL, CIVIL SOCIETY AND THE STATE

Andrew Norton
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Foreword

In a remarkable instance of intellectual convergence, the concept of 'social capital' has recently attracted interest from all points on the political spectrum – liberal, conservative and communitarian. Although each group tends to choose an interpretation to suit its own purposes, there are also some common themes that are emerging from the debate.

For liberals, social capital is important because it helps to answer the question of how a liberal society – a spontaneous order of free individuals – can develop and maintain itself. Critics of liberalism claim that a liberal society must lack cohesion because it lacks a centrally-imposed common purpose. But the idea of social capital suggests that the key institutions for maintaining social cohesion are independent of the sphere of government.

The Centre for Independent Studies has undertaken its social capital project in order to investigate these issues. Important questions include: What is social capital? How is it collected and dissipated? What role does it play in a liberal order? How much rethinking does it require in the roles of government and the individual citizen?

The essays in this collection, which represent a preliminary attempt to address some of these questions, arise from a workshop conducted by the CIS on 29 January 1997.

Andrew Norton offers an introduction to some definitional issues concerning social capital and the related term 'civil society.' He cautions against adopting too restrictive a definition of these terms. In particular he warns that we may miss out on important features if we fail to include families, commercial firms and informal networks in our analysis.

Mark Latham considers the importance of social capital for public policy in Australia, and the attitude that social democrats should adopt towards it. He is critical both of those on the left who believe that social capital can serve as an excuse for reconstructing big government, and of those on the right who put all the blame on government for the perceived decline in social capital.

Gary Sturgess argues that social capital has been a vital factor in the rise of modern societies, and that it will remain essential under globalization. He lists some of the conditions for the development of social capital, and looks at some of the many types of social coopera-tion that it helps to illuminate. He notes that there is a great deal of

work to be done in exploring the nature of social capital and in making policymakers aware of this research.

Martin Stewart-Weeks looks at the role of voluntary associations as institutions of social capital. He believes that they are in many ways uniquely suited to play an important role in the modern world, but he also notes their disadvantages and suggests that an enthusiasm for social capital needs to be tempered with a degree of healthy scepticism.

Although there are differences in emphasis, the participants all agree that social capital deserves to be taken seriously. The CIS is confident that their work, together with other research to come from the social capital project, will make an important contribution to the discussion of social capital in Australia.

Greg Lindsay
Executive Director

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Social Capital and Civil Society:
Some Definitional Issues

Andrew Norton

The terms 'civil society' and 'social capital' are entering the Australian political lexicon. As Mark Latham noted in his Bert Kelly lecture last year, many of the new Liberal MPs chose to put the words 'civil society' into their maiden speeches. Eva Cox frequently used both phrases in her 1995 Boyer Lectures. I want to look briefly at why these phrases are attracting our attention, and attempt some definitions.

The basic interest in civil society and social capital comes from the perennial interest we have in our social ties. What needs to be explained is not the underlying interest, but the periodic upsurges. The current upsurge in interest in civil society is at least partly the result of the convergence of two intellectual trends.

The first of these trends is free market liberalism. As is well-known, this school of thought is highly critical of contemporary government, believing it to be ineffective in much of what it does. Free market liberals look for alternative ways of providing many of the services currently provided by government. One of the ideas is to have these services provided by non-government organisations; to let the civil society do what was previously done by the state.

The second of these trends is communitarianism. For communitarians, the main problem with modern society is its individualism. The 'me generation' is out of control. But modern communitarians are a nervous bunch. They fear the loss of individual freedom that could come from giving too much power to politically constituted communities. Civil society is the alternative to state-based communities, providing belonging and attachment without coercion. As the prominent American communitarian Amitai Etzioni puts it, 'We aim for judicious mix of self-interest, self-expression, and commitment to the commons – of rights and responsibilities, of I and we.' (Etzioni 1993, 26).

These two streams of thought are very different, and indeed they are often thought of as opposites – we hear much of the liberal-communitarian debate. There are deep disagreements over some philosophical issues. But this does not stop them converging on some

institutional common ground. One might fear the state and the other the isolated individual, but both see civil society as a solution.

A definition of civil society should capture the concerns of both these groups. The American political theorist Michael Walzer (1992, 89) says that 'the words "civil society" name the space of uncoerced human association and also the set of relational networks ... that fill this space.'

Civil society is a space of uncoerced human association for two major reasons. First, institutions of civil society have no jurisdiction over individuals that those individuals cannot avoid. Mostly, resignation or withdrawal is enough to put individuals out of a position in which they must abide by the institution's rules. Any individual can initiate and carry through this exit from an institution's jurisdiction; they do not first need to secure the permission of the institution or any other body.

Second, the institutions of civil society lack the power to coerce individuals to follow their rules. The use of physical force is prohibited. To be sure, this still leaves a wide range of sanctions available to encourage compliance with institutional rules. But, ultimately, the institutions of civil society do not have the power to enforce their will against individuals.

The voluntary nature of the civil society distinguishes it from the state, which is characterised by its coercive powers. It does not however make it completely clear which institutions should be on the civil society list. Because the liberal endorsement of civil society comes via a critique of big government, many liberals are reluctant to include in civil society institutions with close links to government.

Many institutions which might be described as government enterprises – profit-making business corporations, cultural bodies such as television stations, educational organisations such as schools and universities – share more characteristics with the private-sector civil society than with the state. They usually have no power to make laws applying to people outside the organisation. When they are not monopolies, neither workers nor consumers are, in practice, forced to associate with them. Often they are given, by law, considerable autonomy from government.

While as a liberal myself I'd prefer these institutions to be privately run, this is part of an argument about the best way to constitute the civil society, rather than a definitional issue. For most practical purposes, the public sector bodies I have just mentioned function as institutions of civil society.

Writers on the Left sometimes exclude the family and the firm from

their definition of civil society (see e.g. Farrar 1996,viii). They see civil society as a public realm, in which the essentially private family should not be placed. I don't think this is a helpful distinction. Thinking back to the kinds of problems behind the interest in civil society, those of welfare and belonging, these are not obviously derived from either the public or private realms, and nor are possible solutions likely to be found exclusively in one realm or the other.

Thinking in terms of welfare and belonging, the family is a vitally important institution, a crucial source of both. To take the family out of civil society is to strip it of one of its major sources of institutional strength. The firm is excluded because its purpose is seen as private profit, rather than mutual good. Also, there is a common perception that the market world in which firms operate is destructive of the communal ties on which much of the civil society depends (Norton 1996, 46-48). Thinking again about what civil society is for pushes us toward inclusion of the firm. In finding alternatives to state provision, any idea which rules out profit-making institutions is not going to get us far. Also, even from a communitarian perspective, this exclusion would be a major mistake. Firms are major social institutions; indeed after the family more people are involved in firms than any other institutional form.

One part of Walzer's definition might be a little loose, and that is his reference to 'relational networks'. I think 'civil society' as it is used normally refers to something more organised than a network. The institutions of civil society have some kind of structure which enables a group of people to achieve some kind of goal. I am deliberately being vague here, since I don't think formal organisation is necessary, and I recognise that not only do the institutions of civil society not themselves necessarily have clear goals, but that people may be involved in them to achieve goals other than the official ones.

The term 'civil society', then, can include a wide array of institutions. Adapting categories set out by Larry Diamond (1994, 6), it can covers institutions that are:

1) economic – productive and commercial associations;

2) cultural – religious, ethnic, communal and other institutions that defend collective values, faiths, beliefs and symbols;

3) informational and educational – devoted to the production and dissemination of public knowledge, ideas, news and information;

4) interest-based – designed to advance the common functional or material interests of their members;

5) developmental – institutions that combine individual resources to improve the infrastructure and quality of life of the community;

6) political – parties, social movements, civic groups seeking to improve the political system;

7) social and emotional – families.

'Social capital' involves a wider range of social ties than does 'civil society'. Here I think we can reintroduce the idea of a network. As defined by the late James S. Coleman (1990, 302), social capital inheres in the structure of relations between persons and among persons. This is the 'social' aspect. The capital aspect is that these are relations with productive capacity, that like human or physical capital they can be utilised to create something of value.

Social capital is a broader idea than civil society because there is no requirement that it take the form of an institution serving a particular purpose or set of purposes. An informal network of friends is a form of social capital. Social capital can exist between people who do not know each other. Indeed, this is an important theme of two of the recent and important books that have made use of the idea, Robert Putnam's *Making Democracy Work*, published in 1993, and Francis Fukuyama's *Trust*, published in 1995.

I will make a few comments on Putnam's book. Putnam sets out to explain why the northern regions of Italy are so much more successful than those of the south. The answer he comes up with is that the northern regions have more plentiful social capital than those of the south. He argues that this social capital comes from social institutions which he identifies as neighbourhood associations, choral societies, cooperatives, sports clubs and mass-based parties. These institutions help establish norms of trust by establishing codes of acceptable behaviour. They help information flows about who adheres to the norms and who does not. They help provide rewards for norm followers and penalties for norm breachers (Putnam 1993, 173-174).

I think Putnam's analysis is both illuminating and distracting. It is distracting because I think his voluntary association based analysis of social capital misses a lot of social ties. While membership of a voluntary association is a good indicator that a person will be in a social network, non-membership does not necessarily indicate the contrary. For example, Australia appears to be a country which works quite well by Putnam's standards. But, according to the Australian Bureau of Statistics, in 1995 only 19 per cent of the population engaged in unpaid help for a voluntary organisation. I imagine the participation figures

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would increase by a reasonable amount if we included lesser activities such as attending functions or meetings, but it is probably the deeper involvement of working for an association that is the basis of networks which create social capital.

There are more direct ways of identifying social ties than the proxy measure of voluntary association participation. Social network analysis is quite well developed in the United States, though I am not aware of much work in Australia. People can be involved in quite different types of networks. In a 'community-type network' the social ties criss-cross each other, so that people come across each in many spheres of their lives. In a 'clustered network' the various spheres of life are more differentiated, contacts do not overlap as much as in community networks. 'Isolated networks' indicate limited social ties, perhaps only with immediate kin and a few friends. For the community and clustered networks, we can also distinguish by size, between restricted and extended (Carson 1995, esp. 5-6, 36).

The various network types are social capital of very different kinds. The isolated networks are likely to be near useless in providing the kinds of civic engagement Putnam sees as important to making democracy work. Community networks probably provide a strong basis for political activism, since loyalties are likely to be strong and there is ample opportunity for monitoring behaviour. Nevertheless, community networks may not be the most civil, since they are relatively closed to the rest of the community. Clustered networks are likely to be the most civil, since they involve interaction with a wider range of people. However, the weaker ties mean that they are less easily mobilised into political activity.

I think Putnam's voluntary association based analysis of civic engagement may be distracting in drawing attention away from the significance of the networks. His analysis is particularly likely to miss clustered networks. Extended clustered networks can be built up via family, schooling and work, yet none of these institutions show up as voluntary associations.

This is not to say that voluntary associations are unimportant as creators of the social capital with which Putnam is concerned. They do put people in touch with each other, and provide reasons for staying in contact. But if we want to create a more comprehensive theory of the relationship between civil society and social capital we cannot over-look institutions with far greater participation rates than voluntary associations: families, schools and firms. In all likelihood it is these institutions, rather than voluntary associations, that are the principal

creators of social networks.

If our concerns are less political and economic we might take a rather different view of the social capital potential of the various network types. For emotional and personal support, isolated networks may be adequate if there are close ties in the network. Community networks are likely to be better still in providing such support. Clustered networks, if they do not include close ties, may be quite inadequate providers of emotional and personal support. With slow family formation and family break-up the kind of social capital that provides emotional and personal support may be in decline, with a class of persons who may know many others but not be sufficiently close to any to place heavy reliance on them.

Social capital is an interesting idea, but to make it a useful idea I think we need to be much clearer on what kinds of social capital can achieve what purposes. Once that point is clarified, we need to work on how the various types of social capital are created and identify threats to them.

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The Search for Social Capital

Mark Latham

Issues concerning the strength and composition of social capital are critical to the successful governance of society. Among the daily work and debates of national politics it is perhaps too easily forgotten that there are many forms of governance which do not directly involve the formal institutions of government. This is the basis of civil society – the interaction of citizens through voluntary associations, networks and other forms of contact which, when regarded as a whole, represent the self-governance of community life. The relationship between civil society and institutionalised government has emerged as one of the key questions of contemporary political study.

It is argued by many that the size and scope of the welfare state has crowded out civil society: as government has grown and taken on more functions, citizens have felt less inclined to engage themselves in the voluntary activities of civil community. From another perspective, it is possible that the impact of globalisation has weakened the logic of collective action, both for the public and civil sectors. Still others – most notably the communitarians in the United States (Etzioni 1993) – have argued that political leadership has a role to play in strengthening the interdependence of government and community life.

It is generally agreed across ideologies and parties that society is stronger when it improves its stock of social capital – the elements of social organisation which generate social trust and cooperation for gains enjoyed in common. No such consensus exists, however, on how society and public policy might attain such goals. This paper seeks to advance some ideas and policies by which social democrats might not only more fully participate in this debate, but also foster improved outcomes for social capital, cooperation and mutual trust in Australia.

Too often the ALP has set its policy framework in isolation from issues concerning social capital. It has been assumed that the decisions of central government should aim at the material and lifestyle conditions of citizens, without necessarily focussing on the way in which the organisation of government can also impact on social trust and civil society. This mechanistic style of policy making, with its short term

focus on the connection between public administration and social change, needs to be fortified by policy goals dealing with the complex relationship between government, globalisation and civil society. Australia's short, three year electoral cycle should not preclude strategic thinking about the future of social capital.

This is especially true for a party committed to social fairness and the virtues of collective action. It is difficult to define common interests and manage the commons without basic elements of social trust and solidarity. As Robert Putnam, whose recent work has led the research effort in this area, has written:

> For a variety of reasons, life is easier in a community blessed with a substantial stock of social capital. In the first place, 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 dilemmas of collective action to be resolved. When economic and political negotiation is embedded in dense networks of social interaction, incentives for opportunism are reduced. At the same time, networks of civic engagement embody past successes at collaboration, which can serve as a cultural template for future collaboration. Finally, dense networks of interaction probably broaden the participants' sense of self, enhancing the taste for collective benefits. (Putnam 1995, 67)

The accumulated habits of trust allow a society, in the language of rational economics, to pursue first-best choices. Without reciprocated trust a family can not 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. In the workplace, mutual trust provides the foundation on which cooperation and innovation create a productive enterprise, especially with the reduction of checking and transaction costs. In any form of economic or social activity, risk taking relies heavily on the best efforts of others – their willingness to share the risks, the benefits of success, plus the consequences of failure.

Putnam's extensive study of the civic traditions of Italy has found that the positive aspects of civic engagement boost the performance of the polity and the economy: 'strong society, strong economy; strong

society, strong state' (Putnam 1993, 176). This finding is supported by Francis Fukuyama's analysis of the social virtues of trust and the creation of prosperity in each of the advanced economies:

> ...rational utility maximisation is not enough to give a full or satisfying account of why successful economies prosper or unsuccessful ones stagnate and decline. The degree to which people value work over leisure, their respect for education, attitudes toward the family, and the degree of trust they show toward their fellows all have a direct impact on economic life and yet cannot be adequately explained in terms of the economists' basic model of man. Just as liberal democracy works best as a political system when its individualism is moderated by public spirit, so too is capitalism facilitated when its individualism is balanced by a readiness to associate. (Fukuyama 1995, 351)

This suggests, in answer to one of the oldest dilemmas of social studies, that by cause and effect, cultural conditions determine economic and political outcomes more than the reverse sequence.

More directly for the cause of Labor, social trust can be seen as a core precondition for the attainment of social democracy. Interpersonal trust strikes an appropriate balance between what would otherwise be the competing motivations of self-interest and altruism. Altruism can be expressed in caring for the wellbeing of others; self-interest in knowing that these feelings and actions will be reciprocated. This is what de Tocqueville called 'self-interest properly understood' – enlightened self-interest by virtue of being alive to the interests of others. In a similar fashion John Stuart Mill, in establishing the basis of public liberalism, noted the distinction between self-regarding and other-regarding acts. Trust between people is easily seen as the most basic of all other-regarding acts. Without it citizens can have so little regard for each other that the very nature of social behaviour is placed in jeopardy.

Just as Amartya Sen's notion of social capability helps resolve the philosophical tension between liberty and equality, an understanding of social trust helps reconcile the interests of personal freedom with the necessity of collective action. Putnam's research shows that citizens in highly civic communities enjoying the benefits of social capital also enjoy the greatest degree of personal liberty. They are less hindered by the need for law and order and less reliant on the coercive power of public law to maintain public good. [1] Liberty and equality are thus reconciled: liberty in the free associations of trust; equality in the

needs-based nature of acts of reciprocation.

These principles are crucial to the successful management of the commons. High levels of mutual trust not only make society and its economy more efficient, they are also an important means by which a consensus can be constructed for the handling of collective interests. By this I do not mean a consensus expressed in the form of coercive enforcement or authoritarian government – which, once deployed, frequently involve high public costs and generally signify the inherent weakness of social capital.[2] Rather, the consensus centres on the virtues of freely formed collective action.

Types of Social Capital

The social norms of cooperation, supported by voluntary collectivism, are strongest in communities with a well developed store of social capital and civic engagement. These norms arise because, through the exercise of social trust, citizens not only take responsibility for other-regarding acts or externalities – when their actions have negative or positive consequences for others – but also hold high expectations for reciprocity. As the US political scientist Michael Taylor has explained:

> Each individual act in a system of reciprocity is usually characterised by a combination of what one might call short term altruism and long term self-interest: I help you out now in the (possibly vague, uncertain and uncalculating) expectation that you will help me out in the future. Reciprocity is made up of a series of acts each of which is short run altruistic (benefiting others at a cost to the altruist) but which together typically make every participant better off (Taylor 1982, 28-29).

In this fashion the preconditions for the logic of collective action are established. When trust, responsibility and reciprocity come together citizens are most likely to see their own interests through the prism of social cooperation. This, of course, minimises the incentive for free riders: individuals who disregard the social norms of coopera-tion and ride on the efforts of others without reciprocation. When social trust and social capital are strongest, citizens are most likely to link their personal liberty and wellbeing to their participation in the common decisions and collective actions of society. 'Citizens in the civic community,' by Putnam's assessment, 'deal fairly with one another and expect fair dealing in return' (1993, 111).

These are the defining features of what is known as horizontal social capital. That is, when trust is exercised as an expression of freely

formed mutuality. This is a critical distinction in the theory of social capital. It points to the diverse features of social trust. Each of us tend to trust those in positions of authority – such as judges, teachers, police and doctors – for very different reasons and in very different ways to the sort of trust we might feel for friends, workmates and neighbours. Trust exercised through systems of hierarchy and authority is an expression of vertical social capital. This type of trust works by the threat of coercion rather than enlightened mutuality.

All societies, no matter their culture, history, economic structures and systems of government, are characterised by a mix of horizontal and vertical social capital. The nature of the mix, of course, goes a long way to explaining the way in which society functions and might respond to certain challenges. Just as much, each of the institutions of a society features varying elements of horizontal and vertical social capital. As Putnam (1993, 173) notes, 'even bowling teams have captains, while prison guards occasionally fraternise with inmates.' Consideration of this mix should be seen as a frontline issue for matters of public policy, particularly in the determination of institutional design.

Vertical social capital is commonly sustained by the possession of coercive powers. Citizens have some of their rights of participation and choice replaced by the exercise of authority and control. This is the classic Hobbesian answer to the dilemma of collective action: obedience to the judgement of some greater source of decision and sanction making. The benevolent exercise of these powers establishes a formal patron-client relationship of dependency. The power relationship is made lopsided by the improbability of reciprocation. Patrons exercise authority and dispense benefits according to their own judgement, without any reasonable expectation of reciprocity. Clients, by virtue of their dependency, are not able to engage in acts of mutual aid.

Vertical social capital thus represents a framework of inequality between citizens. The patron holds a status and authority on which the client must rely for progress and the satisfaction of self-interest. In search of greater equality the client may be forced towards opportunism, such as covertly storing resources and information. The patron, in search of personal benefits, may choose to exploit the client's dependency. In this fashion, despite the most forceful forms of coercion, the logic of collective action may dissolve. A common response to these dilemmas is to further strengthen the degree of vertical supplication and relationship inequality. Force is used, even more comprehensively, as a substitute for mutual trust. This is, for instance, an

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enduring feature of the law and order debate in societies featuring vertical networks of social capital. (Putnam argues that 'a very strong predictor of the crime rate in a neighbourhood is not how many cops there are on the beat, but how many neighbours know one another's first name.'?)

A distinguishing feature between vertical and horizontal social capital is the question of ownership. Vertical relationships, by virtue of the essential inequality, are open to exclusive ownership. The patron – in most systems of modern governance this signifies the state – owns and controls the source of coercion. By contrast, under horizontal structures, social capital cannot be appropriated as the exclusive property of any of its participants. It belongs to all and relies on the actions of all to sustain it. This means, of course, that horizontal social capital – unlike most things of value in a capitalist society – cannot be brought into the orbit of property rights. The result is that most forms of social capital are created or destroyed as a by-product of other activities. Much (horizontal) social capital arises or disappears without anyone willing it into or out of being; such capital is therefore even less recognised and taken into account in social research than its intangible character might warrant' (Coleman 1990, 317-8).

Also unlike other forms of capital, horizontal social capital cannot be stocked. Either participants to its accumulation use it, or they will most certainly lose it. This demonstrates the essential civicness of social trust. While it may be held and nurtured in common, it cannot be satisfactorily subjected to third party direction or authority. Nor can it be institutionalised in the sense of having property rights or binding social obligations allocated to it. Horizontal social capital is a clear expression of what it means to engage in acts of self-governance, free from vertical systems of authority.

The shared benefits of mutual trust can only be enjoyed in their engagement between citizens. Hence horizontal social capital can be interpreted as an instance of equality in action. The equal rights and obligations of citizens are expressed through spontaneous acts of collective interest. This is an important departure from the practice of equal rights written into the rule of law. The impact of legislated rights relies heavily on the capacity of the state to effectively police and apply sanctions to cases where rights have been violated. The rights established through acts of interpersonal trust are mutually reinforcing (because my trust in another has been reciprocated, our equal status has been confirmed in practice).

Similar observations can be made with regard to the act of caring.

In the human condition, altruism is reinforced by the practice of reciprocation. Clearly this is less likely under the vertical structures of a patron-client relationship than conditions of mutual trust. Especially when confronted by uncertain circumstances, people are more likely to care for others if they can trust in others doing the same. This shared, interactive experience helps establish the moral divide between giving and caring. While patrons can give, it may be that people only identify with a sense of caring through the accumulated experiences of mutuality and equality. Giving needs to arise from the virtues of mutuality. Political opinion polling, for instance, has identified a public belief that while governments may give transfer payments to clients they are not perceived as actually caring about welfare.

Putnam's research identifies positive externalities from horizontal networks of civic engagement. The more horizontally structured an organisation, the more it should foster institutional success in the broader community" (Putnam 1993, 175). In this respect, social capital developed among secondary associations – such as sports clubs, cooperatives, mutual aid societies and voluntary unions – has greater social utility than the popular engagement of primary associations like kinship and intimate friendship. It is the acquired habit of mutual trust expressed across society's boundaries – such as family, class and culture – which nourishes wider cooperation and collective action.

Trust and Social Democracy

While trust between family and friends is important, it alone is unlikely to establish the preconditions for broader 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 easily establishing shared interests and confidently pursuing the logic of collective action.

These findings are crucial to the reformulation of the social democratic project. They point to the inherent weaknesses of mass welfare statism and the establishment of patron-client relationships. They expose the problems of supply side planning expressed through vertical structures of service delivery. They also highlight, with clarity and purpose, the dual features of economic management: that successful economies may rely as much on social cooperation as transaction competition. This is to suggest that cooperation forms the basis of successful economic production while competition acts as a lever for efficiency at the point of economic exchange.

Even more than these insights, however, the theory of social capital offers social democracy the possibility of renewed moral purpose. The role of social democrats in the decades following World War II was to argue that the twin techniques of Keynesian economic management and welfare statism could mould society towards new standards of equality and opportunity. The preconditions of this model – continuous economic growth and stable social conditions – have now clearly dissolved with the onset of globalisation and all it denotes. While some may judge this as simply a problem of circumstance – if the times have changed then so too can the social democratic mould – a more serious problem of technique remains. Civil society has a way of its own, not always suited to the ethical judgements and methods of social democracy. The British social thinker David Marquand has described the problem neatly:

> Despite the humanity and generosity of its founders, [social democracy] degenerated, in practice, into a system of social engineering. The engineers could pull the levers in the knowledge that the machine would respond as they wished ... Social democrats wanted to do good, but they were more anxious to do good to others than to help others do good to themselves. As they saw it, the role of public intervention was to provide, to manipulate, or to instruct, rather than to empower ... Hand in hand with all this went a curiously simplistic attitude to the state and to the relationship between the state and the web of intermediate institutions and voluntary associations which make up a civil society. The state was seen as an instrument (or set of instruments) which social democratic ministers could use as they wished. Civil society was seen, all too often, not as an agent but as a patient: as an inert body, lying on an operating table, undergoing social democratic surgery. (Burchell 1992, 27)

Far from taking the role of an inert patient, civil society – through the work of horizontal social capital – has devised its own prescription for equality and mutual aid. It makes little sense, of course, to frame the hopes and standards of social democracy (or any other political doctrine) in a manner divorced from these social relations. Indeed, it might be argued that social reformers have for centuries been engaged in acts of political folly by seeking to direct rather than facilitate the type of equality found in civil society. The exercise of mutual trust appears to reflect the oldest and perhaps wisest of socialist traditions:

from each according to one's ability, to each according to one's needs. Yet far from nurturing these tendencies as the basis of the good society, the parliamentary and extra-parliamentary Left alike have pursued values framed more at the abstract and relied on methods drawn more from the technique of top-down reform.

The cause of Australian Labor, perhaps more than ever in recent practice, has fallen prone to these errors. These have been sins of commission as much as omission. Committing ourselves to techniques divorced from social practice; omitting to factor the strength and composition of social capital into our formulas for social justice. If, as we can hold to be true, Labor's hopes for a more equal and just society rely on a certain judgement about human values – the belief that while people will always defend their own interests they also care enough about the society in which they live to advance the interests of others – then social capital theory should never be too far from the core of Labor ideology. And in each of its aspirations and policies, the Party should be drawn towards the compelling features of Putnam's conclusion:

> Some regions of Italy have [citizens] engaged by public issues, but not by personalistic or patron-client politics. Inhabitants trust one another to act fairly and to obey the law. Both citizens and leaders here find equality congenial. Social and political networks are organized horizontally, not hierarchically. The community values solidarity, civic engagement, cooperation, and honesty. Government works. Small wonder that people in these regions are content. At the other pole are the 'uncivic' regions. Public life in these regions is organized hierarchically, rather than horizontally. The very concept of 'citizen' here is stunted... Political participation is triggered by personal dependency or private greed, not by collective purpose. Laws (almost everyone agrees) are made to be broken, but fearing other's lawlessness, people demand sterner discipline. Trapped in these inter-locking vicious circles, nearly everyone feels powerless, exploited and unhappy. All things considered, it is hardly surprising that representative government here is less effective than in more civic communities (Putnam 1993, 115).

The Changing Nature of Social Capital

A shortcoming in Putnam's work is its lack of a philosophical setting.

While exceptionally strong as a piece of social analysis, the research is more descriptive than cognitive. Putnam does not extend our knowledge of social capital to a theory of human behaviour. Accordingly, he is not able to explain or forecast changes in social capital beyond the movement in indicative variables such as institutional design, cultural habits and technology. To be certain, Putnam's research has been substantial by any test of progress in the social sciences. The test for those wanting to take his work further is to give social capital roots in a philosophy of the human condition.

A starting point is to understand how human behaviour has been set apart from the animal world by the yearning for recognition – the acknowledgement that each of our lives holds worth and value for others. While recognition can take several forms, none seem more fundamental than trust. That is not only to be recognised by others as worthy of trust, but to have the depth of this recognition measured using the yardstick of one's self. As interpersonal trust functions by the principles of mutuality and equality, its value can not be assessed in the abstract. The sense of dignity it brings to each participant constitutes a mode of recognition essential to the living of life itself – recognition of one's own worth. (My recognition of your worth expressed through my trust in you is, in the belief that this trust will be reciprocated, also a recognition of my worth.)

This theory of recognition is drawn from Francis Fukuyama and his provocative book, *The End of History and the Last Man* (1992). Fukuyama picks up the Hegelian task of a universal theory of history. He advances his argument with the development of two universal truths. First, scientific methods and technological advances have a coherent impact on the direction of history. Second, human behaviour is primarily motivated by the need for recognition – a sense of worth and dignity, or what Plato in his *Republic* called 'thymos.' Fukuyama adds substantially to our understanding of society through the concept of recognition:

> Human beings, like animals, have natural needs and desires for objects outside themselves such as food, drink, shelter and, above all, the preservation of their own bodies ... but in addition, human beings seek recognition of their own worth, or of the people, things or principles that they invest with worth. The propensity to invest the self with a certain value and to demand recognition for that value, is what in today's popular language we would call self-esteem.... It is like an innate human sense of justice (Fukuyama 1992, xvi-

xvii).

Fukuyama's work, in the way of these things, is derived from an interpretation of Hegel by the French philosopher, Alexander Kojeve. For Kojeve, only the desire for recognition can lead to self-consciousness:

> It is an animal desire which draws one to the body of another, but a human desire which is expressed as the wish to be desired, loved or recognised by another. The essential mark of human desire is that it does not consume its object. It is, in the presence of an absence, creative. To make the same point somewhat differently, the satisfaction of human desire requires some form of mutuality (the loved one returns the love) or social recognition of an object's value... The effort at satisfaction and conservation demands that this dialectic be linked with the development of self-consciousness (Roth 1985, 295-6).

The concept of recognition passes a long way towards a comprehensive understanding of the human condition. It explains why many aspects of economic behaviour are beyond the bounds of rationality, such as the accumulation of income and assets past the capacity of any individual to ever consume such wealth. It explains the sense of non-material loss people feel when they face unemployment. It explains why some young people, without the capacity or opportunity to excel by conventional means, seek recognition through various forms of negative behaviour. It explains the proper meaning of insecurity: the lack of dignity and worth in one's life that comes from a lack of recognition. It also tells us 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. Ideologies constructed around the primacy of self-interested materialism are misplaced. The concept of recognition directly challenges modes of libertarian thought reliant on the ideals of self-preservation and boundless accumulation. It also further punctures neoclassical notions of the rational economic man. As Fukuyama points out:

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 that such activity affords us, where money becomes a symbol not for material goods but for social status or recognition (Fukuyama 1995, 359).

According to Hegel (followed by Kojeve and Fukuyama), the desire for recognition drives the whole historical process. It can also be used to explain the changing nature of social capital. Trust is one of the means, certainly the most socially useful, by which people receive recognition. If trust were to be displaced by other forms of recognition in the normal course of social behaviour then, to be sure, social capital would be diminished. This replacement effect offers a sound explanation for how over recent decades social capital appears to have declined substantially in most Western nations.

Is Television the Culprit?

Empirical support for this type of analysis can be found in Putnam's research. In a 1996 paper on the disappearance of civic America he examines a number of variables for their statistical correlation with patterns of social capital depletion. Among these variables – including education levels, suburbanisation, work patterns, female labour force participation, the family unit, generational effects and the rise of the welfare state – Putnam finds just one valid relationship:

It is as though the postwar generations were exposed to some mysterious x-ray that permanently and increasingly rendered them less likely to connect with the community. Whatever that force might have been, it – rather than anything that happened during the 1970s and 1980s – accounts for most of the civic disengagement.... the culprit is television (Putnam 1996, 12).

The advent of television in the 1950s seems to correspond with the general loss of civic engagement in the United States (with little reason to believe that other Western nations have been substantially different). For instance, the generation born in the early 1920s belonged to twice as many civic associations and were twice as likely to trust other people as the generation born in the 1960s. The amazing growth of television watching – to a point where it now occupies more than 50 per cent of

the average American's free time – has shifted the point of social engagement from civic life to the lounge room. By time management alone, TV has depleted the opportunities citizens might take for interpersonal contact and group associations. Whereas family and community based activities once dominated work-free time they now compete against a new generation of leisure alternatives, led by TV.

But what are the features of television, in terms of recognition theory, which have made it so attractive? What is it about TV that has caused so much of our social capital to be displaced and so much of our public culture to be absorbed? Unfortunately, the social study of television remains rudimentary. While the work of the state public sector has evoked endless inquiries and debates, the immersion of the non-state public sector in TV has passed without comprehensive public scrutiny. As social science advances its understanding of social capital, it will also have to more thoroughly analyse the power of television.

A starting point is to understand the participatory nature of the medium (McLuhan 1964). While television might commonly be regarded as a relatively passive form of recreation, it actually generates the basis of interactivity. TV is entertaining because it presents an active flow of movement and events, stirring feelings and responses much more than simply conveying information. Whether we want it or not, each of us is a participant in the medium: either cheering for our favourite sporting team, answering the questions on quiz shows, stirred by the conflict and passion of news and current affairs, or relating our experiences and feelings to the ordinariness of soap operas and Oprah. We watch the show because in some way we are part of it.

From participation flows recognition. Television has been able to simulate many of the everyday sources of life's worth. The commercial features of TV, particularly its paid advertisements, explicitly appeal to and recognise our behaviour as consumers. We commit ourselves to sporting events, political debates and special ceremonies on TV because of our search for recognition in group behaviour, especially nationalism. Most of all, television has been able to create a comparative mode of recognition – measuring one's own worth through the experiences of those on TV.

The medium has involved people in our lives like never before. A cast of people, characters and happenings pass through our lounge rooms day and night, each of them carrying potential for comparative recognition. Sometimes the comparison is downwards – characters and problems that give the worth and dignity of the viewer a more

fortunate perspective. More often the comparison is upwards – acts of imagination recognising the glorified lives of celebrities. This is why virtual reality has emerged as a natural spin-off from TV. Anyone can be recognised as a rock star at karaoke; anyone can beat Andre Agassi at tennis.

In this fashion, television is an appealing medium in the desire for recognition. It not only has the attraction of intimacy and variety, it is also convenient. If at any time recognition is diminished, the program can be changed or the machine turned off (especially when our identified sporting teams start to lose). Citizens who lack recognition in other parts of their life, such as work and social skills, can compensate through a continuous flow and growing number of program options. The difficulty arises, however, from the way in which comparative recognition, at best, provides only an ephemeral and superficial boost to one's worth and dignity. Television and its associated media, despite their entrenchment in popular culture, do not seem to have qualitatively added to society's pool of interactive recognition.

Indeed, it may be that TV's comparative mode of recognition has contributed to the growth of anxiety and personal insecurity now remarked on by so many sociologists. Never before has society left it to a commercial market (and the mass media can not be properly understood as anything but commerce) 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 TV per week while spending five minutes per week alone with his or her father and 20 minutes alone with his or her mother (Thurow 1996, 82).

This reflects the paradox of the electronic media: how they seemingly carry so much potential for social enlightenment and learning, yet also seem to aggravate the weight of social anxiety. With the speculation surrounding the so-termed information superhighway it is difficult to know whether it will be, as so many promise, a new tool of genuine progress or simply a more sophisticated mode of comparative recognition. My judgement is that there is something inherently worrying about a society which has lost so much of its personal interaction. A significant proportion of the things we now respond to as citizens are impersonal: concepts and images we shall never

actually see, touch or experience first hand. As a society we used to convey messages by language and personal contact. Now we seem to interact as much with electronic technology as with each other (Mackay 1995).

This has not only diminished the formation of social capital but also changed its format. Many of the acts of spontaneous civic life now find their expression in modern forms of technology. To give an example, many of the suburbs of Sydney each year engage in the mass decoration of homes with Christmas lights. This is a spontaneous event in that the residents of these suburbs do not formally press each other to organise the lights, either with incentives or sanctions. Rather, they depend on horizontal sociability – each resident equal in their actions and responsibilities, each relying on all others to match their efforts to add to the suburb-wide impact and pleasure of the event. The level of personal contact does not appear to be substantial, as second-party participation is mostly limited to driving or walking past to enjoy the lights on display.

Activities such as this signify a shift in social connectedness from the personal to the impersonal. Sociability has been maintained, but transmitted through various forms of technology instead of person-to-person contact. This is an interesting trend in our understanding of social capital. For instance, in what has become a leading symbol of the social capital issue, Putnam has asked why Americans are now more inclined to ten-pin bowl alone rather than bowling in teams. The recognition in this particular game, as I understand it, can come just as readily from achieving perfect scores as actually defeating one's opponent. This is indicative of a new generation of recreational pursuits, including computer games and virtual reality, where people compete against machines instead of each other. The emergence of mail-based clubs and associations is another instance of the spread of impersonal sociability.

In charting the correlation between the growth of the popular media and decline of social capital, it is also important to make a distinction between vertical and horizontal systems of connectedness. It seems that organisations tending towards the vertical have declined most notably in their participation and relevance in recent decades. In the United States, Putnam has chronicled the loss of membership experienced by trade unions, political parties, churches, charities, the scouts and service clubs. Similar outcomes have been recorded in Australia.[4] Formally structured, intensely regulated, hierarchical organisations appear to have lost large slabs of public trust and

involvement.[5]

Conversely, some organisations displaying horizontal social capital and the virtues of mutual trust seem to have moved against the tide of social capital depletion. While most of the evidence in Australia is only anecdotal, activities tending towards the casual and non-hierarchical – such as clean up campaigns, touch football, indoor cricket and netball, play groups and senior citizens' social clubs – have experienced strong levels of public participation. It is as if, as our communication networks have globalised and the popularity of TV has displaced some forms of social capital, society has found other ways in which to compensate through new, less hierarchical forms of participation. In the global village, hierarchy is having far less success in telling people what to do. Just as much, from the scattered success of some horizontal networks, the virtues of mutual trust may not be as endangered as the direction of society otherwise suggests. History tells us that the best features of the human condition have generally held the habits of resilience, no matter the technology, no matter the circumstances. Further empirical study is required to establish whether mutual trust has a way of creating its own history.

'Crowding Out'

Common sense, of course, tells us the difficulty in making final cut observations about the changing nature of social capital. So much more research is required in Australia and beyond to talk confidently about its formation and possible direction. Nonetheless, one argument – particularly from the perspective of recognition theory – can be identified as inadequate: the belief among economic libertarians that the growth of the welfare state has crowded out civil society. This view sets human behaviour in the context of self-interested material accumulation. It is argued that the rights and entitlements of the welfare state have caused citizens to lose the habits of self-help and social connectedness. This thesis, however, has three significant deficiencies.

First, it frequently confuses self-interested economic behaviour with the social significance of recognition. For instance, it is maintained that the single parents' pension encourages teenage girls to have children. A more likely explanation, if indeed such actions are planned, is that teenagers lacking a sense of worth and dignity in their studies, work and/or social relations might seek recognition from the status of parenthood. Second, the crowding out thesis does not square with any of the evidence concerning public attitudes to the state public

sector. For several decades throughout the Western world, opinion polls have consistently shown a solid decline in the public's trust and confidence in the institutions of government. Why then, at a time when citizens have had less faith in the state, have they also been less inclined to add their efforts to non-government causes?

If a motivation for social capital is to realise, either for reasons of altruism or self-satisfaction, those things which the collectivism of the state public sector is not recognising or achieving, then the collective efforts of civil society should be at their peak, not in decline. Confirmation of this view can also be found in Putnam's research. His data shows 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 welfare state, he nonetheless notes that 'this simple finding is not easily reconciled with the notion that big government undermines social capital' (Putnam 1996, 9)

Third, the crowding out thesis, with its focus on economic liberty, underestimates the way in which economic relations themselves – impacting under the banner of globalisation – have placed new pressures on the cohesiveness of civil society. Indeed, a practical argument can be put that the same economic and social changes that have weakened the effectiveness of government have also eroded the strength of social capital. Fifty years ago Joseph Schumpeter wrote of the 'creative destruction' of capitalism – meaning the way in which new markets, industries and products continuously destroy the old. The same process inevitably impacts on social relations and institutions.

Globalisation appears to be associated with new pressures on the sustainability of social connectedness, be it expressed through the institutions of government or civil society. Global capital requires an adaptable labour force with the capacity to relocate to new centres of investment. The spread 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 somewhat harder to hold communities, families and civil society together.

Since the time of the Industrial Revolution the role of the family unit in society has been in decline. Last century work moved from the home to the factory, health and aged care became the responsibility of the state, while education moved to the local school. It seems that in

a post-industrial society the mass media has displaced part of the traditional role of parenting in information sharing and the formation of social values and morality. From this perspective it is not difficult to understand the evolutionary passage of social capital. As citizens we do not have as many activities to undertake within civil society. With the diversification of work and social values we do not seem to share the same depth of mutual interests upon which voluntary associations might be formed. The fundamentals of social connectedness and contact have loosened.

In its various forms, globalisation has uprooted many of the mechanisms for recognition upon which the strength and cohesiveness of civil society depend. When our institutions were locally based, people were recognised for their contribution on a civic scale – the success of local enterprises, contributions to the parish, achievements at the local school, the town's sportspeople, and the recognition and support of family members. Voluntary effort and cooperation through civic associations was regarded as something of lasting social worth.

Now, with a global system of communications, the bar has been lifted on what constitutes a recognisable contribution to society. By and large, people have come to judge and acknowledge each other's worth on a scale well beyond civic life. Even though the mass media carries only a small proportion of information of any practical use in our lives, it has become the yardstick by which society measures success. This is what gives the media its mass – a feeling of everyone knowing what others are doing. This knowledge can convey an idealised standard of social worth and dignity. Recognition now sits on a global scale: the business tycoons, sports heroes and movie stars – anyone important enough to appear on TV. When civil society was strong, there was no such thing as a celebrity.

Not surprisingly, the value of civic effort has been downgraded, more so given the way in which the visual media rely more on themes of conflict than cooperation. Western society has come to feature a growing gap between the expectations and achievements of its citizenry. This is a defining aspect of youth culture: a high threshold for worth and recognition, followed by large slabs of disappointment and alienation. Hence, globalisation features not just economic uncertainty but new forms of social unease. This is an unease not directly linked to prejudice or material deprivation but, more likely, the apparent complexity of an open society: the time management of work, leisure and family responsibilities; the overload of available information; the lack of recognition; the loss of social capital and civic

certainty. Many people increasingly see civic effort and an involvement with voluntary associations as something which would further complicate their lives. Hence they find a certain comfort in bowling alone.

A Dilemma

It is necessary at this point to consider the threads which might bind the themes developed above: the search for recognition; the popularity of the visual media; the decline in vertical social capital; signs of a shift from the personal to impersonal; the popularity of several loose, horizontal nodes of activity; and, from globalisation, the spread of life's responsibilities and expectations. It is possible that these trends feed off and reinforce each other. In aggregate, people not only seem to be doing more in our open society but also struggling for more recognition. This tendency towards overload has, in turn, fostered more intimate and less formal types of sociability, such as TV watching and unstructured, casual, even impersonal forms of recreation. Citizens have registered a diminishing sense of reward and recognition in vertical systems of coercion. The hierarchy of patron / client relationships has fallen off the meter of public trust.

Yet a dilemma is immediately clear. The modern search for recognition has been intensely frustrating. Television, in particular, has presented a false dawn in terms of recognition. It creates false expectations and delivers at best ephemeral satisfaction. It can not create the depth of dignity and worth founded in the virtues of interpersonal mutuality. It can never be as socially useful as reciprocated trust. It merely encourages, through the additional weight of anxiety and comparativity, a further retreat from the common — especially from the most hierarchical parts of the public sector, state and non-state. And if one sees the need for a remedy? Social capital premised on recognition theory presents this challenge in public policy: how to best nurture sociability; how to build on the signs of a trend towards the horizontal, towards freely formed, small scale, casual acts of social connectedness; how to, as much as policy makers can, satisfy citizens who might be seeking out reciprocation and recognition from new modes of horizontal social capital. From an Australian cultural outlook, the challenge appears particularly formidable.

Social Capital in Australia

In 1996, Liverpool Council in Sydney's south west undertook a survey of the social values and lifestyle interests of residents in one of its new

housing estates. This was a snapshot of middle Australia – overgeared mortgages, hand-to-mouth living standards and a disengagement from formally organised institutions. One of the Councillors described the results as reflecting a 'do not disturb' generation: young families generally distanced from civil society. Their social capital extended no further than immediate family contact, Saturday sport with the children and a Sunday BBQ with friends. Surveys such as these are often taken as reflecting unfavourably on the state of social connectedness in Australia. Undoubtedly our nation has not been immune from the influences straining social capital across the Western world. It may be, however, from the accumulated habits of public culture, that social capital in Australia has been particularly vulnerable to these more universal trends.

The nation's cultural history has featured a distinctive combination of vertical and horizontal structures. The circumstances of Australia's settlement fostered elements of both state-led development and inter-personal bonding through the institution of mateship. Not so well developed, however, have been organisations in the middle – the voluntary networks of civic life which help to spread the radius of trust beyond the bonds of family and friendship. These organisations, if densely formed and socially prevalent, also serve to influence the work of the state, shifting its methods from the vertical to horizontal.

Hence Australian social capital is best understood as bi-polar: lifting most forms of governance to the tier of the state, while pushing down most forms of civic life to the level of friendship networks. State paternalism and mateship bonding have dominated the cultural norms of Australian public life. From the construction of Australian history, with its special origins and terms of settlement, unique modes of social capital have also been constructed. This confirms our understanding of social capital as a matter of historical accumulation. It cannot be formed or reinvented overnight. It represents, inevitably enough, the accumulation of social and cultural habits acquired from circumstance.

From the time of European settlement, the Australian state was born modern. Nation states had been forming in Europe through the aggregation of public functions previously discharged at a local level. While the nation emerged as the dominant form of state activity, the civic associations of parish and village life remained intact. Australia, however, never experienced effective local governance, in the sense of an active tier of intermediary organisations filling the civic gap between the individual and central power. Our system of formal local govern-ment was established on the delegated authority of the colonies to

undertake a range of property-related functions. Today it still lacks constitutional recognition and the range of financial and functional responsibilities common in most parts of Europe.

The great Australian achievement of the 19th Century was to settle and develop the largest and driest continent on earth. Under these conditions, strong state action carried with it the force of logic and need. As W.K. Hancock recorded in 1930:

> Collective action is indispensable if an obstinate environment is to be mastered. But how can this scattered and shifting aggregate of uprooted units (pioneer settlers) act collectively except through the state? They look to the government to help them because they have nowhere else to look... The greater part of Australia can only be opened for settlement by heavy initial expenditure. Who is to undertake it? About the middle of the nineteenth century there were some experiments in railway construction by private companies, but the conditions of Australia's economic geography made the land-grant railway, save in exceptional cases, an impossibility. English investors themselves insisted upon having the guarantee of the state (Hancock 1930, 70).

Sturgess has elsewhere chronicled how, contrary to the body of official history, Australia's colonial development did not rely solely on public ownership. Privately funded infrastructure, service delivery and joint ventures were common enough.[6] Yet the central point concerning state-led development remains. New countries tend to turn to the nation-building power of the state. Hence Hancock described 'the prevailing ideology of Australian democracy [as featuring] the appeal to government as the instrument of self-realisation' (Hancock 1930, 75).

Even though the First Fleeters carried with them British ideas about private property rights, it was soon clear that all of the general resources of the colony belonged to the government. This established in Australian politics an enduring pattern of land tenure struggle – from the first land grants and pastoral leases, through the Gold Rush controversies and post-war dream of urban home ownership, to contemporary debates about the land rights of those Australians, poignantly enough, whose ancestors at one time possessed it all. These struggles, so important to Australian public life, have essentially centred on the rights of the individual against the rights of the state. Organisations at the middle have again been absent.

So many of the characteristics of social capital in Australia have

been carried forward from the circumstances of the penal colony. The vertical structures of the state were reinforced by its control over the labour market (convict labour) and the reliance of the emerging private sector on state patronage. These trends provided the cultural preconditions by which centralised wage fixing, business welfare and trade protectionism emerged as key features of Australia's economic policy. While many aspects of these policies have changed in recent decades, strong expectations remain in the public arena for the role of the state as a protector of both labour and capital interests.

The circumstances of the convicts and early free settlers also help explain the emergence of mateship as the most identifiable form of horizontal social capital in Australia. The frontier settlement of the colony was primarily undertaken by men working in small groups. In his epic, *The Fatal Shore*, Robert Hughes brings together accounts of how:

> One would imagine that a residence in such a lone place would be liable to cause a change of some consequence in the minds and habits of any person; and it would be an interesting point to ascertain the effect on the convict stockkeepers who, for weeks together, can have no opportunity of conversing with a white man, except their sole companion; for there are always two to a hut. And it did affect them. It promoted the pair-bonding, the feeling of reliance on one's mate, that would lie forever at the heart of masculine social behaviour in Australia (Hughes 1988, 320).

Hughes (1988, 353) goes on to describe how the ties of mutual recognition, forged through the unhappy shared interests of repression, bound the convicts together in friendship. Visitors to Australia noted the 'mutual regard and trust engendered by two men working together in the otherwise solitary bush. Men under these circumstances often stand by one another through thick and thin; in fact it is a universal feeling that a man ought to be able to trust his mate in anything.' This feeling of mateship-based trust has carried forward to the present, finding broader cultural expression in national icons such as the Anzac tradition and sporting triumphs.

Culture and Social Capital

The cultural aspects of social capital are proof of its evolutionary features.[7] The work of a public culture is to encourage society to value past experiences and find solidarity in past traditions. Culture effectively comprises the stories we tell ourselves about ourselves. The

creation of culture is invariably followed by the collective invention of social traditions (and people are often busiest fortifying their traditions when the cultural narratives of the present are most acutely feeling the strain of economic and social change). In Australia's history this has meant a special attachment to the horizontal features of mateship and the expectation of client-patron relations with government.

Not surprisingly by the theory of social capital, this has engendered a strong sense of mutuality and equality among mates but elements of public scepticism about the performance of government. Indeed, mateship has formed the basis of the Australian claim to egalitarianism: as mates know and treat each other as equals, it is assumed that in all other parts of society, Jack is as good as his master.[8] It is problematic, however, to gauge the manner in which these values of mutual trust and cultural egalitarianism have influenced the performance of other institutions.

For instance, trust in the mode of production has the positive impact of lowering transaction costs and lifting productivity. Yet these are not generally regarded as best practice features in the Australian workplace. It may be that the habits of risk taking and cooperation have not extended beyond the small-group institution of mateship. This seems to provide an explanation for what Hughes has described as the 'defensive optimism' of the Australian character. That is, a capacity for confident and gregarious social behaviour, yet a poor reputation for business risk taking and assertiveness. Generally, the features of friendship trust in Australia have not flowed on to a broader scale of civic life and the creation of organisations in the middle.

Certainly the relationship between the citizenry and state public sector has not been representative of mutual trust. Despite the state's active role in the settlement and servicing of the nation, it is not generally respected in the public arena. From the colonial period Australians have not been comfortable as clients with the exercise of central authority. In part, this comes from the indiscriminate use of authority in the convict era. This early scepticism, regarded by many as a healthy part of the Australian character, does not appear to have been dissolved in any way by the subsequent work of the state public sector.

A common factor in the formation of horizontal and vertical structures in Australian society has been the role of geography and space. The scale, harshness and isolation of the decades of frontier settlement appear to have been fundamental to both the establishment of mateship and the structure of the central patron state. The most

enduring impact of the tyranny of distance, properly understood, has been its influence on social capital. If high density living and large group interaction are assessed as preconditions for viable civic life (a notion supported by Putnam's study of the city states in Italy) then Australian conditions – from the isolation of both the bush frontier and urban fringe – have not been conducive to the spread of horizontal social capital.

None of this is to suggest, however, that Australian history has been devoid of civic associations. It needs to be acknowledged that nothing could be more civic than Aboriginal tribal life. In the first century or so of European settlement church-based benevolent societies, member-run libraries, mechanics institutes, bush nursing auxiliaries and self-provident friendly societies were an important part of Australian society. This century trade unionism, service clubs, the scout and girl guide movements, local sporting associations, environmental action groups, agricultural and housing cooperatives, credit unions, progress associations, bush fire brigades, the CWA and other civic groups have constituted an active non-state public sector.

The point to be confirmed, especially by the standards of social capital studies internationally, is that Australia cannot be regarded as a high trust, densely civic society. We do not have a strong share of horizontal organisations at the middle. Many of the associations listed above rely more on vertical structures than horizontal. Still others have experienced a secular decline in membership and participation in recent decades. The anecdotal evidence of new sources of horizontal social capital is yet to be verified or fully understood via rigorous empirical study. Generally, history tells us that Australians have been more inclined to pursue the logic of collective action through personal networks of mateship and/or the patronage of the central state than by spontaneously civic means at the middle.

By the compelling rationale of circumstance, Australia has not accumulated a tradition of intermediary organisations bridging the work of citizenry and state. A big, isolated country identified an economy of scale and settlement in state-led development and infrastructure. In the provision of basic human services, central authority was an inexorable feature of the governance of the penal colony. From the beginning, the principles of a command state applied to the notion of social welfare. Australia's first benevolent societies used government as virtually the sole source of running cost and capital funds. The Elizabethan poor law ideals of civic benevolence were not applicable to Australia's circumstances. As the historian Brian Dickey records:

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There were no paupers aboard the First Fleet, nor any poor laws. There were paid officials of the central state under the direction of the Home Office; there was a military force of marines, some with their families; and there were convicts, state dependants who legally were no longer the responsibility of a parish but were under the control of the Home Office. The labour of the convicts, but not their persons, was assigned to Governor Phillip, who in turn would assign that labour as he thought fit in the colony. Who needed a poor law in a jail? ... The central fact of welfare provision in Australia was that the colonial governments were indeed the principal subscribers and providers (Dickey 1992, 111, 130).

In a young society like ours, barely two centuries in the making, many of the habits of culture and social capital remain substantially unaltered from their point of origin. One of the curious debates of modern Australian politics has been the notion that State Governments represent a tier of devolution in the administration of public responsibilities. In truth, most States still run their chief departments – police, education, hospitals and transport – with a central authority and command ethos little diminished from the days of Arthur Phillip. A defining aspect of vertical systems of organisation is their centralisation of authority. An ethos of decentralisation is better expressed through horizontal structures, which disperse control and decision making equally across networks of mutual trust.

Instances of mass movements at the middle of Australian society have been rare. The most significant appears to have been the friendly societies which served as self-provident welfare and health providers from the 1830s through to the Great Depression. By the eve of World War 1, 46 per cent of all Australians were benefiting from friendly society services. At the heart of their creed was a commitment to male fraternity, suggesting that the societies carried with them the social capital of mateship. This meant the creation of distinctly horizontal structures. As David Green has chronicled:

Membership of a friendly society gave the industrial worker a status his working life failed to offer. He might have to sell his labour to earn a living, but in the lodgeroom the member was much more than a mere wage labourer. He was a member of a fraternity committed to high ideals, and ideals, which were blatantly superior to those espoused by many of his employers. In the lodgeroom there were no

bosses. More than this, the lodge member did not just accept a given code of rules, he participated freely and fully in the process of making, amending or rescinding the rules (Green and Cromwell 1984, 20).

The societies were based on voluntary partnership through subscription, autonomy in the allocation of benefits to members in need and careful rules for risk selection. Candidates for the membership of the sick and funeral funds had to comply with three requirements – prescribed age, good health and good character (which normally required employment). The societies contracted with local doctors for the provision of medical services to members on the basis of an annual capitation fee (Hughes 1995, 32-8). The problem of free riders – known as 'bludgers' in the Australian language – was dealt with by internal systems of detection and sanction.

It is sometimes argued that the friendly societies and like systems of mutual aid were dissolved by the weight of the emerging welfare state. This view mistakes the proper sequence of cause and effect. Any system of self-provident insurance pooling is vulnerable to instances of actuarial overload. Green himself records how 'the Depression years took a heavy toll on friendly society membership and many societies never fully recovered' (Green and Cromwell 1984, 14). In these circumstances government transfer payments emerged as a social insurer of last resort – able to cope with, in terms of pooled risk and universal coverage, a sudden downturn in economic conditions. Compulsory taxation effectively replaced voluntary contributions, while the capacity of each citizen for earnings and hence premiums no longer determined their eligibility for safety net benefits. The authority of the state provided a scale of actuarial smoothing beyond the scope of the friendly societies. Moreover, Green's research shows how the consumer sovereignty of the friendly societies in the mutual organisation of health services was destroyed, not by the welfare state as such, but by the producer sovereignty of Australia's most militant trade union, the AMA (Green and Cromwell 1984, 75-131).

The experience of the friendly societies leads to a broader set of issues in the framing of public policy. One cannot reasonably expect – as some libertarians might – that the abandonment of the welfare state will be replaced by the mass formation of intermediary associations if, as appears plain, the social capital for such a task is insufficient. The friendly societies cannot spontaneously re-emerge because, just as their role dissolved earlier this century, so too did the social capital upon which they relied. Just as much, it cannot be reasonably assumed

– as social democrats might – that the vertical structures of the welfare state are fully sustainable either in their social legitimacy or the effectiveness of their outcomes.

This suggests the desirability of a middle way: a system which maintains the actuarial strengths and universal coverage of the welfare state, yet also contributes to gains in the level of mutual trust and horizontal social capital. This is a policy challenge to which this paper now turns: maintaining the immutable safety net of a civilised society while also turning the vertical, patron-client characteristics of the state towards the virtues of horizontal social capital at the middle.

Social Capital and Public Policy

In advocating public policies in this field one needs to be careful about some of the mythology increasingly associated with the concept of social capital. For some time public opinion has expressed a concern about the apparent loss of traditional values. It has become convenient for a generation of politicians – confronted by the problem of managing a dynamic period of economic and social change – to appeal to these values as a definitive source of security against change. In this way social capital has been used as a rhetorical tool to convey a nostalgic sense of family and community values. As a new concept in social studies, social capital is somewhat malleable. This has allowed it to be used in the political debate for presentational purposes alone, without the backing of substantive policy reform. As a rule, the fewer answers politicians have about the future the more inclined they are to talk about the past.

As a piece of nostalgia, social capital has no practical use. It can not be revived simply by talking about the past. Only from fresh questions concerning institutional design and the possible reform of public policy, properly defined, can it be relevant for the future. As ever, one needs to be careful about the nature of reminiscences. As outlined earlier, it is difficult to identify a golden age of community values and horizontal social capital in Australia. Further, it can not be assumed that all expressions of social capital, past and present, are self-evidently socially useful. It is not uncommon for vertically structured community organisations to have a negative impact on the spread of social trust. A range of rights and freedoms are also required to safeguard instances when civil society might drift towards bigotry and oppression. Social capital can not be regarded as an end in itself. Issues of institutional design are all-important among those entities with the potential to create social connectedness.

Unhappily, much of the current debate about social capital also reflects old ideological struggles. It is as if the dogmatic Right and Left have simply transposed their longstanding views on ownership issues to this fresh, substantially unformed, issue. The Right has argued, under the banner of economic libertarianism, that the strength of social capital is inversely proportion to the size of government. The unreconstructed Left – most notably Eva Cox in the ABC's 1995 Boyer Lecture series – has sought to use social capital as an alibi for extending the supply side methods of the public sector.

It is, of course, absurd to argue, as Cox does, that 'increasing the functions and visibility of government' can rebuild social capital, unless the public sector first demonstrates a capacity to foster the interdependence of civic effort. More likely, passive welfarism generates elements of dependence between governments and citizens rather than interdependence within civil society. Vertical structures perpetuate the unsatisfactory features of the patron/client relationship between the state public sector and the citizenry. A different set of organisational principles – emphasising horizontal devolution, mutual aid and active welfare – offer greater potential for the enhancement of social trust. Yet these initiatives are anathema to Cox's preference for a command economy in the social sector.

Cox also argues that competition in society inexorably breaks down the strength of social capital. This view ignores the way in which most forms of competition – be they economic or social – are underpinned by active cooperation and social interdependence. As enterprises compete against each other their success relies fundamentally on the extent of cooperation in their workplace. As sporting teams compete, team mates rely on each other for their collective success. 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 social trust and inclusiveness.

A leading task of successful governance is to guide and foster this balance. During Labor's time in office, the Australian economy was increasingly exposed to market competition. The role of the state shifted from protecting capital to making it compete: dismantling tariff protection, liberalising the financial sector and exchange rate, reforming product markets and public utilities, and shifting the labour market from centralised wage fixing to collective bargaining. This was a genuine national building project in terms of giving Australia a competitive place in the global economy. A front-line task for Labor's

time out of office is to establish a policy framework that strengthens the underpinnings of cooperation and mutuality in Australian society. This is why the social capital debate is so important for the future of social democracy in this nation.

A starting point is to rethink the social democratic technique. Social trust cannot be legislated into existence the way a government can create new economic regulations and institutions. Social cooperation does not simply lie inert waiting for social democratic surgery to give it new life. The composition of social capital relies fundamentally on the habits of slow forming culture. 'The civic community has deep historical roots,' Putnam (1993, 182-3) confirms, and hence 'social context and history profoundly condition the effectiveness of institutions.'

Those attached to a mechanistic view of social democracy – its capacity to pull the levers of social change and induce immediate outcomes – will be disappointed by these conclusions. It might be argued that the cause of Labor would be better directed at more tangible goals. Such a perspective, however, sells short both the critical features of social capital and the prospects of social change from a fresh approach to institutional reform. Indeed, Putnam does not regard his research findings as 'an invitation to quietism.' Rather, the reform of formal institutions can change political practices (Putnam 1993, 184).

Culture, while impacting powerfully on systems of social and political organisation, is itself by no means immutable. History records the regularity of cultural change and influence of political acts. This century, for instance, the Catholic Church has transformed its cultural relationship with capitalism (Fukuyama 1995, 40-41). Economic acts moving from a Fordist mode of production to post-Fordist work have remade the cultural habits of many workplaces. Cultures also have the capacity to learn from each other and progress by way of synthesis. Specifically in our nation, the political act of post-war migration has pushed Australia closer to a cosmopolitan culture. These changes may not have arisen from the short term but, to be certain, changes there have been.

Institutional Reform

The relationship between culture and governance reflects a two-way flow. Acts of institutional change and redesign influence the habits of culture, just as culture impacts on the practice of governance. Formal change fosters social learning, 'learning by doing' (Putnam 1993, 184). Institutional reform, once the change process lifts its horizon beyond

instant results, has the capacity to cause informal change. In this fashion, policy catalysts can find the momentum of self-sustainability. According to Putnam:

> Linear causal questions must not crowd out equilibrium analysis. In this context, the culture versus structure, chicken-and-egg debate is ultimately fruitless. More important is to understand how history smoothes some paths and closes off others (Putnam 1993, 181).

Governments have a role to play in smoothing the path to social trust. Through their influence over issues of institutional design, they can create an environment which maximises the potential for horizontal social capital. This is similar to the role assigned to government in the competitive advantage paradigm: influencing the environment within which economic advantages can be formed. Importantly, social capital should not be regarded as the preserve of either the state or non-state public sector. It is influenced by both and by the relationship between them. Social capital is affected by the citizen-to-citizen relationship as well as the citizen-to-state relationship. It is altered, created or destroyed as a by-product of these activities. Clearly though, the charter of government in this field, its capacity to influence the composition of social capital, has most leverage in the laws and institutions governing citizen-to-state interactions. Hence the importance of institutional design in the state public sector.

State sector reform in recent times has followed the post-Fordist trend towards functional flexibility. That is, to shift from the mass production of services and entitlements to the development of quasi-markets and customer responsiveness. These reforms, while welcome in their capacity to customise service delivery, still reflect many of hierarchical features of the patron/client relationship. Organisational measures such as the purchaser/provider split, corporatisation and case management tend to position the public as clients rather than equals. The imitation of private sector management techniques has clear limitations in the public sector. The market power of private sector consumers inherently exceeds the choices available to citizens in the consumption of public goods and most social goods.

The recent generation of state sector reforms have perceived hierarchies (the state) and markets as alternatives to each other (Taylor 1996). In fact, in the discharge of public sector responsibilities, both systems tend to produce patron/client arrangements. The coercive power of the state has not been substantially altered by the creation of quasi-markets of service delivery. The power relationship remains

lopsided by the improbability of reciprocation. The principles of organisation remain predominantly top-down, with few incentives for citizens to embrace the virtues of mutuality.

The next generation of public sector reform needs to follow a third way, beyond the vertical structures of state coercion and market simulation. As Taylor (1996, 2) argues, 'hierarchy is not the only form of governance, not the only remedy for market failure (which is general, not exceptional) and not our only defence against the many destructive effects of the market.' This means shifting, as far as practically possible, from vertical systems of state governance to horizontal. The state needs to establish organisational forms by which citizens can interact as equals in the provision of services and satisfaction of interests held in common; not as clients to patrons in either bureaucratic hierarchies or quasi-markets.

Associative Government

It was noted earlier that most organisations feature a mix of vertical and horizontal structures. So too the state public sector. The key to successful reform and institutional design is to establish an appropriate balance. That is, in general, to use the coercive powers of the state in taxation and regulation to establish the actuarial basis of an effective social safety net; while pushing the organisation of service delivery and entitlement closer towards the methods of horizontal associations. This system of social governance has been labelled 'associationalism.' It offers active governance without a scale of government beyond the scope of mutuality. It recognises the benefits of a smaller, more virtual scale in the organisation of public and social goods. If the successful management of the commons is characterised by the practice of mutual trust plus boundaries, behaviour and norms held in common, then it is clear that the organisation of the commons must be small and associative.

The British scholar, Paul Hirst, has set out four basic principles for associationalism:

- Provision is by self-governing associations which function as partnerships between the recipients and providers of the service.

- Associations are funded predominantly from public sources and subjected to public inspection and standard-setting.

- Any association may establish as wide or narrow a range of services as its participants choose.

- Associations need to meet conditions of registration to receive

public funds. Among these would be compliance with basic safety net standards, acceptance of exit rights and recipient choice (Hirst 1992).

Associative government establishes a practical means by which the state can assist the repair of horizontal social capital. This does not mean using its authority to direct changes in civil society, but turning over a share of its resources for genuinely civic purposes. That is, preferring solutions which reflect a strengthening of social capital to those devised by law makers; preferring outcomes arrived at by participants in civil society to the supply side methods of conventional government. Too often in our democracy 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 cooperatively arrive at solutions themselves. These arrangements help to rebuild social capital and provide recognition to the cooperative efforts of participants. I offer three examples of active state / civic partnerships displaying the virtues of associationalism and mutual trust.

First, one of the large and effective secondary schools in my electorate is managed by what amounts to a families cooperative: a substantial number of parents and teachers moulding their own fundraising efforts and grants for non-government schools into a quality learning environment where all stakeholders have a sense of civic association.

Second, also in Werriwa, a group of parents with disabled children have formed a support group called Families First. Its philosophy is that intellectually disabled infants learn more from siblings and normal family support networks than institutionalised care. The group provided its own start-up funding and subsequently formed alliances with the Kindergarten Union and experts at Macquarie University. In 1995 it received a Federal grant for the construction of a purpose-built child care centre.

Third, family day care is a fine example of how the state can place people in a position where they can interact in the local provision of services and build new networks of reciprocated support. Some 90,000 children are involved in this service around Australia. Care-givers provide a decentralised, flexible system of child care support from their home environment. The carers are selected and co-ordinated by a sponsor, usually a local government authority or charitable association. By the practice of small scale, interpersonal contact, the parents, children and providers of the service usually create strong bonds of

friendship and trust. Family day care fits each of the criteria for the successful management of the commons. It constitutes an important organisation at the middle in Australia, bridging the financial resources of the state and citizen interests at a local level. More than any other system of child care, it has been able to develop a mutually satisfying and supportive relationship between the natural family and care-giving family.

The key feature of these projects is that the state has played a supportive rather than directive role. The catalyst for collective service provision has been parental commitment and initiative, which government has then supported with resources. This is a funding model which most parts of the public sector can replicate. It does not rely on governments shedding functions, just a better balance between public authority and private responsibility. It fosters equality in action and the virtues of mutuality. It encourages people, during this era of economic and social uncertainty, to care for others, secure in the assumption that their efforts will be reciprocated.

Through these principles, social democrats can usefully rethink the relationship between government and civil society. We need to facilitate the way in which participants to an issue or service can build social connectedness by working together on solutions. This is not a question of winding back or extending the size of government but changing the way it uses its resources and authority. This means turning over its decision making power, as much as possible, to intermediary associations linking the power of the state to the capacity of citizens to engage in mutual trust. It also means more thoroughly resourcing a range of cooperative ventures arising from civil society.

Civic associations should be able to access public resources to sponsor projects and employment which strengthen their role in society. With the depletion of social capital society needs to commit more of its common resources for civic purposes. These initiatives could include transport services for the frail aged, meals on wheels, assisting local sports clubs, improving municipal infrastructure and maintenance, environmental programs, assisting local schools and complementing the work of service clubs, parishes and charities. Governments need to decentralise their scale and authority, placing resources and responsibilities in the hands of civic associations and welfare recipients. This requires a redefinition of the way society views employment. It requires governments to resource civil society in a fashion no less legitimate than its conventional services. It requires the creation of a civil sector economy in which the creation of socially

useful employment is regarded as a public priority (for a fuller outline of this proposal, see Rifkin 1995).

Elsewhere I have advocated other public sector reforms consistent with the principles of associative government. These include a new system of locational or place management, self-governance in the provision of transfer payments and major changes to the health system (Latham 1995, 1996). Associationalism also holds potential for turning the vertical structures of traditional law enforcement towards the trust-based characteristics of genuine community policing.[9] Finally, in the economic arena, associationalism is consistent with the ideals and principles of stakeholder capitalism; that is, recognition by the state in its economic regulations and institutions of the importance of cooperation in the mode of production.

Stakeholder capitalism acknowledges that while competition is important to the efficiency of economic transactions, cooperation – workplace and social – is a core requirement for efficient production. Putnam's research (1993, 107) shows that in civic societies, solidarity in the workplace is one of the preconditions of social solidarity. In public policy this means support for the role of organised labour and industrial laws which facilitate collective bargaining rather than individualised employment contracts. The principles of industrial democracy[10] and corporate responsibility are also significant. Corporations need to display a capacity for social as well as economic cooperation, adopting highly ethical standards in their relationship with customers and shareholders. Another aspect of stakeholder capitalism is its support for the cooperatives movement, among both buyers and producers.[11]

In summary, associative government seeks to maximise the mutual bonds and connectedness of society. It replaces, as far as possible, the vertical, state-to-citizen relationships of the public sector with citizen-to-citizen interactions at the point of service delivery. This strategy actively complements the competitive advantage paradigm of an open economy: striking an appropriate balance between competition at the point of market exchange and cooperation in the production of economic and social goods. The state requires institutional settings and design that push public authority towards a new tier of horizontal associations at the middle. This is the most effective means by which public governance can regain its role as a source of social recognition. In the renewal of the social democratic project it is all-important.

Without mutuality – the reciprocated trust that builds a genuine sense of community on the commons – it is not possible to cultivate the

political preconditions on which the redistributive functions of government rely. Advocacy and top-down appeals to altruism are not enough. Marquand has posed this core challenge to the technique and ethical basis of social democracy:

> A redistributionist must be able to answer the question, why should I make sacrifices for others? The answer 'because it is in your interests' is unlikely to carry much conviction for long, while the answer 'because you are a kindly altruist, who feels compassion for those less fortunate than yourself' dodges the real problem. However emollient the language in which it is put, the answer has to be 'because it is your duty, because you are part of a community which helped to make you what you are.' ... Redistribution can be justified only by some notion of fraternity (or mutuality), for only a notion of fraternity can make it a duty – as opposed to a compassionate whim – to help one's fellows (Marquand 1988, 226).

Conclusion

The social capital debate is likely to emerge as a new dividing line in Australian politics. With its focus beyond the domain of ownership issues, it will further blur our conventional sense of what it means to be on the Right or part of the Left. Social democracy has an opportunity to aid the cause of social trust and recognition through associative government. By contrast, economic libertarians have promoted the erosion of the welfare state as a means by which citizens can find self-consciousness in self-interest, narrowly understood. It is, however, difficult to envisage how Australia's store of social capital could replenish itself sufficiently to replace the role of the state public sector simply by winding back the functions of government. More likely, the challenge is to forge new ways in which collective institutions – be they government or non-government – can complement and reinforce each other under globalised economic and social conditions. This is an essential part of the new social settlement. It is the key to holding together the cohesiveness of Western society.

In the United States, Newt Gingrich, among others, has forecast that the individualised technology of a knowledge-based society will make the collective provision of services redundant. This is a vision of society without public or social capital, where highly skilled knowledge workers have no need for the resources of the state or civil sector. This strikes me as one of the most threatening political doctrines of our

time. Unlike other grand theories (such as Marxism) it seems to be supported by the weight of history. It is argued that just as the Industrial Revolution brought goods to the home, the Information Revolution will bring a highway of information services to the doorstep of each private citizen. The logic is for information-rich citizens to demand nothing more of government and society than to be left undisturbed by collective arrangements (such as taxes, welfare programs and civic associations).

This is where the mutual interests of state sector reform and civil society should be strongest: a shared belief in the value of collective institutions and cooperation; a commitment to helping others through the prism of mutual trust. As we grapple with the new sources of insecurity and inequality facing society, progress lies in seeing the state and non-state public sector as partners, not antagonists. My argument is this: do not wind back the raw size and functions of government; change its methods.

In the 1970s it was fashionable to talk of Western society's future as resting on a choice between socialism and barbarism. This proposition may not be as improbable as it once looked, particularly if one adopts Tony Blair's use of the term social-ism (Blair 1994). That is, there are dangers in a society which loses too much of its social capital. As Hugh Mackay has written from his Australian research:

> We are social creatures and we thrive socially, intellectually, culturally and morally – on our personal connections with each other. We are at our best when we are fully integrated with the herd; we are at our worst when we are isolated, anonymous and alienated. We might as well acknowledge that the savage lurks within even the most civilised breast. When we loosen our social connections, we increase the risk that the savage will break the leash (Mackay 1995, 15).

Herein lies the folly of atomistic liberalism: undervaluing the virtue of interdependence among the citizenry – in the workplace, in communities, in voluntary associations. It should not be argued that social welfare solutions will only be found outside the public sector – in labour market efficiency, savings incentives and robust individualism. Disadvantaged families and individuals can lose too many of the skills of active citizenship to be able to avoid perverse decisions about their economic welfare. Rational incentives only succeed if people see a link between their own circumstances and the incentives system. Without social trust these links are dissolved.

Just as much, populist calls for further vertical supplication represent the politics of folly. At a time when so many citizens appear agitated by a sense of insecurity – in their work, on their streets, for their children's future – appeals to order and authority can carry popular weight. In practice, however, such policies serve only to further erode social trust and connectedness. Among the answers to insecurity – what Durkheim described as anomie, a sense of normlessness – further fragmenting society is not among them.

The pulse readers of public opinion often say that people want more connectedness, more contact, more of the things we might hold in common as a society. This is, in its desire, a yell for recognition – a boost to self-esteem and worth which people seek from the state and non-state public sectors, but at this time can not find. Hopefully some of the answers might be found in a reformed social democratic project, the type of equality and horizontal social capital aimed at by associative government.

Commonality, fully understood, requires a measure of equality – the things we do, value and share as citizens and, ultimately, are willing to reciprocate. In searching for equality in the means of production, socialism and like movements have tended historically to leave themselves short in the theory and practice of social equality. This is why social-ism, through the engagement of social capital, can now make a difference. That is, a set of social principles and political goals primarily about the quality and equality of relations between people, and only about the ownership and distribution of resources in as much as they matter to relationships of the desired kind (Taylor 1982, 3). To be sure, social trust and connectedness matter, and through the work of associative government so too, once more, might social democracy.

Notes

1. See Putnam 1993, 115.

    'Yet the vicious circle winds tighter still. In the uncivic regions even a heavy-handed government – the agent for law enforcement – is itself enfeebled by the uncivic social context. The very character of the community that leads citizens to demand stronger government makes it less likely that any government can be strong, at least if it remains democratic. (This is a reasonable interpretation, for example, of the Italian state's futile anti-Mafia efforts in Sicily over the last half century.) In civic regions, by contrast, light-touch government is effortlessly stronger because it can count on more willing cooperation and self-enforcement among the citizenry.'

2. See Fukuyama 1995, 11.

    'Already the United States pays significantly more than other industrialised countries for police protection and keeps more than 1 percent of its total

population in prison. The United States also pays substantially more than does Europe or Japan to its lawyers, so that its citizens can sue one another. Both of these costs, which amount to a measurable percentage of gross domestic product annually, constitute a direct tax imposed by the breakdown of trust in the society.'

3. Robert Putnam interviewed on the ABC Lateline program 'Costing the Community.' 8 November 1995.

4. Putnam 1995 records from the United States:

    * the fall in weekly churchgoing from 48 percent of citizens in the late 1950s to less than 40 per cent now

    * the decline in union membership from 33 percent in 1953 to 16 percent in 1992

    * the fall in participation in parent-teacher organisations from 12 million in 1964 to seven million now

    * a fall in the membership of women's clubs by around one-half

    * the decline in civic volunteerism, such as the Boy Scouts (down by 26 percent since 1970) and Red Cross (down by 61 percent since 1970)

    * a general decline in fraternal club membership, such as the Lions (down 12 per cent since 1983), Jaycees (down 44 per cent since 1979) and Masons (down 39 percent since 1959).

    A survey of similar organisations in Australia was presented in the *IPA Review*, Vol. 48/2, 1995, showing:

    * that only 17 percent of Australians are now reported as weekly churchgoers

    * there are one-third fewer scouts since the 1960s

    * the Masons have shrunk by more than two-thirds since WWII

    * Country Women's Association membership has fallen from 110,000 in 1954 to 48,000 now

    * the general decline in political party, trade union and service club membership

5. This has even occurred with a number of prominent charities. It is important to recognise that the role of charities is somewhat different to the functions of organisations at the middle of society (horizontally framed and intermediary between the state and citizenry). As David Green has written: 'Charities pick up the conspicuous victims and dust them off. The business of charities is more salvation than mitigation. By the time charity finds its wards they have fallen right through the economic system. It is mutual aid that mitigates the rigours for those still in the economic system.' (Green and Cromwell 1984, xv.)

6. Sturgess n.d., 3-4:

    'It has often been said that Australia by-passed this era of private government, progressing from colonial socialism to state socialism in the early decades of the twentieth century. Of course, the ideology of the industrial state arose out of the new paradigms generated by the Industrial Revolution and it is unsurprising that Australia, which only began to form its public institutions in the early nineteenth century, came under its sway.

    But the story is much more complex. The first bridge built across the Nepean River in the 1850s was a private tollbridge. So, too, was the bridge across Darling Harbour built in 1859. Until recent years, the main road down the Great Dividing Range from Toowoomba to Brisbane was known as the Toll Bar. It was constructed in 1846 by local landowners and operated as a tollroad, replacing a track which had been known as 'Hell Hole Road.' The Hornibrook Highway at

Redcliffe on the outskirts of Brisbane, for many years the longest bridge in the southern hemisphere, was built during the depression by the famous Queensland builder, Manuel Hornibrook. It operated successfully as a private tollbridge for forty years, until 1975.

The first steam railway in this country was privately owned and ran from Melbourne to Port Melbourne. Private electricity suppliers operated until as late as the 1940s. It was 1946 when a Liberal Premier, Tom Playford, nationalised the Adelaide Electric Supply Company, and Joe Cahill took over the Electric Light and Power Corporation in Sydney in 1950. The origins of Australia's overseas telecommunications industry also lie in the private sector. In 1854, shortly after the opening of the nation's first telegraph line, the colonial governments were approached by an English company, the General Oceanic Telegraph Company, seeking a contract to connect Australia to Europe by cable. Australia's overseas telecommunications services were operated by a substantially private company, AWA, until as late as 1946.

In NSW, gas supply remained in the hands of a private utility, the Australian Gaslight Company a business that has been operating since 1837. To the people of NSW, there is nothing anomalous about this. In the other Australian States, governments nationalised their gas industries decades ago and the people have long since come to think of them as public utilities. But the people of Sydney find nothing strange about buying their gas from a private company. Some of these enterprises, of course, were short-lived. Others survived for more than a century. Some survive to this day.

7.   Just a small example of the stickiness of cultural habits: during my time as Mayor of Liverpool (1991-94) I noticed vastly different attitudes to civic process among the city's group of Italian builders and developers. Those who had migrated from the South expected a Mayor to exercise authority and act as a patron of their cause; those from the North were much more tolerant of the ideals of public participation and civicness. Looking back, it was like watching Putnam's book in practice.

8.   Just as the Australian state was born modern, there is evidence to suggest that Australian society was born classless, or as Lachlan Macquarie wrote to the Home Secretary, Lord Bathurst, in 1822: 'There are only two classes of person in New South Wales. Those who have been convicted and those who ought to have been.'

9.   See Taylor's outline of the horizontal structures of Japanese policing in Taylor 1996, 9-10.

10.   In a post-industrial economy the mode of production works against rigid hierarchies. Top-down structures of managerial control tend to be replaced by post-Fordist teams, multi-disciplinary and cooperative in their workplace organisation.

11.   The introduction of downstream access regimes in industries such as petrol and electricity facilitates the formation of buyer cooperatives. On the production side, Australia has had a strong history of small commodity capital cooperatives, especially in agricultural marketing. The success of the worker-owned cooperative movement in parts of Europe might also be applicable to Australia. See Mathews 1987, plus 'The Mondragon Phenomenon,' *Australian Financial Review*, 25 September 1996.

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Taking Social Capital Seriously

Gary Sturgess

Civics and Economics

Democracy works best where civic community is strong. This, the primary conclusion of Robert D. Putnam (1993) in his study of civic institutions in modern Italy, would not have come as a surprise to social scientists. It is a message that is as old as democracy itself.

What was challenging in Putnam's thesis was the suggestion that there is a linkage between civic community and economic development, with the tentative conclusion that 'the contemporary correlation between civics and economics reflects primarily the impact of civics on economics, not the reverse' (Putnam 1993, 157). In using the term 'social *capital*,' Putnam was saying that social virtues such as trust and cooperation are not ephemeral qualities but are part of the infrastructure upon which the capitalist economies are built.

It is a point which the old Scottish moral philosophers well understood – that 'economic life is deeply embedded in social life' – and it has been restated from time to time by moral philosophers of our own time, such as Paul Johnson (1980) and Michael Novak (1980). Since the publication of Putnam's book in 1993, it has been further explored by Francis Fukuyama (1995) in his opus, *Trust: The Social Virtues and the Creation of Prosperity*.

But if the linkages between civics and economics have long been understood, they have, until recently, been little studied. In 1963, a legal academic, Stewart Macauley undertook a study of non-contractual relations between manufacturing firms in Wisconsin (1963). He discovered that 'businessmen often prefer to rely on "a man's word" in a brief letter, a handshake, or "common honesty and decency," even when the transaction involves exposure to serious risks,' rather than protect themselves through a tightly worded contract. Indeed, taking the contract out of the drawer when disagreements arise 'indicates a lack of trust and blunts the demands of friendship, turning a cooperative venture into an antagonistic horse trade' (Macauley 1963, 58, 64).

These findings do not come as a surprise to ordinary businessmen and women – this is simply how business is done – but one wouldn't think so listening to lawyers and policymakers. The simple truth is that

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the vast majority of business relations never go anywhere near the courts and very few of them are taken to a lawyer. Macauley referred to his ground-breaking work as a 'preliminary study,' but it was to be another two or three decades before additional research would be undertaken.

Putnam has focused our attention squarely on the social infrastructure of modern economic life, challenging social scientists to move beyond the metaphors. Unfortunately, the phrase 'social capital' already appears to be labouring under the weight of its own popularity. It has been observed by some of his critics that:

> The more social capital is celebrated for a growing list of wonderful effects, the less it has any distinct meaning. Social capital now appears poised to repeat the experience suffered by other promising social science concepts in the past: from intellectual insight appropriated by policy pundits, to journalistic cliché, to eventual oblivion. It deserves better (Portes and Landolt 1996, 18).

There are also those who ignore Putnam's primary focus on 'trust, norms and networks' and are trying to cash in on the popularity of social capital to reconstruct the industrial state. Of course the state does play a vital role in the construction and preservation of certain kinds of social capital, just as it can play a role in its destruction. But to convert the complexity of social capital theory into nostalgic yearning for a single institution is to deprive it of most of its analytical power. Putnam was interested in piercing the corporate veil of the state and understanding the norms of reciprocity and networks of civic engagement which contributed to the production of prosperous economies and effective states.

Does Social Capital Matter?

So why does social capital matter? One reason might be that social capital is on the decline, that some of the pre-conditions for a successful capitalist economy are growing weaker in Western societies. In a later article, 'Bowling Alone,' Putnam (1995) argued that this might be happening in the United States, based on his assessment of participation rates in organised volunteering. Both his measure of social capital and his interpretation of the data have since been challenged; indeed, 'Bowling Alone' has probably attracted more comment than *Making Democracy Work*. Nevertheless, those of us who live in large cities feel that our networks of civic engagement are thinner than they used to be, sparser than they still seem to be in close

ethnic and religious groups and in small, non-urban communities.

In part this is a by-product of urbanisation. Changes in transportation and communications technologies have also transformed the nature of social interaction: the telephone and the automobile have undermined contacts in the local community, whilst reinforcing informal associations and long-distance relationships (Fischer 1992, chapter 7). And of course, close-knit social networks have also suffered as a result of the success of the nation state, the open society and impersonal, competitive markets. Cooperation in large groups is notoriously more difficult to organise than participation in small ones (Olson 1971, 53-65).

In the very least, the nature of social capital has been radically transformed, and one of the questions which now arises is whether our society is (in important ways) weaker as a result. Are the open society and the open economy sustainable or, as Joseph Schumpeter (1976, chapter 14) argued more than half a century ago, does capitalism contain the seeds of its own destruction?

There is also some evidence to suggest that the re-emergence of contractual networks in the public and private sectors will demand a different kind of social capital than was necessary for the hierarchical organisations that have prevailed for much of the past century. The depth of a nation's social capital may be a major determinant of its economic success in the decades ahead, both at home and abroad.

Let me explain by reference to a real world example. There has been a resurgence of contractual relations in recent years, particularly in the public sector where hierarchical organisations are being broken up and support services increasingly purchased from external suppliers. We are witnessing the emergence of complex contractual networks quite unlike the industrial firm in their make-up. Successful contractual networks depend heavily on trust and reciprocity, on an expectation of repeat plays which (game theorists tell us) is essential to sustained cooperation. In the contract services sector, this kind of sustained cooperative relationship is often referred to as 'partnering.'

Without a doubt, the most comprehensive market-testing programme in Australia has been conducted by the Department of Defence, under the title of the Commercial Support Programme (CSP). While it has been driven, in part, by the pursuit of cost savings, the Commercial Support Programme (as its name suggests) was strongly influenced by the recognition that any conflict on Australian soil would inevitably require close cooperation between the military and civilian communities.

The CSP was constructed with the specific intention of developing mature relationships *now* for the future. Undoubtedly, this is one of the reasons why the programme has been such an outstanding success – the entire CSP has been constructed around an expectation of repeat plays, indeed, an expectation that future relationships will be even *more* important than current ones.

On the other hand, in public sector utilities about to undergo privatisation, the experience with contracting has, in some cases, been quite disappointing. Here we have public servants engaged in what game theorists call an 'end game' – they treat their contractors as if they will never see one another again. In a number of cases, the utilities are being broken up prior to privatisation and the public sector managers involved probably do not expect to deal with their contract partners in the future. In this environment, public servants very quickly take the contract out of the drawer and behave in a tight-fisted, bureaucratic manner guaranteed to wind up in litigation. Given their incentives, why would we expect them to behave in any other way?

Whether or not contractual networks succeed depends very heavily on the institutional environment in which the parties find themselves, and whether they develop the social virtues. If, as seems likely, sustained non-hierarchical business relationships will be more common in the future, then it may well be important to our commercial success as a nation whether or not these virtues are part of our national culture.

Globalisation will also place great strain on traditional forms of social capital, whilst creating new opportunities for those with strong social networks that cross national lines. In weakening the old national boundaries, globalisation is re-awakening some of these old sub-national loyalties, but it is also creating new kinds of abstract community over the top of the nation state. Some writers have suggested that globalisation will bring about the demise of the nation state. This seems unlikely. It is more probable that the nation state will survive, albeit in a reconstructed form. Just as nationalisation did not entirely supplant local, ethnic, religious or regional loyalties, globalisation will not entirely supplant nationalism, resulting in layers of cultural affiliation marbled with other, sometimes inconsistent loyalties.

Joel Kotkin (1992) has documented the rise of what he calls 'global tribes' – family, ethnic and even religious networks which facilitate trade and commerce in the international marketplace. In a similar vein, the Australian Department of Foreign Affairs and Trade (1995) has traced the part played by family links, clan associations, mutual help

societies, temple committees and chambers of commerce in forming networks in the Chinese Diaspora across Asia.

What these studies tell us is that the global marketplace is not just characterised by impersonal exchange. To the contrary, it is marbled throughout with networks and associations which draw very heavily on the kind of social capital described by Putnam: trust, reciprocity and understanding. How well Australia fares in the global marketplace will be influenced in large part by these networks and associations, and the social skills which we possess as a nation in forming new associations. This is one of the reasons why the message being broadcast to Australia and the world by certain xenophobic politicians is so damaging to our national interests: it is destructive of the social networks and the social virtues that Australians will need to prosper in the Asian and, indeed, in the global community.

On the other hand, globalisation also creates serious challenges for the kind of social capital that made the nation state such a successful institution. It is far from clear how we will cope with a world of complex, diverse and overlapping loyalties. Let me illustrate some of the possible problems with an historical example: the complex loyalties and boundaries of the families which occupied the Scottish borders in the sixteenth century, immediately prior to the union of the two crowns.

The difficulty faced by state authorities on both sides of the international border was that, in addition to their supposed national loyalties, borderers also had clan or family associations, which crossed national lines. The borderers moved freely across state boundaries to steal cattle from strangers, respecting clan loyalties but paying scant attention to the law. Great border surnames, such as the Grahams, could be 'Scottish when they will and English at their pleasure.'

In military engagements between the two countries, borderers wore the crosses of St Andrew or St George on their white surcoats so lightly that 'a puff of wind might have blown them from their breasts.' But according to contemporary sources, they also wore handkerchiefs on their arms and letters on their caps which, their commanding officers surmised, marked out fellow clan members 'so in conflict either each to spare other or gently each to take other' (Watson 1974, 113-4).

Under such circumstances, law enforcement was difficult at best, and laws were passed making trade and physical movement across the border progressively more difficult. With globalisation, cross-border loyalties are once again taking precedence over national citizenship, at least for those who are highly mobile. We are already grappling with

the consequences: problems of extraterritoriality, dual citizenship and the extension of social rights (and, in some countries, voting rights) to non-citizens (Soysal 1994).

As this example from the Scottish borders illustrates, the challenge of generating new forms of social capital in response to social and economic shifts is not a new one. Lynne G. Zucker (1986) has argued that the increased mobility brought about by the Industrial Revolution and the establishment of truly national economies created the need for new institutions to replace the highly personalised forms of trust which had prevailed in traditional communities:

> Disruption of trust through such factors as high rates of immigration, coupled with pressure to engage in transactions across group boundaries and geographic distance, caused the production of formal structures within and between firms designed to produce trust. Informal, interpersonal trust was supplemented or replaced. Four of the most important formal trust producing structures were: spread of rational bureaucratic organizations; professional credentialing; the service economy, including financial intermediaries and government; and regulation and legislation (Zucker 1986, 54).

State intervention in social insurance and income redistribution also increased our 'span of empathy' beyond extended family and immediate community networks to include all of our fellow citizens. The boundaries of life's responsibilities have been shifted outwards to the limits of the nation state. While there has been little research into this question, it seems likely that this broadening of our empathy span was essential to the success of the new large-scale societies which emerged over the course of the nineteenth and twentieth centuries.

Globalisation will undermine much of the social capital supplied by the nation state, requiring new institutions and new forms of social capital that we have not yet begun to imagine. From this perspective, it seems that Pauline Hanson and her supporters have raised some important issues, although not in the manner which might have been preferred. In short, social capital is not a soft subject best left to sociologists. It is a subject with a hard edge worthy of serious attention by policymakers and hard-headed economists concerned with the efficiency of the national economy.

Sustained, Non-hierarchical Cooperation

The problem we are dealing with here is a familiar one: how to ensure

sustained cooperation between individuals with a right of exit from the relationship. In political science, the problem is usually looked at in Hobbesian terms. Writing in the shadow of the English civil war, Thomas Hobbes thought that in the absence of an hierarchical relationship (his Leviathan state), trust and reciprocity would be insufficient to sustain a cooperative relationship between individuals or clans. Contrary to the position which is often ascribed to him, Hobbes did accept that agreements could be made between individuals in the state of nature, and that there would be some incentives to honour such commitments – 'fear of the consequence of breaking their word' and 'pride in appearing not to need to break it.' Hobbes' argument was that agreements of this kind would not be stable (Hobbes, I. xiv).

When economists have looked at voluntary cooperation, they have usually dismissed it as unsustainable because of high transaction costs. Indeed, since the publication of Ronald Coase's highly influential paper (1937), economists have been inclined to overlook cooperative institutions, dividing the world into firms and markets. Coase recognised that a significant number of allocative decisions are not made in the marketplace, informed by pricing signals, but are undertaken inside firms, 'islands of conscious power' as someone had called them (Robertson 1928, 85). Many explanations have been given over the years for the prevalence of command-and-control solutions. The most influential were those offered by Oliver Williamson in the 1970s, who emphasised the role of transaction costs (Williamson 1971, 112; Williamson 1975, 16-19; Williamson 1979; Williamson, 1981).

We have since come to recognise that this dichotomy between markets and firms is highly artificial. On the one hand, there are very few truly discrete relations in which the two parties come to the exchange with no shared legal or social context and with no expectation of future dealings – although it has been suggested that 'a cash purchase of gasoline at a station on the New Jersey Turnpike by someone rarely travelling the road' comes close (Macneil 1978, 857). On the other hand, institutional economists have argued that firms are 'legal fictions which serve as a nexus for a set of contracting relationships among individuals' (Jensen and Meckling 1976). Thus, market exchanges have greater continuity and firms are less reliant on hierarchy than the theory suggests.

In between these two extremes of purely discrete, competitive transactions and purely hierarchical, command-and-control relationships is a wide range of institutional alternatives often described as

being cooperative in nature. Some of these long-term, non-hierarchical relationships are characterised by formal contracting, some by networks of civic engagement, while others rely almost entirely on convention. The terms 'markets,' 'hierarchies' and 'networks' are now used to describe the range of institutional alternatives, and while social capital is undoubtedly tied up in each of these organisational forms, by far the greatest attention is being given to networks – cooperation which is sustained without the benefit of third party enforcement. Reflecting on this gap in the economic literature, Douglass C. North (1990, 11) observed that 'what has been missing is an understanding of the nature of human coordination and cooperation,' in short, an understanding of social capital.

Social Capital in the Firm

No organisation relies entirely on command and control. Social theorists such as Michael Taylor (1996) have pointed to cooperative hierarchical relationships which incorporate a kind of vertical social capital. As Weber (1947, 302-5) himself recognised, the bureaucratic organisation is characterised not only by hierarchical command, but also by well-defined rules and processes. These formal rules and processes, together with the informal norms and conventions that govern interpersonal behaviour in the firm, are extremely valuable forms of social capital. The British management theorist Charles Handy (1995) has pointed to the role which trust plays in successful firms.

As is now well understood, industrial relations disputes are frequently caused by poor workplace relations, surely one of the most important forms of social capital inside the firm. Arguably those countries and those firms which address these human relations questions best have a major advantage in a competitive global marketplace. There is perhaps no better example of the immense commercial advantage which is stored in the processes and relationships of the firm, than the speed with which German industry recovered following the two world wars.

The Germany economy was profoundly disrupted by the First World War, both through the diversion of supplies and workers into the war effort and through the confiscation of production and marketing subsidiaries located in the United States, Britain, Russia, France and Italy. German industry also lost market share as a result of blockades, and, after the war, punitive tariff regimes, military occupation, reparations payments and hyper-inflation. Nevertheless, as Alfred D. Chandler has pointed out:

The story of German industry in the very brief period between stabilization at the end of 1924 and the coming of the Great Depression in 1930 demonstrates the resilience of the organizational capabilities developed before World War I by the leading industrial enterprises. Within two or three years German industrialists regained markets abroad which the British and also the French had every opportunity to acquire during the years of Germany's disarray. . . . [This rapid recovery] came in those industries where entrepreneurs, well before the outbreak of the war, had made the investment in production large enough to exploit the cost advantages of scale and scope, had built their international marketing networks, had recruited the necessary management teams, and had perfected their organizational capabilities (Chandler 1990, 503, 513).

Chandler's two major works, *The Visible Hand* (1977) and *Scale and Scope* (1990), have opened our minds to the commercial significance of these management skills and organisational capabilities.

Likewise, large-scale firms have a great deal of social capital stored in the reputation associated with their names. The immense fortunes which the *zaibatsu* were prepared to invest in preserving their names, trademarks and logos during the American reconstruction of Japanese industry after the Second World War – even when they were prepared to accept the break-up of their formal structures – is evidence of the commercial value which they believed was invested in these symbols of social trust (Suzuki 1997, 80-3).

Where the state conducts itself through hierarchical institutions, it is little different from the firm. Indeed, the firm has often been employed as a conceptual model for understanding the centrally-planned economies where civic community and market relations were deliberately suppressed. (In reality, these societies could not have functioned without black markets and personal or clan-based networks.) We are now reassessing the role of government in the delivery of public services. When does the state-as-firm add value and when is it destructive of economic wealth and social capital? We do not yet have satisfactory answers to these questions, although social capital theory will be an extremely useful tool for penetrating the corporate veil which has prevented us from recognising the different functions performed by the state in a post-industrial society.

While no one would dispute the need for additional research into vertical social capital, the industrial firm and the industrial state have

been studied so much over the past century that Putnam's focus on trust, norms and networks is surely a useful corrective.

Cooperation in Large Groups

In so far as it is concerned with the formulation and the enforcement of abstract rules of conduct, the state also provides much of the social capital necessary to support markets and other forms of large-scale cooperation.[1] Of course, the state is not solely responsible for large-group cooperation. The social order of the market largely comes from highly complex and impersonal processes such as widespread respect for private property and the pricing mechanism, the sources of which are much more difficult to define.

The Scottish moral philosophers recognised that large and extremely complex systems are capable of manifesting a high degree of order without conscious planning or direction by a central authority. David Hume grasped this point in his much-quoted metaphor about conventions:

> Two men, who pull the oars of a boat, do it by an agreement or convention, though they have never given promises to each other. Nor is the rule concerning the stability of possession the less derived from human conventions, that it arises gradually, and acquires force by a slow progression, and by our repeated experience of the inconveniences of transgressing it. . . In like manner are languages gradually established by human conventions without any promise. In like manner do gold and silver become the common measures of exchange, and are esteemed sufficient payment for what is of a hundred times their value (Hume 1739, III.ii.2; also Hume 1777, Appendix III.257).

Hume's younger contemporary, Adam Smith (1759, IV.i.10; 1776, IV.ii.9), was also interested in this phenomenon of emergent order in market exchanges, although his 'black box' metaphor of an invisible hand suggests that he was less interested than Hume in understanding the circumstances which allowed this cooperative behaviour to develop (1795, III.2). Indeed, Smith had originally used the term in speaking of supernatural powers and, as Albert Hirschman points out, Hegel would later develop the metaphysical dimensions of the idea that in serving their passions, men unconsciously serve some higher

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1 This is the kind of rule formulation with which Hayek was concerned in *Law, Legislation and Liberty*. See Hayek 1976, especially Chapter 7.

world-historical purpose (Smith 1795, III.2; Hirschman 1997, 19).

It was left to the Austrian economists to try to formulate a theory of this self-organising capacity of markets. Hayek referred to it as 'spontaneous' or 'polycentric' order (Hayek 1973, chapter 2; Hayek 1975). But while the Austrians helped us to understand the dynamic nature of market forces, they did not take us much further than the Scottish moral philosphers. More recently institutional economists and political scientists such as Mancur Olson, Thomas Schelling and Robert Axelrod have drawn on the insights of 'game theory' to provide us with tentative insights into the dynamics of large-group cooperation.

While the political economists were primarily concerned with trying to explain the order produced by markets, Hume had recognised that the underlying principle had much broader application. He was also interested in conventions about language and mutual respect for private property. Numerous other examples could be added, from the informal rules governing behaviour on crowded roads and in the formation of queues, through to something as fascinating and unimportant as the emergence of a Mexican wave at a football match.

There is a tendency to disparage conventions, to treat them as social niceties not essential to the efficient functioning of society at large. But as Jane Jacobs pointed out in her 1961 classic, *The Death and Life of Great American Cities*, the spontaneous order which emerges from the billions of interactions between relative strangers in a large city can have a profound impact on social and economic life:

> The trust of a city street is formed over time from many, many little public sidewalk contacts. It grows out of people stopping by at the bar for a beer, getting advice from the grocer and giving advice to the newsstand man, comparing opinions with other customers at the bakery and nodding hello to the two boys drinking pop on the stoop, eyeing the girls while waiting to be called for dinner, admonishing the children, hearing about a job from the hardware man and borrowing a dollar from the druggist, admiring the new babies and sympathizing over the way a coat faded. Customs vary: in some neighborhoods people compare notes on their dogs, in others they compare notes on their landlords.
>
> Most of it is ostensibly utterly trivial but the sum is not trivial at all. The sum of such casual, public contact at a local level – most of it fortuitous, most of it associated with errands, all of it metered by the person concerned and not thrust upon

him by anyone – is a feeling for the public identity of
people, a web of public respect and trust, and a resource in
time of personal or neighborhood need. The absence of
trust is a disaster to a city street. Its cultivation cannot be
institutionalized (Jacobs 1992, 56).

In truth, this relationship between micromotives and
macrobehaviour is a complex one. Not only are selfish actions at the
micro-level sometimes capable of producing high levels of social order
at the macro-level, but decent and well-intentioned actions on the part
of individuals can sometimes result in outcomes that are undesirable
from the perspective of society as a whole. One of the first people to
recognise this was Niccolò Machiavelli almost five hundred years ago,
but more recently this relationship has been explored by Olson and
Schelling (Olson 1971; Schelling 1978). Where conventions and volun-
tary cooperation fail, it is sometimes necessary for the state to
intervene.

Nevertheless, human society does get a great deal of 'order for
free' from its capacity to develop, adapt, recognise and adopt unwritten
rules. Our roads are as safe as they are, not through fear of highway
police but rather because most of us, most of the time, are able to
comprehend and comply with the conventions associated with driving
an automobile in heavy traffic (Brown 1995).

(i) *'Order for free'*: Just how social order emerges from interactions
between large numbers of strangers is still poorly understood, in spite
of several centuries of reflections on the workings of the invisible hand.
Part of the answer seems to lie in the large numbers of transactions
involved. The sheer volume of interactions in a fully-operational
market makes it more likely that two self-interested persons will
discover each other and undertake a mutually-beneficial exchange
(Hirschman 1997, 51).

Stuart Kauffman has pointed to sustained non-equilibrium systems
in nature, where order comes from the 'flux of matter and energy
through the system' (1995, 21). He offers the example of the Great Red
Spot vortex on Jupiter, a storm system in the upper atmosphere which
has been in existence for several centuries at least:

> Thus the lifetime of the Great Red Spot is far longer than the
> average time any single gas molecule has lingered within it.
> It is a stable organisation of matter and energy through
> which both matter and energy flow. The similarity to a
> human organism, whose molecular constituents change

many time during a lifetime, is intriguing (Kauffman 1995, 20-1).

The similarity to markets and to certain other social phenomena (such as cities) is also striking. As complexity theorist John Holland puts it in a recent work: 'A city is a pattern in time. No single constituent remains in place, but the city persists' (1995, 1).

Kauffman argues that certain kinds of order (including life itself) arise naturally through self-organisation and do not require the intervention of an external authority figure (such as deity or the state) or reliance on a statistically improbable series of coincidences. He uses the phrase 'order for free' to describe this self-organising capacity of certain complex systems, including markets.

Still, it is not clear how much has been learned from the complexity theorists. Referring to markets as 'self-organising systems' and providing us with comparative examples from the biological sciences may help to demystify the invisible hand, but it's not clear how much more insight has yet been gained from this cross-disciplinary approach.

(ii) *The state.* Formal institutions such as the state (and in previous generations, the church) clearly have a central role to play in the development and maintenance of social capital in large communities such as the nation state. The emergence of national economies over the course of the late nineteenth and early twentieth centuries devalued much of the social capital upon which traditional communities had relied.

In small communities, trust and cooperation are based on personal reputation and the expectation of an ongoing relationship. The cultures of these communities tend to be homogeneous, so that their members have the advantage of common values and a common vocabulary, as well as shared traditions and expectations. With the development of enterprises organised on a national scale, and business transactions between millions of strangers scattered across the nation, it was necessary for new sources of trust to be found (Zucker 1986).

To some extent, this deficit of social capital was filled by private institutions: professional associations, friendly societies, trade unions, consumer cooperatives, insurance companies, financial intermediaries, stock markets, brand names and the like. Indeed, the industrial firm has been seen as a mechanism for coping with the lack of trust which sometimes accompanies transactions between relative strangers in the marketplace.

But cooperative and market-based responses were not enough and over half a century or more, political entrepreneurs were to discover again and again that the state had a unique role to play in filling this gap. Through the nationalisation of education and the sponsorship of public broadcasting and the arts, government contributed to the creation of shared national values and a common base of knowledge. Government regulation of industry and commerce increased over the course of the twentieth century for much the same reason: the need to standardise business culture and create a commercial lingua franca which would facilitate trade and economic organisation across the length and breadth of the national market.

(iii) *Small-group cooperation*: Standardisation is a fascinating study since (in the absence of the state) it requires cooperation between competitors, often in circumstances where some participants will face significant costs in retooling. In spite of this, much of the effort at standardisation, even today, is undertaken by private individuals or firms with little or no direction from Leviathan. (By definition, in the global marketplace, there is no Leviathan!)

Some of the order which we discover in society-at-large comes from cooperation between a small number of significant players. In this sense, large-group cooperation comes from the same kind of small-group cooperation with which Putnam and others have been trying to understand. Thus, whereas the standardisation of rail systems was to take a hundred and fifty years here in Australia (where they were publicly-owned), in the United States and Great Britain, this massive effort was undertaken more than a century ago by the private railroad companies and the related associations of professionals. Likewise, the standardisation of automotive components was undertaken just after the turn of the century, under the aegis of the Society of Automotive Engineers, without the intervention of the state.

All of the available evidence suggests that competitive firms are quite capable of forming confederal or cooperative arrangements in the interests of cost reduction or 'orderly marketing,' although these combinations are often not stable in the absence of legal sanction.

In the United States, it took the application of anti-trust law to bring an end to the trusts, holding companies and trade associations that had grown up across American industry. Indeed, as Chandler points out, 'the largest and certainly the most significant merger movement in American history' did not take off until 1897, following anti-trust actions by the states and the first Supreme Court interpreta-

tions of the Sherman Act (Chandler 1990, 75).

In the United Kingdom, in Germany and later in Japan, federations, combinations, trade associations, business groups and clearing houses were commonplace until after the Second World War, partly because of different attitudes towards cooperation, and partly because of the greater need to compete in international markets (Chandler 1990; Shiba and Shimotani 1997).

Of course, not all of these cartels were established with the interests of consumers in mind, but nor were they solely for the purpose of 'orderly marketing.' In some cases they were established with the socially-desirable objective of standardisation. On other occasions they were formed to enable small domestic firms to benefit from more stable purchasing or marketing arrangements in overseas markets. A recent historical study by Andrew Dick (1997), an economist in the Anti-trust Division of the US Department of Justice, has confirmed this interpretation: 'cartels were more likely to form in industries in which output was dispersed among many small producers.' Why? Dick concluded that many cartels did not have price stabilisation as their primary purpose. They were set up to cut costs through the pursuit of economies of scale in ordering and shipping, a strategy that was of greatest benefit to small producers at a time when economies of scale were delivering major competitive gains.

Contrary to the claims sometimes made that markets are ruthlessly competitive and anti-social, the evidence of history seems to suggest that the business proprietors are inherently social by nature. Indeed, as Adam Smith pointed out in *The Wealth of Nations*, it is sometimes difficult to restrain them from cooperating for anti-social purposes:

> People of the same trade seldom meet together, even for merriment and diversion, but the conversation ends in a conspiracy against the publick, or in some contrivance to raise prices. It is impossible indeed to prevent such meetings, by any law which either could be executed, or would be consistent with liberty and justice. But though the law cannot hinder people of the same trade from sometimes assembling together, it ought to do nothing to facilitate such assemblies; much less to render them necessary (Smith 1776, I.x.c.27).

Those who use this oft-quoted passage usually fail to point out that the author was struggling with this anti-competitive behaviour of incorporated trade associations on the one hand, and their social insurance and charitable endeavours on the other. Smith understood

that this clubbish behaviour on the part of tradesmen had positive as well as negative consequences. It might also be pointed out that Smith was dealing with a unique set of circumstances: individuals from the same trade living in the same town or small city and thus interacting regularly with one another for social as well as commercial purposes. In short, this was a small community with the players involved in repeat plays.

To conclude, there would seem to be a number of sources of the social capital which underlies large-scale or abstract communities such as national markets: (i) Much of the social order which emerges in these communities is unintended and arises from a self-organising capacity of certain systems which is still poorly understood; (ii) unquestionably, the state has contributed to this store of social capital through the definition and the enforcement of abstract rules of conduct, a role usually referred to as 'the rule of law'; (iii) some of the social capital found in large communities comes from cooperation between a small number of significant players.

Cooperation in Small Communities

As this brief discussion of cartels and Macauley's study of manufacturing in Wisconsin (1963) confirm, treating small-group cooperation seriously does not require a romantic view of community or nostalgia for village life. Small-group cooperation is a central feature of a thriving capitalist economy, no matter where it is found. It is not just that participation in civic life schools us in the social virtues, but that society itself (including that part of society which we refer to as the economy) is heavily dependent on these networks of civic engagement and the social capital invested in them.

The defining characteristics of these relationships are (i) that they are sustained (as opposed to one-off transactions); (ii) that they are conducted between individuals or organisations which, because of their capacity for exit, must be treated as equals (as opposed to subordinates in an authority relationship); and (iii) that they rely heavily on trust and unspoken norms of reciprocity (rather than on legal rules or formalised contracts).

By and large, policymakers have embraced Hobbes' line of argument that non-hierarchical relationships are unsustainable and there has been widespread adoption of command-and-control solutions imposed by Leviathan. The problem with Hobbes' reasoning is that voluntary cooperation does exist, and in some cases, such as the irrigation communities serving the *huerta* of Valencia or the *acequia* associations of Mexico, these relationships have survived as stable

institutions over hundreds of years (Glick 1970; Ostrom 1990, chapter 3; Brown 1995, 65-8). Even when it is not sustainable over the long-term, cooperation of this kind can still serve a useful social purpose.

Douglass C. North suggests that the conditions necessary for sustained cooperation are threefold: (i) small numbers; (ii) an expectation on the part of participants that they will need to cooperate again in the future; and (iii) complete (or substantial) knowledge about each other's past performance (1990, 12). North later adds to this three additional conditions which Michael Taylor has described as key features of community: (iv) shared beliefs or norms; (v) reciprocity; and (vi) direct and complex relationships between members (Taylor 1987; North 1990, 14).

(i) *Small numbers*: David Hume understood the difficulty of getting large numbers of individuals to cooperate voluntarily. In his *Treatise* he wrote:

> Two neighbours may agree to drain a meadow, which they possess in common; because 'tis easy for them to know each others mind; and each must perceive, that the immediate consequence of his failing in his part, is, the abandoning the whole project. But 'tis very difficult, and indeed impossible, that a thousand persons should agree in any such action; it being difficult for them to concert so complicated a design, and still more difficult for them to execute it; while each seeks a pretext to free himself of the trouble and expense, and would lay the whole burden on others (Hume 1739, III.ii.7).

Economists refer to this phenomenon as 'free riding,' and it occurs despite the best intentions of the participants. The difficulty is that participants may well intend to contribute their fair share of effort but they have no way of being reassured that others are doing likewise. The problem is largely one of monitoring and enforcement and in Hobbes' solution this need for reassurance is met through the promise of third party enforcement. As Hume recognised, small numbers mean that monitoring costs are lower. It is relatively easy for participants to know who is pulling their weight and who is not, and easier to issue appropriate sanctions. Thus, one of the great strengths of tightly-knit communities is the amount of information which is available to the system.

Feedback is another word for the endless 'chatter' that goes on in a successful community, the continuous shuttling back and forth of small bits of information about expectations and performance. With-

out feedback of some kind, it is extremely difficult for participants to know what norms the group abides by and how it measures individual actions against those norms. It should be noted that a community in this case might consist of the sales representatives and the purchasing agents of large firms who deal with each other on a regular basis, or the proprietors or the chief executives of large corporations. While the total number of employees in these firms may be quite large, the community of those individuals who associate with one another on a regular basis is small.

An example of such a community might be the presidents' councils of the leading corporate complexes in Japan, Mitsui, Mitsubishi and Sumitomo, which meet, largely for social networking purposes, one day a week:

> The three presidents' councils continue to this day to exist solely for the promotion of friendship and co-operation, for the allotment of contributions to common causes, and for decisions over the use of names and trademarks. . . . Council-fostered introductions of personnel have taken place in cases where a managerial crisis has threatened the integrity of the entire group, or where internal conditions in a subsidiary formed jointly by council member companies have warranted such action. . . . All the members of the presidents' councils are equals among equals, and, except in unusual circumstances, there is no interference in the management of the affairs of members by other members (Suzuki 1997, 83).

The size of a group can be increased somewhat and still function cooperatively if it is physically or psychologically isolated from other groups. Charles Handy has pointed out that unlimited trust is not a meaningful concept: trust needs boundaries for confidence in the members of a group to be sustained (1995, 46). Rural communities have dense networks of civic engagement because of their physical isolation, so that even relatively large groups manifest cooperative characteristics. In religious and ethnic communities, the separation is psychological, but the effect is much the same.

Large organisations are also more capable of using social incentives when they are organised as federations of smaller groups (Olson 1971, 62-2). And larger groups also seem to have a greater capacity for sustained cooperation when their members are facing a common external threat. There is a great deal of truth in the quip (attributed to Oscar Wilde) about socialism not working because it would take up

too many evenings. And yet Australia's bush fire brigades do manage to get large numbers of volunteers out to practice every week, and then to place their lives in danger each summer fighting bush fires. They are able to do so because the residents of these communities understand that they share a common threat. Bush fire brigades have come to be formalised somewhat and they receive financial assistance from government, but they still rely heavily on voluntary cooperation.

(ii) *The shadow of the future*: Robert Axelrod's classic *The Evolution of Cooperation* (1984) is concerned with solutions to the so-called 'prisoner's dilemma,' yet another of the obstacles to voluntary cooperation. In simple terms, the 'prisoner's dilemma' is concerned with defection from an agreed position when neither party can be assured of the ongoing commitment of the other.

One of the preconditions for cooperation in these circumstances is the likelihood that the participants will need to collaborate again in the future: 'The evolution of cooperation requires that individuals have a sufficiently large chance to meet again so that they have a stake in their future interaction. . . The development *cannot* take place if it is tried only by scattered individuals who have virtually no chance to interact with each other' (Axelrod 1984, 21).

Physical co-location and dense networks of civic association increase the likelihood of cooperation in part because they increase the likelihood of future interaction. It also helps if participants have a long time horizon and a low discount rate. This tends to be the case in traditional communities where parents and grandparents have been involved in husbanding social capital and where participants can see their children and grandchildren continuing in that tradition. Axelrod spoke of this as 'the future (casting) a large enough shadow onto the present' (1984, 59).

(iii) *Reputation and Anticipation*: Another of the pre-conditions for successful cooperation is the ability to anticipate the actions of others. It is not enough that others honour their commitments, but also that we believe that they will do so. Regularity of behaviour (strong conventions) enables us to anticipate how even strangers will behave. Of course, this also depends on some level of cultural homogeneity. If one is not sure whether the other party has the same deep background in a particular social convention, or if they are using unfamiliar cues to signal compliance or temporary departures from the rules, then it will be much more difficult to read or to anticipate the extent of the other's compliance.

Reputation is important for much the same reason. Putnam pointed out that cooperation is more likely to evolve where two parties have abundant information about each other's past behaviour. If a participant has a widespread reputation for honesty and reliability, it is much less likely that in the future they will deliberately act in such a way as to waste this valuable social capital.

Stewart Macauley discovered a strong norm that parties to a business relationship behave 'decently.' This was in turn influenced by an expectation that appropriate behaviour would encourage other businesses to deal with them again in the future. A purchasing agent told Macauley: 'You don't read legalistic contract clauses at each other if you ever want to do business again. One doesn't run to lawyers if he wants to stay in business because one must behave decently' (Macauley 1963, 61).

(iv) *Shared Values:* Voluntary associations also succeed because of their ability to convince members to closely align their mission or culture with that of the group. This is especially true of religious organisations where new entrants undergo a process of 'conversion.' As already pointed out, one of the advantages of the value of cultural homogeneity is that it reduces monitoring costs and increases the accuracy with which participants can anticipate the behaviour of other members.

For this reason, stable membership and a history of cooperation also emerge as significant conditions. In their study of cooperative business units, Wilkins and Ouchi argued that these characteristics are necessary for complex social understandings to develop. It would appear that it takes time for socially-shared knowledge to be disseminated among groups such as this and it may take one or two generations for routines to become 'apparently objective facts' (Wilkins and Ouchi 1983, 472-3). Rapid turnover of membership disrupts the shared pool of social capital.

(v) *Reciprocity:* Putnam places considerable emphasis on a norm of generalised reciprocity, in which social credits and debts are balanced over time and across the community in general, rather than being negotiated in direct one-for-one trades. He observes: 'The norm of generalized reciprocity is a highly productive component of social capital. Communities in which this norm is followed can more efficiently restrain opportunism and resolve problems of collective action' (1993, 172).

In his 1990 study of the norms relating to cattle trespass in Shasta

County, California. Robert C. Ellickson pointed out that individuals involved in a tightly-knit community keep rough rough account of the contributions to and the drawings from the pool of collective effort. A fundamental feature of rural society makes this enforcement feasible. Rural residents deal with one another on a large number of fronts, and most residents expect those interactions to continue far into the future. In sociological terms, their relationships are 'multiplex', not 'simplex'. In game-theoretic terms, they are engaged in iterated, not single-shot, play. They interact on water supply, controlled burns, fence repairs, social events, staffing the volunteer fire department, and so on. Where population densities are low, each neighbor looms larger. Thus any trespass dispute with a neighbor is almost certain to be but one thread in the rich fabric of a continuing relationship.

A person in a multiplex relationship can keep a rough mental account of the outstanding credits and debits in each aspect of that relationship. Should the aggregate account fall out of balance, tension may mount because the net creditor may begin to perceive the net debtor as an over-reacher. But as long as the aggregate account is in balance, neither party need be concerned that particular subaccounts are not. (Ellickson 1991, 55-6)

Part of this norm, then, is an expectation that everyone will do their part, a requirement that there be parity of burden. Under many conditions, this will be interpreted simply as a norm of equality, if only because it is the easiest to monitor and enforce. However, human beings are capable of working with more sophisticated concepts of fairness, so that a person who benefits unduly from the group's effort might be expected to put more in. However, when our interests vary, out insistence that everyone do their fair share may make it difficult to get the coordination needed to establish a convention' (Brown 1995, 101).

(iv) *Dense Networks of Civic Engagement*. Direct and complex relations between the members of a community is another of the conditions necessary for successful cooperation. One of the many advantages of dense networks is that increases the likelihood of repeat plays between the same individuals. Multiplex relations make for easier trade-offs, so that the kind of generalised reciprocity necessary for long-term cooperation is more readily generated. At the same time, a large number of inter-personal transactions demonstrates regularity of behaviour and increases the opportunity to build reputation. In short, dense networks

of civic engagement create an environment that is highly conducive to
the development of most of the other pre-conditions.

A Brief Survey of the Literature

So much research has been done on these institutions in recent years,
that it is impossible to do more than provide a representative sample.
This body of literature now includes historical research, longitudinal
studies, cross-cultural work and comparative studies of similar institu-
tions being used to address different problems.

(i) *Social Norms versus Legal Enforcement.* A number of specific studies
have looked at the role played by social norms in the creation and
maintenance of public order. Reference has already been made to
Stewart Macauley's research into non-contractual relations in the
business world. Macauley discovered that many businessmen do not
think in contractual terms at all, particularly where they have had, or
expect to have, an ongoing relationship with the other party. One
corporate lawyer explained to him:

> Often businessmen do not feel they have 'a contract' –
> rather they have an 'order.' They speak of 'cancelling the
> order' rather than 'breaching our contract.' . . . Most clients
> in heavy industry at least, believe that there is a right to
> cancel as part of the buyer-seller relationship. There is a
> widespread attitude that one can back out of any deal
> within some very vague limits. Lawyers are often surprised
> by this attitude (Macauley 1963, 61).

For several decades, the study of norms pioneered by Macauley
languished. It was reactivated in the early 1990s with a study of social
norms in a cattle ranching community in northern California by Robert
C. Ellickson (1990) and research published by Lisa Bernstein (1992) on
informal contractual relations in the diamond industry.

Ellickson found a widespread lack of understanding of the formal
law of cattle trespass and, more significantly, a lack of concern about
legal sanctions. Regardless of the law, the universal rule was that cattle
owners were responsible for the acts of their animals. The initial
response to the discovery of a stray animal was a phone call, 'usually
couched not as a complaint but rather as a service to the animal owner,
who, after all, has a valuable asset on the loose' (1990, 53).

Ranchers and their neighbours lived by to a set of informal rules
or norms, and where significant infringements did occur, deviants were
disciplined through an escalating scale of informal sanctions adminis-
tered almost exclusively through self-help rather than by calling on law

enforcement officials. Ellickson found there to be a norm against the exercise of formal legal rights ('Being good neighbors means no lawsuits'), or pursuit of monetary compensation (Shasta County landowners regard a monetary settlement as an arm's-length transaction that symbolizes an unneighborly relationship) (1990, 61).

This preference for extra-legal solutions is also evident in the (predominantly Jewish) diamond trading community of New York. There order is maintained in part through the social prestige and economic advantage associated with membership in the dealers' club (and thus the heavy price that would be paid upon expulsion), and the discipline that can be asserted through the rabbinical courts. On admission to the bourse, members agree to submit their disputes to the club's arbitration system rather than have recourse to the law. Bernstein observes that in addition to their commercial value, for many years, trust, and reputation, were simply a way of life for the members of this close-knit community.

As an elderly Israeli diamond dealer explained, 'when I first entered the business, the conception was that truth and trust were simply *the way* to do business, and nobody would simply consider doing it differently. Although many decent would consider doing it differently. Although many transactions are still consummated on the basis of trust and truthfulness, this is done because these qualities are viewed as good for business, a way to make a profit' (1992, 157).

What Macaulay's, Ellickson's and Bernstein's case studies reveal is a prejudice against reliance on third party enforcement (by the state) in circumstances where it would undermine the networks of trust and neighbourliness which exist in communities as diverse as cattle ranching in northern California, diamond trading in New York and manufacturing in Wisconsin. This suggests a need for policymakers to rethink the role of these institutions and the effectiveness of command and control solutions where cooperative alternatives exist. In recent years, legal academics have begun to pay closer attention to the strengths and weaknesses of a normative approach to the maintenance of order, although much remains to be done. (See, for example, the published papers from a symposium on *Law, Economics and Norms* in *University of Pennsylvania Law Review* 144 (1996), 1643-2339.)

(ii) *Urban design* Another tradition can be traced from the work of Jane Jacobs. In *The Death and Life of Great American Cities*, Jacobs described the organic nature of inner city neighbourhoods, drawing heavily on her own community in Greenwich Village. A strong critic of the town-planning movement, Jacobs spoke out on behalf of the

'intricate, multi-faceted, cultural life of the metropolis':

> The first thing to understand is that the public peace – the
> sidewalk and street peace – of cities is not kept primarily by
> the police, necessary as the police are. It is kept primarily
> by an intricate, almost unconscious, network of voluntary
> controls and standards among the people themselves, and
> enforced by the people themselves. In some city areas –
> older public housing projects and streets with very high
> population turnover are often conspicuous examples – the
> keeping of public sidewalk law and order is left almost
> entirely to the police and special guards. Such places are
> jungles. No amount of police can enforce civilization
> where the normal, casual enforcement of it has broken
> down (1990, 31-2).

Jacobs reminds us that not even in its most basic of functions – the
maintenance of public order – is Leviathan capable of doing its job if
there is not already a high level of informal trust and collaboration
within the community. It is difficult to do justice to this remarkable
book in a few paragraphs.

Jacobs' book has profound implications for urban design, al-
though the results of experimentation with reshaping the physical
environment along these lines have been mixed. The first urban
planner to give Jacobs serious attention was Oscar Newman, in a book
entitled *Defensible Space* (1972). But the demonstration projects that
have adopted Newman's key principles – territoriality, natural surveil-
lance and image – have not been particularly successful (Murray 1995).

Naive interpretation of Jacobs' insights also resulted in experi-
ments with the so-called Radburn design in public housing estates –
housing centred around a village green, with parking outside the
complex – which have been spectacular failures right around the
western world. In July 1997, the NSW Minister for Housing announced
the government's decision to bulldoze 250 houses in the Villawood
Estate in Sydney's west, following its deterioration into a ghetto known
locally as 'The Bronx.' Leading Sydney architect, Philip Cox, who had
won an award for the design, told the media, 'The problem was not one
of design, it was social' (Bissett 1997, 5; Morris 1997a, 7; Morris 1997b,
7). More recently, the New Urbanism movement has drawn on Jacobs'
insights, suggesting that large, seamless metropolises be broken up
into 'walkable' (neighbourhood-sized) communities with greater em-
phasis on communal space (Kunstler 1996).

Community policing and the 'zero tolerance' approach to street

policing popularised in recent years by New York Police Commissioner, William Bratton, have also been influenced by this tradition. The most significant figure in this school of thought has been the US social scientist, James Q. Wilson, who for several decades has reasserted the 'nightwatchman' role of the police in visibly maintaining order in the local community. For Wilson, the police have a role in enforcing the informal rules of the local neighbourhood (or at least those which are concerned with the maintenance of public order), as well as the laws of the state (Wilson and Kelling 1997).

(iii) *The management of natural resources* A considerable amount of empirical research has now been done on the success of self-governing institutions in the management of natural resources, so much so that it is difficult to do more than make passing reference to it here. Because of the impact of the industrial state on community-level institutions, most of these studies have either been historical or drawn from developing nations. But it is becoming increasingly clear that self-governing institutions for managing natural resources have survived in the industrialised nations. Part of the reason for the renewed interest in these institutions is the growing concern with environmental management in these countries and the high cost of command and control solutions and bureaucratic management.

Many, though by no means all, of these institutions are concerned with the so-called 'tragedy of the commons.' This term was coined by environmentalist Garrett Hardin (1968) to describe the perverse logic of common pool resources such as groundwater and ocean fisheries where it is difficult to create exclusive private property rights. One group of writers described the problem in this way: 'a common pool resembles one soda being consumed by several small boys, each with a straw. The "rule of capture" is in effect: ownership of the liquid is not established until it is in one's possession' (Stroup and Baden 1979, 12). Of course, excessive consumption of this kind need not be the result of greed or immaturity. It may simply arise from the same difficulties in sustained cooperation which arise in other forms of voluntary collaboration.

At least initially, Hardin's conclusion was that the solution to this lay in the embrace of Leviathan (1969, 121). Later writers have recognised that many institutions which had been referred to as commons were not 'open access resources' at all, but had long been subject to close management by communal governance arrangements which had carefully husbanded consumption of the resource over time.

Examples of the areas where research has been undertaken include: commonfield agriculture and animal husbandry (McKean 1994; Campbell and Godoy 1994; Wade 1994, chapter 4), the common use of mountain pastures (Eggertsson 1993; Gilles, Hammoundi and Mahdi 1994), forestry management (Ascher 1995), irrigation (Ostrom 1990, chapter 3; Ostrom 1992; Tang 1992; Wade 1994, chapter 5; Brown 1996, 65-8), fisheries (Berkes 1985; Jentoft 1989; Schlager and Ostrom 1993; Cordell and McKean 1994; Pinkerton and Weinstein 1995; Jentoft and McCay 1995), and high-seas whaling in the pre-steamship era (Ellickson 1990, 191-206). Space does not permit a closer analysis of this considerable body of research here but particular mention should be made of the Landcare movement in Australia, where somewhere around 2,000 community-based land management groups have arisen in rural districts over a decade or more. Landcare groups have been set up to manage a wide range of environmental problems, and while they have been assisted by the state, their success has in large part been determined by the response from within individual communities (Campbell 1994).

(iv) *Cooperation in business*: In an entirely different field of research, there has been renewed interest in networked forms of commercial and industrial organisation. These arrangements have been referred to by a range of different terms over the years – cooperative arrangements, relational contracting, joint ventures, quasi-firms, global coalitions, dynamic networks, strategic alliances, networked organisations, virtual corporations, clover-leafed organisations, federations, corporate condominiums, and so on. The fact that we have not been able to settle on a common term for these institutions is an indication of their diversity and complexity and the difficulty we are having in coming to grips with their essential characteristics.

Business networks are similar in their fundamental characteristics to small-scale communities: they are sustained, cooperative relationships between individuals or firms with a right of exit. The origins of this research lie in Stewart Macauley's work, and while there has been some subsequent research into networked relationships and the conditions under which they succeed, it would be wrong to say that it has yet become part of mainstream management literature. Some of the most interesting research at the moment is being undertaken inside joint ventures and firms specialising in service contracting, and is still being treated as commercial-in-confidence.

Industrial communities and business networks were reasonably common prior to the rise of the industrial firm (Sabel and Zeitlin 1985),

and in some industries in some parts of the world (such as the clothing industry of northern Italy and the construction industry in much of the industrialised world) contractual networks have remained the dominant form of organisation. The advent of globalisation has made these kinds of relationships necessary in some industries, and the cost of research and development, particularly in high technology industries, has also opened the way for collaboration of this kind.

What information is available suggests that the same characteristics which make for successful communities are also necessary for successful business partnerships – trust and reciprocity, the expectation of repeat plays, shared values and dense networks of commercial engagement.

(v) *Cooperation between governments*. Much the same principles apply to cooperation between governments, as anyone familiar with the literature on federalism and confederalism will recognise. Prior to the emergence of the world's first modern federation (the United States of America) in the late eighteenth century, much of this literature was to be found amongst the German political philosophers, Johannes Althusius, Samuel Pufendorf, and some in the nineteenth century, including Otto Gierke. There is also something of a French tradition, the most notable figure being P.J. Proudhon. Following the Second World War, this European tradition was revitalised through the work of the Italian and French federalists, including Altiero Spinelli and Jean Monnet who were to have a formative influence on what would eventually become the European Union.

Once again, when we re-read history with the Hobbesian blinkers removed, we find that these sorts of cooperative relations between governments have been remarkably common, going back to the tribal leagues of ancient Palestine, the city leagues of ancient Greece and medieval Europe and the confederations of Switzerland, Germany and the Netherlands. The North American tradition is, in some ways, much stronger, although modern federalists have been largely ignored by mainstream political scientists and public policymakers.

While much of this literature has been concerned with formal inter-state relations, there is also a consciousness of the rich institutional diversity which might be possible. For example, in a paper originally published in 1977, Vincent and Elinor Ostrom envisaged a system with 'large numbers of autonomous units of government and multiple levels of government with substantial degrees of overlap.'

> Each citizen participates in multiple consumption units
> organized around diverse communities of interest and is

served by an array of different public and private producing units supplying any particular bundle of public goods and services. In such circumstances, each citizen is served not by 'the government' but by a variety of different *public service industries* (Ostrom and Ostrom 1991, 181).

With the advent of privatisation and the widespread contracting of public services, we are only now beginning to see the emergence of the complex public-private hybrids which the Ostroms envisaged almost twenty years ago. The growing interest in 'partnering' suggests that public sector managers are now trying to understand the social capital required to enable these new relationships to succeed on an ongoing basis.

With its rich array of county and special district governments, the United States is a fascinating study of this kind of inter-governmental cooperation, although very little formal research appears to have been done. William Blomquist (1992) has recently studied the emergence of intermediate-level governance structures in the groundwater industry of southern California and John C. Bollens (1957) looked at special district governments. Kathleen Sylvester (1992) has done some preliminary work on meso-level and multi-purpose governance arrangements in the United States, but had difficulty in grounding her research in a wider literature. The Webbs' series on local government in the United Kingdom (1922) provides an historical insight into these institutions in that country.

When governments of equal standing (or with the right of exit) are able to cooperate over a sustained period of time in non-hierarchical relationships, this raises precisely the same challenge to the Hobbesian paradigm as community-based institutions. While much of the literature has focussed on inter-governmental cooperation at a formal or constitutional level, it should also be possible to look at these relationships in terms of the investment and consumption of social capital. I am not aware of any research of this kind, although perhaps some exists in the field of international relations. Nevertheless, based on personal experience, it would seem that the social virtues are just as important in forging stable relationships between governments.

The author was the lead official for the state of New South Wales in the Special Premiers' Conferences of 1990-1992, which negotiated a series of highly successful inter-governmental agreements between the Australian states and territories and the federal government. The process of building trust and reciprocal bonds between state officials, between state and federal officials, and later again between the

respective first ministers, was very similar to the development of social capital described by Putnam (1993) and Axelrod (1984).

Perhaps even more relevant than either of these studies is Brown and Seaton's study (1994) of the spontaneous truce which broke out on the Western Front in Christmas 1914, between British and German troops. Brown was concerned not just with cooperation between strangers but between enemies. This problem was not dissimilar to that confronting state and federal officials in 1990 where there were not only the traditional tensions between the federal governments and the states, and the large eastern states and the smaller ones, but also political differences between the Liberal-National Party government in New South Wales and the Labor governments then in power at federal level and in every other state of the nation.

The key participants were undoubtedly involved in a game of 'tit for tat' with recourse to strategies of reciprocity, 'niceness' (in Axelrod's sense of that term) and forgiveness. When defection was required (as sometimes it was), apologies were often made in advance, and always immediately thereafter. In this regard, the behaviour was not dissimilar to the apology issued by German troops after they had accidentally shot British soldiers during the 1914 Christmas truce, an apology which was apparently accepted in good faith (Brown and Seaton 1994, 169). In one particular instance, a state official breached a confidence of the group by leaking a sensitive document. The displeasure of the other states was communicated to his government (and, implicitly, their refusal to cooperate) and he was shortly thereafter removed from this position.

It was also helped by a shared cultural background on the part of some of the key participants (an overwhelming majority of them came from a Labor Party background with a strong tradition of 'tribalism,' and four of them came from small country towns in south-east Queensland) and a shared sense of the need for structural reform in the interests of international competitiveness. Moreover, right from the outset, it was recognised that compromise was more likely to take place if the reform agenda was a broad one, with the possibility of some wins for each of the participants.

One of the institutional innovations which facilitated the further growth of social capital in the course of this process, was the creation of national agencies consisting only of the states and territories or, where they did involve the federal government, bringing it in as an equal party. Traditionally the creation of national regulatory institutions had involved a transfer of authority (and responsibility) away

from the states. These new institutions left responsibility with the states, giving them valuable experience in finding mutually acceptable solutions and extremely useful information about which officials or governments could be trusted to honour their commitments.

Social Capital Matters

Social capital deserves to be taken seriously. There is some evidence to suggest that social capital is declining, or at least some kinds of social capital which have been extremely important to civic community in the past. Moreover, there are reasons for believing that some of the structural changes that will be faced by Australia in the years ahead – in particular, globalisation and the shift away from the industrial firm towards contractual networks – will draw more heavily on these horizontal forms of social capital identified by Robert Putnam.

We know something about trust, norms and networks and what causes this kind of social capital to accumulate, but a great deal of work remains to be done. In particular, there is much still to be done in communicating to politicians and public policymakers in Australia, and indeed the general public, the importance of these social virtues to our future economic prosperity.

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Voluntary Associations: Social Capital at Work or Post-modern Romance?

Martin Stewart-Weeks

Introduction

I f 'democracy represents the social system of the electronic age' (Slater and Bennis 1964), then voluntary associations, and the values, habits and skills on which they draw, may well prove to be one of its increasingly indispensable institutional pillars.

Indeed, the very values (fragile as they are) which make democracy such an apt contemporary instrument of social regulation — openness, capacity to encourage change and adaptability, capacity to tolerate divergence and dissent, responsiveness, an ability to mediate a world of complexity and paradox — are values that a robust associationalism draws on and to which, at its best, it gives practical effect.

And, if democracy is its most apt social system, we also know that the electronic age will place a significant premium on knowledge and often increasingly specialised knowledge. But knowledge is of little value unless it is integrated into a specific task or set of actions to get something done or to achieve a particular outcome. That is why the knowledge age is going to be what Drucker refers to as a 'society of organisations' (Drucker 1992). Drucker claims we already know the 'central tensions and issues that confront' this society:

> ...the tension created by the community's need for stability and the organisation's need to destablise; the relationship between individual and organisation and the responsibilities of one to another; the tension that arises from the organisation's need for autonomy and society's stake in the Common Good.

It is against that broad background that, in this paper, I want to explore some basic questions about the nature and effectiveness of, and the prospects for, voluntary associations as part of Australia's institutional mix for the new millennium:

- What is the nature of the contemporary and emerging world (this knowledge based 'society of organisations') and what are the

economic, social and environmental tasks to which our insti-
tutions will have to respond?

- Within that 'bigger picture,' what are the critical specifications for
institutional effectiveness as those tasks are actually being ad-
dressed (or how might we write the 'job description' for institu-
tions and organisations likely to be successful in the contemporary
world)?

- How do voluntary associations measure up against those speci-
fications (in other words, how helpful are they going to be to us,
how relevant is what they do to the contemporary world and how
likely is it that they can play a part in responding to the mix of
problems we already face and are likely to face in the future?)

- What might an agenda for future research and reform in relation to
voluntary associations look like (what do we need to know if we
want to ensure that voluntary associations make an important
institutional contribution to solving the policy challenges we face
as a nation and as communities and individuals?

I have drawn predominantly on my experience working with
voluntary organisations in a range of different sectors, primarily as a
consultant. I have also drawn on elements of contemporary organisa-
tional and management theory and practice and the growing discus-
sion about social capital and civil society.

What emerges is a tentative hypothesis that suggests voluntary
associations – or perhaps, more accurately, a contemporary version of
the instinct for association from which they emerge – are going to be
a very important part of the institutional mix we take into the new
millenium. Mind you, once having stated this so baldly, I find myself
immediately drawing back to a more skeptical position. On the one
hand, my own experience and my work and my own limited research
suggests that our associational instincts, such as they are, are an
indispensable part of our post-modern survival kit. On the other, that
same experience and observation warns me against an overly-romantic
view of voluntary associations. It also suggests another, quite opposite
outcome, which is that voluntary associations are going to be rendered
obsolete and redundant in a largely technocratic, globalised world.

Perhaps, in other words, I am just kidding myself. Perhaps,
although I like the idea of voluntary associations and all they (poten-
tially) can offer us in terms of civic engagement and social cohesion,
the hard-nosed reality is that they remain a lingering vestige of an age

whose dimensions and demands we simply cannot expect to replicate.

Let me start, though, with two important provisos.

The term 'voluntary association' covers a multitude of institutional and organisational sins. Terms such as 'non-profit organisations,' 'the third sector,' the 'community sector' or the 'social sector' are also used to describe that range of organisations which operate neither in the market (or at least in pursuit of commercial profit to be dispersed amongst shareholders) nor in the public sector (or government). This is a sector that contains organisations as diverse as the girl guides, a bush fire brigade, the Australian Council of Social Service, the Catholic Church or the local playgroup.

The range of purposes for which voluntary associations are formed are pretty much as varied as the associations themselves – culture, sport and leisure, welfare and community development, economic services, religion, education, health. Some are formed to provide a service, some to undertake an activist or advocacy role (often, somewhat paradoxically, aimed at enlarging the role of, and expenditure by, the state). Some are formed for purposes of intensely parochial solidarity and enjoyment. Others have global, indeed transcendent ambitions.

The analysis I am attempting here is not concerned so much with ends as with institutional means. I have used the concept of voluntary associations in a generic sense, describing people's capacity and willingness to associate voluntarily in non-profit organisations to achieve their specific purposes (although I am not concerned particularly with organisations which might be termed lobby or interest groups with a particular focus on influencing public policy and politics). The sort of organisations I am talking about have a non-profit constitutional base, are run by a mix of paid and unpaid workers and have a form of membership and engagement which is voluntary and unpaid.

Secondly, the analysis is not an attempt to proselytise on behalf of voluntary associations. The point is not to try and convince anyone that voluntary associations are universally effective. They are certainly not an institutional panacea. From my own direct research and consulting experience, I am aware that voluntary associations can be as dysfunctional and incompetent as any other organisational form. They are not suitable for all tasks, or for all situations. As with other institutional choices, they have their strengths and weaknesses and their distinct characteristics.

But I do want to suggest that voluntary associations should

become an increasingly important topic of research and debate in Australia for two reasons.

The first is that, in some situations and depending on issues of scale and scope, voluntary associations can play a useful part in the institutional mix we can bring to a wide range of contemporary economic, social and environmental problems which we face as a country and as neighbourhoods and communities.

The second is that, although just like the ordinary people who form them they rarely live up to their best potential all of the time, voluntary associations draw on and reinforce a set of values, instincts and skills especially well suited to the contours and demands of the contemporary world.

For me, what is especially intriguing in the debate about voluntary associations is the possibility (and that's all I'm prepared to suggest it might be, at this stage) that such an old idea seems now to be so modern (or post-modern).

The world we live in – a quick sketch

If at least part of the potential value of voluntary associations involves our institutional response to the demands and dimensions of the contemporary world, it is worth briefly sketching at least some of the features that are becoming clearer.

I have identified a few broad themes that define a 'big picture' within which to focus our attention later on the role and effectiveness of voluntary associations.

Adapting to constant change

Slater and Bennis (1964) base their claim about the inevitability of democracy on the core assumption that 'democracy becomes a functional necessity whenever a social system is competing for survival under conditions of chronic change.' Their own analysis, and the analysis of countless contemporary writers and commentators, makes a central feature of the contemporary world's defining characteristic – rapid, volatile and unpredictable change which is affecting every facet of our lives.

That fairly standard and now well-accepted analysis has been given both added impetus and new focus by the work and implications of complexity theory (see Waldrop 1992). What complexity theory tells us is that change, and adapting to it, is what keeps us alive, whether as organisms, organisations or systems.

The trick, it seems, is to learn to prosper in that territory which lies

between anarchic chaos on the one hand, and atrophied rigidity on the other (or in that ambiguous territory that exists somewhere 'between structure and surprise').

What that suggests is that there is a premium on institutional structures capable of mediating paradox and living in a world that is not run on an 'either/or' basis.

The 'global-local' paradox

A number of commentators (Sturgess 1996; Latham 1996a) have noted that as we have witnessed the inexorable drift upwards (to state, national and often international levels) especially of economic power and authority, there has been a renewed interest in the conditions and capabilities of specific localities, regions, cities and even neighbourhoods. In the Australian context, some of that interest is emerging in a debate about the potential of using a focus on specific 'places' (that is, localities, neighbourhoods, natural resource catchment areas, river systems) as a more natural and ultimately productive framework for policy, service delivery and governance.

At the moment, we are driven by the exigencies of large, functional bureaucracies, each devoted to its own mission (providing schools, building roads, running hospitals and so on). Place management suggests we might make more progress if we start to think about how those services and resources come together, or often fail to come together, to reflect the particular needs and circumstances of people's interconnected lives in particular places.

The paradox is that, even as the global economy has become more interconnected and as 'footloose' capital searches for places to invest with little respect for national, political or cultural borders, the performance of 'place' has become critical. How well a region or city can undertake some key functions, including regulation, education, training and skills formation, provision of transport and communication, a clean environment and sound social infrastructure, is increasingly the key to the 'big picture' outcomes – new investment, higher-level jobs and the creation of a virtuous circle that links investment, employment, local economic growth and good quality public and private services.

The paradox is also manifest in the resurgent interest in the social virtues of place and of 'community.' As people sense that many of the decisions affecting their lives are being taken in places and by people further and further removed from the arenas in which they live out their lives, so they seem to reach for a greater sense of security in the more

local and accessible character of the places in which they live and work. It is as if, despite the fact we are often happy to enjoy the fruits of the complex, interconnected world and economy, we want a sense of identity and connection with something a bit closer to home and whose dimensions are a bit more 'user-friendly.'

Suddenly, it seems, the post-modern flight from the crushing parochialism of the feudal village and the closed, often intolerant community has run headlong into a persistent yearning for context and for social meaning, defined on a scale that matches people lives, ambitions and responsibilities.

People are discovering[1] that there is such a thing as society (as opposed to the state), and they seem to be concerned about how it works and how it responds to our deep human instincts for social solidarity and connection.

Risk, innovation and security

Drucker's analysis of the 'society of organisations' (1992) is uncompromising. In the contemporary world, the challenge is to organise knowledge, especially highly specialised knowledge, into activities that deliver results which people want. But that will keep changing to reflect changes in technology, social needs, preferences and so on. In that context, success is defined as the capacity to adapt quickly to change. A defining dimension of performance, therefore, for successful contemporary organisations is the ability to 'learn' – to adapt quickly to change and to rearrange resources and activities quickly. In that sense, Drucker argues, successful organisations are, by definition, destabilising.

'Organisations of the post-capitalist society must constantly upset, disorganise and destabilise the community,' he argues. They must keep changing their demand for skills and knowledge, to keep up with the demands and needs to which they are trying to respond.

Bringing that analysis right down to basics, Drucker argues that:

For a hospital – or a school or any other community organisation – to discharge its social function, we must be able to close it down, no matter how deeply rooted in the local community it is and how much beloved, if changes in demographics, technology or knowledge set new prerequisites for performance.

The flip side of the coin is the community's need for stability and security. It is all very well to preach the gospel of 'systematic abandonment,' but what about the need to shape a sense of belonging

and loyalty within communities?

Another defining contemporary paradox emerges – a world in which the pursuit of change, innovation and risk has to take place without cutting people and communities adrift. Mediating that para-dox becomes another formidable institutional task. It requires an ability to preserve the balance between what Michael Novak (1996) describes as the 'diverse, independent and contrarian civic life' and the imperative for some measure of stability. In other words, it demands a capacity to thrive at the 'edge', at the 'edge of chaos,' that is, to live the life of a complex, adaptive system.

The limits of government

Another pervasive theme is the growing realisation, on all sides of politics, in the inherent limits of government. People may come at the argument from all sorts of different angles – technical, institutional, moral, economic. They often come to very much the same conclusion, with more or less reluctance. We can no longer rely on increasingly intrusive, expensive and often ultimately ineffective interventions by the state to solve any and every problem we face as individuals and communities. This, in effect, is at the heart of the so-called 'new politics' being embraced by people like Tony Blair in the United Kingdom and Bill Clinton in the United States.

But the retreat of government is not abandonment. It is a more complex recognition that (a) there are real limits to the tasks and outcomes we can expect government to undertake and (b) given that change of role, we need to determine a new role for government as part of a renewed focus on some persistent challenges – liberty, prosperity, social cohesion, environmental sustainability and so on.

In pursuit of an elusive trifecta

When you dissect much of the contemporary debate about politics, economics and the way in which we arrange our societies in the contemporary world, three persistent themes emerge.

The first is prosperity. Few people argue against a core commit-ment to create conditions within which more and more people can reach for and enjoy a growing level of prosperity (that is, wealth and well-being defined not simply as consumption but including notions of sustainability and social cohesion as well).

The second is liberty. Individual liberty and maintaining some appropriate space within which people can achieve individual and social outcomes of their own choosing and design is hardly a new idea.

Its persistent appeal, though, has gained new impetus from the collapse of communism and the steady growth of various forms of what Novak would describe as 'democratic capitalism'.

And the third is social cohesion. Despite the best efforts of those who have successfully rendered the complexities of the classical liberal belief in markets, liberty and enterprise into the caricature of 'economic rationalism,' the fact remains that a belief in individualism and markets does not undermine an equal interest in the realm of social action, the common good, or a concern for those 'actions in common' which are part of being human.

The conditions for organisational effectiveness

That brief sketch fills in at least part of the picture within which we can make some judgements about the value and effectiveness of voluntary organisations.

Another important part of the picture emerges from evolving ideas about organisations and management. Although the analysis here is brief, the point I want to foreshadow is that organisational theory is moving in directions that are at least consistent with the things that voluntary organisations are supposed to be good at. There may be (and I can still only be tentative) a coincidence between organisational theory's attempt to respond to the changing world and the capacity of voluntary organisations to deliver the very things that will define 'effective' organisations in the next century.

This section of the paper presents a draft 'job description' for an effective organisation, given the kinds of conditions which the previous section briefly sketched.

The idea is to set some standards against which we can achieve two objectives. The first is to make an assessment of the current performance of voluntary associations. The second is to identify some of the changes and reforms that will ensure that voluntary associations continue to make a robust contribution to the mix of Australian institutions capable of helping us resolve the environmental, social and economic dilemmas we face.

Self-transformation: complex, adaptive organisations

The literature on self-governing organisations, especially in the context of managing 'common pool' natural resources, offers some provocative insights both on the nature of effective organisations for common action and, just as importantly, on the institutional supply process (that is, how the right sort of organisations actually evolve to tackle specific

tasks).

For example, Elinor Ostrom (1990) concludes one of her major reviews of the empirical evidence of self-governing organisations in natural resource management by suggesting that:

> Current theories of collective action do not stress the process of accretion of institutional capital. This one problem in using them as foundations for policy analysis is that they do not focus on the *incremental self-transformations that frequently are involved in the process of supplying institutions*. Learning is an incremental, self-transforming process. (emphasis added)

The capacity for organisations to be self-transforming, adaptive and highly flexible becomes especially important if they have to operate in a world where they are adjusting to rapidly changing conditions and demands. That capacity for self-transformation – in other words, to learn-by-doing, to become increasingly successful at the task in hand simply by doing it, learning from each round of experience and making the necessary adjustments in the next round – is perhaps the core attribute around which much of the rest of the 'job description' must be constructed.

As well as the capacity for self-transformation, organisations have to be complex and adaptive, in the sense that complexity theory suggests any successful organism or overall system has always been in order to survive, to grow and to change.

As Waldrop (1992) describes it, complexity theory makes some fundamental assumptions about the way in which complex, adaptive systems – the successful ones – evolve and prosper:

* They are not controlled centrally, but tend to have highly dispersed control mechanisms with coherent behaviour at the institutional level resulting from both competition and co-operation.

* They establish a ceaseless cycle of learning – prediction about the external environment, experimentation, action, feedback, adjustment, more prediction, more experimentation and so on.

* What matters most in that process is the quality of the feedback mechanism. It is in their ability to gather and process information from a thick web of feedback mechanisms that organisations, organisms and systems retain their ability to be (or to become) adaptable, resilient and robust.

Autonomy and local transformation

A second element of the job description has to do with the level of autonomy and 'space' organisations have within which to define and pursue their objectives and tasks. I am reflecting three strands of thinking here, each of which is at least highly suggestive of a set of conditions likely to be increasingly significant in determining institutional and organisational effectiveness.

The first strand reflects Robert Nisbet's analysis of what he called the 'yearning for community' and its institutional implications (1953). Two of his observations seem central here.

The first emerges from his definition of 'community,' one which I continue to find both compelling and slightly subversive. 'Community,' Nisbet suggests:

is the product of people working together on problems, of autonomous and collective fulfilment of internal objectives, and of the experience of living under codes of authority which have been set in large degree by the persons involved.

Several features of that definition are worth emphasising.

Firstly, implicit in his analysis is the observation that organisations, at least to the extent that they represent 'community,' are effective to the extent that they focus on something specific that has to be done.

Secondly, organisational (or community) focus is something that has to come largely from within, and not be imposed from outside. And thirdly, effectiveness has much to do with autonomy, that ability to create space within which the collective and collaborative effort needed to achieve an outcome evolves without external interference.

It is instructive that Nisbet argues that the demise of civil society over the past 100 years (and of the voluntary organisations which, in part, make it up) has much to do with the progressive and often deliberate withdrawal of the tasks and purposes which rendered it legitimate and practical in the first place. It is only when civil society, and its organisations 'in the middle,' actually have a job to do that people are likely to give it (and them) the allegiance and authority from which they draw their legitimacy and power.

Nisbet's definition of community is amplified in his analysis of what happens when, as he explains, 'power is external or centralised' (in other words when that sense of autonomy or space is removed). When that happens, and

where it relieves groups of persons of the trouble of making important decisions, where it is penetrating and

minute, then, no matter how wise and good it may be in principle, it is difficult for a true community to develop.

The second strand of ideas has to do with the focus on local transformation as a central element of effective organisations. That would mean adding to Drucker's description of organisations harnessing knowledge for a specific task the need to focus that effort on a specific place, or places. What matters, in the end, is organisational capacity to get things done, and, more specifically, get things changed (that is, improved).

Towards the end of his analysis of what makes democracy work in Italy, Putnam (1993) suggests that the institutional challenge emerging from his research may well be what he described as 'local transformation of local structures.'

The implication is that part of the challenge of Australian institutional renewal may be to work on a smaller, rather than a larger scale. No-one doubts the importance of institutional effectiveness on a large scale – Parliament, democracy, the rule of law, property rights and so on. Putnam and others give us a hint that we must also worry about our local capacity to take decisions and to harness resources for transformational purposes.

That is a good definition of the very thing that voluntary associations, or at least the kind of associationalism that de Toqueville, for example, noted in 19th century America, are supposed to be able to deliver. In that sense, the performance of our voluntary associations, and the instincts and values on which they feed, should be on our agenda for reform and renewal.

The same point is made by Ostrom and her colleagues who have looked extensively at self-governing institutions for common-pool resource management. When they work well, they work because they are engaged in local transformation – harnessing resources and creating better institutional mechanisms for collective problems solving (or engaging in what Drucker would call 'social innovation') in specific locations.

Within the sphere of urban planning and management, there is a growing interest in the concept of 'place management' (Latham 1996b). What that means, essentially, is changing the focus from a functional, bureaucratic concern with who does what to an outcomes-driven, results-focused concern with solving problems for specific people in specific places by harnessing resources and organisational skills to turn knowledge into action and then into desired results.

Workable responses in the real world

One of the important lessons Elinor Ostrom draws from her work with self-governing associations is that they have the capacity to evolve solutions for the kind of complex problems which emerge in a world characterised by considerable uncertainty and imperfect information. Indeed, part of the case history of the natural resource sector (for example, managing groundwater basins in California) suggests that self-governing associations are especially good at progressively adding layers and layers of accurate and reliable information even as they work to evolve their institutional processes. Getting better at being an effective institution for collective problem solving, and adding to the stock of available information, are interdependent tasks. The model is one almost of institutional 'action learning.'

They achieve that outcome by adhering closely to two fundamental principles. The first is that the institutional response to a problem – in the case of the common-pool resource organisations, a complex problem of managing scare environmental resources – has to be designed and managed largely by the people who live with its consequences.

In other words, at least part of the success of voluntary associations in this context (and Ostrom, and the literature of which her work forms a part, is at pains to point out that they do not work well in every circumstance) is the way in which they bind people close to the collective problem they are trying to solve.

There is something here that seems to be important (as Nisbet implies in his own analysis of community). What we might call 'institutional proximity' seems to matter – the distance between the 'collective' and the problem they are trying to solve. That also implies a significant role for issues of scale and scope – in this case, size definitely matters.

However, in determining what that size and scope should be we must recognise that there are different sorts of efficiency or performance we might be trying to achieve. Economic or 'productive' efficiency is obviously one. But so also is what we could call 'representational efficiency,' or the success with which organisations represent (and respond to) the range of interests and views of their 'members' or 'constituents.' In addition, we need to worry how 'efficiently' organisations transfer information into new knowledge and a new dimension of performance in terms of new products and services (which is how Peter Drucker defines innovation). We need to know how efficiently they mitigate the inevitable transaction costs involved

in generating wider co-operation and mutual action.

The second principle is that self-governing associations are successful to the extent they can build into their design a capacity for self-transformation and incremental improvement. In the management jargon of the moment, they are classic examples of 'learning' organisations, capable of taking their own experience (and especially their own errors) as the basis for reaching increasingly more demanding levels of performance.

Managing paradox

There are any number of books and articles at the moment extolling the virtues of organisations that have learned the art of managing paradox. Recognising the paradoxical nature of human experience – and therefore of organisational performance – has become almost a defining paradigm for the study and improvement of post-modern organisations. [1]

That these paradoxes are neither new nor especially original is not really the point. What is important now is that organisational effectiveness is increasingly being judged as the capacity, for example, to achieve:

- Both a sense of individual achievement and corporate performance, to recognise that 'individualism' and 'community' are not opposites, but that each provides the essential context within which the other can be realised. [3]

- A simultaneous allegiance to local autonomy and purpose and a higher corporate or 'collective' purpose.

- An intensely local or even parochial set of practical outcomes and achievements by drawing on the capacity to compete globally.

To give a very practical example. Organisations can no longer look for a simple or singular answer to the perennial dilemma about whether to centralise or decentralise. The debate about whether structures that rely on a high degree of central control from 'head office' are more or less successful than those that rely on extensive devolution to more or less autonomous business units has been rendered obsolete. For most organisations, it is no longer (assuming it ever was) an either-or proposition. The task is more complex and complicated. The question has become how to design what Vincent Ostrom calls a 'polycentric' institutional system in which power, resources, authority and accountability reflect the paradoxical reality that people are affected by both local action and national or international demands.

Contemporary, accessible and authentic

In the *Atlantic Monthly*, Charles Trueheart (1996) reviewed the rise and rise of what he called 'the next church.'

Trueheart's thesis is stated early in his piece:

The Next Church ... is drawing lots of people, including many Americans with patchy or blank histories of church-going. It constitutes, its champions believe, a distinctly American reformation of church life, one that transcends denominations and the bounds of traditional churchly behaviour. As such, it represents something more: a reconfiguration of secular communities, not just sacred ones.

The churches Trueheart reviews are, without any doubt, a manifestation of the instinct for voluntary association. They also seem to reflect the search for meaning and context in an age (and perhaps a nation) in which the triumph of the secular over the sacred often appears to be more relentless and complete than in other comparable, western industrialised countries.

But what struck me about the analysis was Trueheart's observation that those joining these new churches were looking, as he describes the members of one particular church, 'for membership in a community, with its benefits of friends and solace and purpose and the deep satisfaction of service to others.' And then he identifies the critical point:

Churches like Mariners are drawing a flock of previously unchurched or unhappily churched people by being relentlessly creative about developing forms of worship ... that are *contemporary, accessible and 'authentic.'* (my emphasis) [4]

Those three words – contemporary, accessible and authentic – struck me as being highly significant performance standards (or perhaps more accurately, design specifications) for successful voluntary associations. Think about the recent efforts by the Girl Guides (both in America and here in Australia) to make the movement more interesting and appealing to modern teenagers (less cooking and more computers), or the recent press coverage in which the surf life-saving movement complained of the difficulty of maintaining interest in the traditional values and activities of the movement beyond the 'nipper' stage.

I can think also of the work I did recently with the Youth Hostels Association of Australia, grappling with the very real, commercial pressure on what remains an essentially voluntary movement of the

rise of new forms of backpacking and cheap travel for young people. The YHA (in line with the youth hostel movement around the world) has had to change some of the basic rules and values of its hostels to render them more appealing to young people who now find they can get the same access to cheap accommodation without the 'values overlay' they find constricting and out-of-date.

AFS International Exchanges, a leading non-profit organisation involved in student exchanges, celebrates 50 years of activity this year. But its current focus is on ways to make its values and mission both relevant and compelling to a contemporary world. In other words, longevity is not necessarily a condition of continued existence.

For voluntary associations no less than for commercial and public sector organisations, the imperative to remain contemporary, accessible and authentic (in the sense of responding to changing values, aspirations and individual priorities) holds a place somewhere close to the top of the 'how to survive and prosper' list.

Putting knowledge to work

In the society of organisations which Drucker (and many others) predict, there is one overwhelming imperative if growth, survival and longevity are to be the institutional outcomes. Organisations have to become exceptionally good at quickly translating knowledge – and often, as Drucker reminds us, more and more specialised and fragmented bits and pieces of knowledge – into new insights which become the basis for new ways of producing goods and services that meet contemporary needs and values.

That process – from knowledge to insight to new product or service – is now the 'fault line' around which institutional success or failure is being defined and measured (whether in purely commercial terms or in terms of the more complex and layered values which most voluntary associations are trying to pursue).

That the capacity to put knowledge to work has become an increasingly significant competitive asset has been identified by a number of commentators. Herbert Giersch (1996), for example, notes that

> Knowledge is especially important nowadays. We there-
> fore have to assign a high moral rank to the institutions
> which create, multiply and help apply knowledge or help
> to economise on required knowledge.

In their study of what they described as the 'implications of non-linear thinking on organisations and society,' Parker and Stacey (1995)

also dwell on the significance of 'the discovery, dissemination and integration of knowledge.'

Horses for courses – institutional 'biodiversity'

In his essay on economic morality as a competitive asset (1996), Herbert Giersch makes the important observation that:

... the discovery procedure of competition works when at
least one participant is allowed the freedom to do some-
thing different from the others – while the rest are left to
pursue their follies.

Later in his analysis, Giersch links that value of divergence and dissent to people's willingness and ability to act co-operatively out of a voluntary spirit of self-discipline. What he terms 'genuine independence' is only enjoyed, he suggests, 'by those who accept the many advantageous ties voluntarily and do so voluntarily out of self-discipline.'

So perhaps another performance attribute in our job description for successful organisations is organisational or institutional diversity. What we need is a rich and robust 'menu' of organisational forms and institutional structures from which to choose to apply to various types of collective problem solving.

It is interesting that, in her review of non-profit organisations and their role in economic theory, Susan Rose-Ackerman (1996) suggests that a significant benefit of non-profit organisations is the 'signalling' role they fulfil. People's ability to form non-profit organisations and to band together voluntarily for various specific purposes provides a clear signal to the market place of the existence of different priorities, values and needs.

Rose-Ackerman emphasises the ability of non-profits to offer people an institutional outlet for ideologies and preferences. They allow people, in Giersch's terms, to be different and to strike out in directions which may be contrary to (and maybe even subversive of) mainstream organisational and market directions.

Their capacity to give people an institutional home they wouldn't otherwise have had, and to fill a genuine niche (bearing in mind, always, that no matter how passionate the cause, non-profits only survive by their ability to attract cash and customers over the long haul), make them important players in the overall institutional mix.

The corollary of that insight is an equally important warning which Rose-Ackerman directs at regulators. Given its contribution to institutional diversity and dissent, regulation of the non-profit sector 'should

not impose uniform quality standards' except in basic areas such as health and safety issues and avoiding obvious abuses (presumably including basic things like proper accounting and financial management and appropriate standards of governance, control and accountability).

'Heavy handed regulation,' she argues

... will undermine the benefits of ideological diversity and service differentiation. A lightly regulated nonprofit sector may provide higher levels of both diversity and quality than a regulatory regime that eliminates the differences between organisational forms.

She also, significantly, warns against government subsidy programs for non-profits. Despite the obvious short-term attractions, such programs 'threaten to dilute the value of the signal sent by the nonprofit form.'

In much the same way that, over recent years, we have come to recognise and value the importance of biodiversity as a foundation principle of environmental survival and ecological sustainability, so it seems we need to embrace the notion of institutional 'biodiversity' which nurtures and seeks to extend the range of institutional forms on which we can draw, and the 'habitats' in which they flourish and can work most effectively.

How do voluntary associations measure up?

I have surveyed briefly some of the conditions that define the sort of world in which voluntary organisations are going to have to perform and succeed.

Against that backdrop, how might we assess the prospects for voluntary associations in the Australian context?

Whether or not voluntary associations are effective and have a future depends in large measure on their ability to adapt to a world where:

* The problems we are grappling with as part of the lives we share in common are highly contingent, complex and volatile.

* The apparently reassuring institutional and policy foundations we have inherited from a less anxious and less turbulent age have been replaced by what Warren Bennis, in another context, has termed an age of 'agonising doubts and paralysing ambiguity' (1995).

- People are searching for a more convincing integration of their sense of themselves as distinct and autonomous individuals, capable of reflection and moral choice, and their irrepressible instinct for solidarity, social cohesion and community.

The assessment I have developed is inevitably tentative and incomplete. To be honest, I have some difficulty sifting through the evidence of my own work and the relevant literature to arrive at a clear and consistent conclusion (which is perhaps itself a sign of the times). Nevertheless, what I done is to list some of those features of voluntary associations which I believe are more or less suited to the institutional task with which the contemporary world has confronted them.

Part of my assessment also includes some specific concerns which my own direct involvement in this sector suggests might be at least part of an agenda of institutional reform in the voluntary or social sector.

Some strengths and successes

These seem to me to be some of the enduring strengths and successes from which voluntary associations can construct a reform agenda of change and evolution.

Voluntary associations can still be successful 'schools' in which the habits, skills and values of self-government and collective problem solving can be learned. In that sense, voluntary associations, as de Tocqueville noted, are important sources of a set of instincts for association which, in turn, nurture and demand skills and values which radiate outwards into the wider world of organisations and of society itself.

Voluntary associations, in certain conditions, are highly effective at getting the job done, especially when there is a need to organise knowledge, expertise and resources in ways that are highly flexible and responsive to local needs and circumstances. It is instructive, for example, that when Australia faces its annual crises of bush fires (this year, in Victoria especially), it is to a largely voluntary organisation we turn for the most effective response, and one which combines organisational flexibility and discipline with the very best traditions of associationalism and often heroic commitment to place and people.

Think also about meals on wheels, the Red Cross blood bank and the extent to which the public sector uses voluntary associations to deliver programs and services in often complex and difficult areas (for example, drug education and rehabilitation, unemployment and train-

ing, homelessness). In many situations, voluntary associations do a job which simply would not get done any other way (bush fire fighting, at least some part of the task of educating our community and looking after its health) or which no-one else has the skills, the commitment or the passion to undertake (housing the homeless, counselling the despairing, building up self-esteem and confidence on an individual basis).

The autonomy of voluntary associations remains a significant strength, at least theoretically. Despite the difficulty of maintaining that sense of independence and dissent in an era when many associations have been more or less successfully co-opted as outposts of one bureaucratic empire or the other, there is some evidence to suggest they have struggled to protect the space in which they can be contrarian and divergent (Keen 1995).

As an institutional form, voluntary associations are capable of a high degree of differentiation both in terms of place and interest. Associations can be created for just about every conceivable purpose and to meet the needs of an audience (or a group of customers) which can be as narrow or as broad as makes sense. These are institutions whose instincts can be fiercely parochial (the local playgroup, the school Parents' Association, the local netball club) or ambitiously transcendent (Amnesty International, various of the international environmental groups, the Catholic Church). In that sense, it is an institutional form which, at least in theory, is infinitely malleable. It can be stretched and shaped to fit any combination of scope, size and intent.

Some weaknesses and shortcomings

Conversely, these are some of the weaknesses and shortcomings with which voluntary associations have to contend (and which they have to overcome as part of the reform and change process).

The very thing that makes voluntary associations so attractive – a passionate commitment to the cause, however it might be defined – can also render them slow to change, to adapt, and to evolve forms and processes which might render them more contemporary, accessible and authentic. The people who form voluntary associations tend to have strong opinions about how they should look, how they should behave and what is or is not an acceptable way to adapt to change.

Those views can quickly transform into blocks of implacable opposition to different ideas about institutional form and focus from others who share the same commitment but whose values are informed

and shaped by a different, usually more contemporary experience. So it is not unusual for voluntary associations to become paralysed in the face of an urgent imperative to change (for example, falling membership, financial ruin or internal dissent and factionalism) between the 'old guard' and the 'new guard.' The battle then becomes an emotional struggle to be seen as the legitimate 'keepers of the flame' and to paint the opposing group as heretical. These are battles whose dimensions quickly reach positively theological proportions. However they play out, the consequences are the same – myth and propaganda become the currency of an organisational debate which loses sight of an agenda that ought to be driven by the search for cash, customers and a contemporary legitimacy in the eyes of members and the wider community.

Unwillingness to change organisational form and focus has the ability to disenfranchise those whose instincts for voluntary association might well be strong, but who are less willing than previous generations to pay what they see as the high transaction costs associated with the old forms of association and membership (witness, for example, the rapid growth in many forms of non-traditional sporting activities which abjure the traditional structures of the national association for a more flexible and less demanding involvement, often supplied by the commercial sector).

The question in my mind then becomes not so much whether people are more or less willing to associate voluntarily, but whether or not their willingness is being undermined by the absence of sufficiently contemporary and attractive ways for them to do so.

Voluntary associations often suffer from an inability to mediate the paradox between democracy and outdated notions of accountability on the one hand and the need to take risks, to be innovative and to be entrepreneurial on the other. Especially where they have grown into large organisations with a strong regional, state and even national focus, the lines of communication and decision-making have often grown sclerotic, clogged by accretions of committees and sub-committees and stretched to the point where they have fragmented into small, disconnected and incoherent pieces.

If one of the key tests of organisational effectiveness is the speed with which knowledge is translated into fresh perceptions and then into new programs, services and responses to the changing external conditions, then many voluntary associations have constitutional and cultural constraints which will render then slow and ponderous in a world which will reward speed, acuity and the ability to quickly build

consensus and focus.

Another potential weakness which voluntary associations have to grapple with is partly a function of a trend that has been imposed on them. Given the growing link between voluntary associations and government at all levels, there is a growing confusion about the extent to which the real value of voluntary associations is intrinsic or instrumental. At least one thread in the debate identifies strongly the intrinsic value which association members draw on to justify the time, effort and energy they invest in its work. For them, the association is important because it exists and because it offers them an arena within which to pursue entirely member-focused and 'selfish' ends. The point is not so much what the organisation achieves, but rather the nature of the space it creates for members to pursue what members think is important (choral singing, helping abandoned animals, reading poetry, playing hockey).

Although members themselves may not necessarily appreciate it, the focus on an intrinsic value provides one of the crucial barriers which voluntary associations set up to repel the advances of the state or any other group anxious to limit their activities or somehow take them over. This is a notion of voluntary associations as 'organisations in the middle', bastions of freedom and individual liberty and protectors of the space within which we can be divergent, contrarian and idiosyncratic.

Against that view has emerged what for some has been a troubling trend to see voluntary associations – at least in some contexts – as valuable because of their instrumental value. So, especially in the area of social policy and community development (but also in the arts, sport and leisure, and health), voluntary associations have been co-opted to deliver government programs and services. They have been used because they are supposed to be more flexible, more responsive and closer to the recipients of whatever assistance is being offered. The associations, in turn, have seen the offer of government funding as an answer to the perennial task of attracting cash and customers as a way to stay alive.

The problem, as Rose-Ackerman and others have pointed out, is that the bargain has turned out to be somewhat Faustian. Associations in that category have sold their souls. Financially, they may be secure (at least while the government funds flow). But, at least for some, they have betrayed the original purpose and value of the association, which remains its capacity to prosecute an agenda whose dimensions, values and passions are dictated by its own members and its own peculiar

ideologies, and not by the increasingly onerous demands of the sponsoring department or, more and more these days, of the auditor-general.

Finally, many voluntary associations are still grappling with the distinction between members and customers. Does the organisation exist to serve the interests only of those people who join (or become members), or of those who may not want to join in the traditional sense, but may still be willing to be part of the organisation through the more contemporary concept of 'customer.'

An interesting potential dilemma which this distinction throws up is the growing professionalisation of voluntary associations, especially in their executive management (and even, to a lesser extent, in their governance). As associations try to stay up with the pack, they find themselves in the hands of professional managers, hired for their managerial skills, not necessarily for their commitment to the cause (however defined). They need not necessarily, in other words, be true believers. They need only be good managers. As that continues to happen, there is a tendency for organisations to shift towards a more commercial supplier-customer relationship with their markets. And that leads to a situation where the distinction between voluntary association and commercial service provider becomes (or could become) blurred. At what point along that continuum (assuming that is what it is) does the association transform into a new institutional form which is neither capable of, nor interested in, supplying those significant values, skills and habits of self-government and voluntary social collaboration?

An agenda for research and reform

The question then arises as to what we should be doing to understand better the role, impact and potential of voluntary associations as part of an Australian institutional mix for the next millennium.

My contribution to that debate, which draws on the analysis and observations in the earlier parts of this paper, takes the form of a series of questions. I have used this form because I think it is important to keep the debate as open and as exploratory as possible.

My intention is not to close off options or to suggest an inappropriately conclusive agenda that will brook no further debate or contention (hardly a credible ambition in any event). The point now is to agree, firstly, whether these and other questions are the right ones on which we should be focusing our attention and, if they are, to think how we might undertake the theoretical and empirical work to start

evolving some Australian answers.

1. How well do we measure and understand changes in the membership of voluntary associations in Australia? When numbers go up or down, do we know why?

2. How successful are voluntary associations at creating and applying social capital? Are people involved in voluntary associations learning practical lessons about social capital, civic engagement and the skills, habits and values of voluntary collaboration and collective problem-solving (i.e. an Australian ethic of associationalism)?

3. How successful is the transition between the skills learned in membership of voluntary associations and the skills needed to make other aspects of our commercial and social life – and the functioning of democracy itself – successful? Are voluntary associations, on the verge of the 21st century, the same successful nurseries of social solidarity and adaptability that de Tocqueville identified in American in the 19th?

4. How successful is the organisation and management of voluntary associations, especially measured against the criteria of transforming knowledge into new insights to deliver new products and services (innovation), adapting organisational structures and processes to meet new conditions (organisational change) and the ability to learn from experience to become more effective and responsive (self-transformation)?

5. How successful are voluntary associations at what Drucker calls 'systematic abandonment' – which means the process of deliberately changing products, services and processes to reflect changes in technology, patterns of demand, social values and external economic conditions?

6. What is the link, in contemporary Australia, between people's experience of social capital formation and civil society and their links to voluntary associations? In other words, where (if at all) are contemporary Australians learning their skills of civic engagement, of trust and voluntary collaboration for successful collective problem-solving? If it is not through traditional membership of voluntary associations, are they accessing other forms of association to serve the same purposes?

7. Have we defined appropriate and sensible measures by which we can track the way in which social capital, community and a

contempoary notion of civil society are actually manifest in Australia?

8. Do we know enough about the Australian experience with voluntary associations and other institutional forms which create (at least potentially) social capital, and which rely on and reinforce the values of trust, engagement, successful voluntary collaboration and the virtues of local transformation? Is there a distinctively Australian tradition of associationalism on which the next wave of institutional reform should be drawing for inspiration, direction and experience?

9. What is – or ought to be – the proper relationship between the state and voluntary associations? What is the appropriate regulatory framework for government to impose proper prudential and behavioural standards without diminishing or constraining the institutional 'biodiversity' with which Australia can face the complex social, economic and environmental challenges of the next century?

10. How successful are voluntary associations in providing people with an institutional form within which they can lay claim to the territory beyond the individual called the 'common good'? Are voluntary associations actually very good at supplying institutions that allow a sense of the 'common good' or the notion of the 'collective' to exist other than through the activities and programs of the state? How successful, in other words, are voluntary associations in teaching us how to address the 'common good' in ways which are independent, voluntary and which 'maintain in good order the institutions, morals and habits fundamental to freedom'? (Green 1993).

Some conclusions

It is a bit hard to draw together the themes and ideas I have sketched out in this paper. As I admitted at the start, I find myself often in something of a 'no man's land' on these issues, equally compelled by the alluring promise of the potential that voluntary organisations (at their best) hold out and somewhat despairing of their viability or usefulness in the sort of world we are making.

The other factor that demands at least some caution and circumspection is the sheer variety of the 'species.' The fact is that voluntary organisations are not just prolific in their numbers, but hugely different in their mission and scope. To try, in that context, to come up with

conclusions about their potential performance in the new century is in danger of missing the point.

But if I had to summarise that best that we might expect from voluntary organisations, and the instinct for robust and practical associationalism from which they draw their strength, I would identify these issues:

- At their best, they are 'social capital at work,' providing an institutional nursery for trust, civic engagement and the ability to combine, voluntarily and independently, organisation skills and resources to achieve shared aims.

- They are practical institutions that work in the real world

- They are institutions whose instincts reflect, and therefore nurture, an appreciation of the link between liberty, autonomy and social cohesion. In that sense, they are organisations which, at their best, instinctively mediate the paradox between 'mere individualism' and a sense of the wider social context in which individuals act.

- They 'operationalise' the instinct for association and community in the sense Nisbet defines (people working autonomously to achieve ends which they largely shape and whose legitimacy derives from below, not from above) – in other words, they are 'bottom up' and not 'top down' organisations.

- They offer a way to lay claim to the territory that others call 'the common good,' in which individuals need to act collectively (but not coercively) to solve problems and to secure some space for the exercise of social and moral authority distinct from political power.

Another way of defining these claims is to relate them to a set of defining characteristics whose manifestations in the structure, governance and operation of voluntary associations are likely to determine their viability and performance. I would list those characteristics as follows:

Authentic

People sense their mission and purpose makes sense in a contemporary world. Authenticity is not a function of age. The oldest, most established organisations can remain authentic and contemporary (or lose themselves is a miasma of nostalgia and redundant tradition). Similarly, relatively young organisations can 'lose the plot' and be

sidelined by a failure to renew and respond to what is going on outside the organisation.

Accessible

Organisations should operate in ways that make it easy for people to contribute and add their skills and expertise. They are not hide-bound by rules and regulations whose value has long since been surpassed by the changing world around them.

Purposeful

People in the organisation (and outside it) will recognise that the organisation's structure, systems and skills are all driven by a clear sense of purpose (what Drucker calls 'managing for the mission'). That, in turn, provides the organisation's basic mandate or reason for existing.

Customers

Organisations, in the end, need customers. That is, they need people who need them. If customers aren't coming any more, or if other organisations seem to be able to find those customers more effectively, that means the organisation is in trouble. Expecting other people to keep it going (by providing funding or other forms of support) is neither sensible nor sustainable.

The real question is whether this organisational form can work in the post-modern world. Are we being driven by a peripheral search for a sense of organic context and belonging? Are we trying to recreate an era when people's chief loyalties and allegiances were local and focused on their immediate community?

Or perhaps we are trying to have it both ways. Perhaps we want to have a little bit of community, but, at the same time, continue to enjoy the openness and cosmopolitan freedom of the enlightenment that freed us from the worst excesses of community – parochialism, fear of strangers, persecution and discrimination and a crushing narrowness and introspection. And perhaps, in the end, it is that project that constitutes a post-modern exercise in romantic futility?

One thing that does seem to me to be unequivocally clear is that voluntary associations have little future (as Nisbet explained) unless they have a job to do, a reason to call forth people's practical commitment, passion and allegiance.

I wonder how well we can devise institutional forms that avoid the descent into new forms of tribalism by tempering the instinct for

parochial and often exclusive solidarity with what Giersch calls the 'cosmopolitan dimension.' More generally, how successful can we be in designing an institutional framework which combines the best of what he calls *tribal morality* (which is 'instinctual, community-oriented, communistic'), *civic morality* (which is, 'by contrast, an ethics of individual responsibility; it is the morality of the open society') and *cosmopolitan morality* (whose fundamental principle is non-discrimination and the concern to break down the inevitable protective walls of civic morality – 'treat those who are more distant from you no worse than your friends and close neighbours').

Daniel Bell in his study of the 'cultural contradictions' of capitalism, expressed a similar concern, but with perhaps less optimism about the answer:

> Given what we know about the nature of man, the dream of the Enlightenment to make mankind one – its dream of Reason – is futile; those who live in the continuity of generations necessarily must live in the parochial identities that sustain them. Yet to be parochial alone is to be sectarian, and to lose ties to other men, other knowledge, other faiths; to be cosmopolitan alone is to be rootless. One, then, necessarily lives in the tension between the particular and the universal and accepts that painful double bind of necessity. (1976)

Voluntary organisations are an institutional form at least potentially well suited to the needs, circumstances and demands of the contemporary and emerging world. The things they do well are things we need more of in the contemporary world. But if they are going to be successful, it will be a function of their ability to respond to the 'job description' for successful institutions and organisations. In other words, are they up to the standards I have spelled out in the job description?

Part of the answer may lie in the observation by former NSW Premier Nick Greiner (1995) who defined a core proposition as the basis for institutional renewal in Australia. It stands, perhaps, as a useful preface to the task of renewal and reform in voluntary associations:

> Institutions which have successfully transcended these dilemmas are, like civic capitalism itself, tailored to respond to the way the world is – imperfect, unpredictable, contingent and full of human frailty. The task is not to create a social utopia, which is somebody's definition of

unachievable perfection. The challenge is both more modest and more demanding. The challenge is to create and sustain institutions which help us to regulate our life in common so we that can solve the problems we face, build cohesion, association and solidarity, and still preserve the integrity of individuals and their capacity for moral choice and action.

Notes

1 See for example David Green's analysis in Green, 1993. Green's point, made early in the book and primarily in response to Margaret Thatcher's famous, and usually misquoted, assertion that 'there is no such thing as society,' is that there is such a thing, but that it is not the same as the state. Green's analysis highlights the critical focus on the 'space' which exists beyond individuals and families, but not as far as the state or the machinery of government, which is the territory in which we need to be able to act collectively (but not coercively) to achieve important social outcomes.

2 Think, for example, of the recent writings of the British management and organisational theorist Charles Handy, *The Age of Unreason* and *The Empty Raincoat*. I read recently an interesting management book entitled *Paradox – the next strategic dimension* – since which I have noticed a number of new texts on the management bookshelves which embrace the alluring promise of paradox as a way to grasp the defining ambiguity of post-modern organisational life.

3 See, for example, Michael Novak's claim that we need to move beyond what he terms 'mere individualism' (Novak 1990, 14).

4 Trueheart points out that these new churches are not 'television ministries: they are cohesive congregations. Their adherents are not the people who faint in revival tents, who knock on one's door with pamphlets ... the average mega-church person, no matter how intense his or her love of God, is a more buttoned-up, socially inhibited person – an average American, that is.' And he notes that many people travel considerable distances to attend these new churches:

   People don't work in their neighbourhoods. People don't shop in their neighbourhoods. People don't go to the movies in their neighbourhoods. So why should anyone expect them to go to church in their neighbourhoods? They'll drive right by the small churches in their neighbourhood to get to attend a larger one that offers more in the way of services and programs.

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Andrew Norton

Mark Latham

Gary Sturgess

Martin Stewart-Weeks