

The left needs to get social capital right, read *IPA Review*

Louise Staley: ‘Social capital’ is the most important social theory idea over the past two decades. In opposition and now in government, the federal Labor Party has spent a lot of time talking about social capital.

Labor believes that social capital is created by government, not created by the invisible hand of the market and society. Certainly social capital has much to offer government to think about the complexity of civil society. But social capital is not a synonym for the nanny state.

Kevin Rudd enjoyed his time as opposition leader discussing whether or not Adam Smith was an economic rationalist. But Rudd’s Adam Smith is all *Theory of Moral Sentiments* and no *Wealth of Nations*.

Some of the ideas of the new government do not bode well for social capital. Prior to his election Mr Rudd spoke of the role of government in creating social capital and the role of social capital in instilling virtue. In the months since he came to power, glimpses of what that means are becoming apparent. For example, the government plans to extend police checks in aged care facilities, despite no evidence that testing staff and volunteers does anything other than reduce volunteering. If the Rudd government really is serious about building social capital a good starting point is the excessively prescriptive government regulation that inhibits volunteering and civic life.

Although not the first to write about it, Professor Robert Putnam of Harvard University is most often credited with the immense popularity of social capital.

The themes of his book *Bowling Alone*—the decline in community and the disintegration of social structures—struck a chord particularly with Americans living with frighteningly random

car-jackings and small-town decline.

A few years ago the *Australian Journal of Social Issues* credited the IPA for bringing the idea to this country—‘in 1994 Putnam’s views were first introduced to Australia, through a paper in the *IPA Review*, the magazine of free market think tank, the Institute of Public Affairs.’ In the article entitled ‘What makes democracy work?’ Putnam discussed the importance of the development of trust in economic and social development, particularly in the development of credit markets.

Since then social capital has evolved into a mainstream, if controversial issue in public policy research and practice. Governments of all hues have recognised the role social capital has in policy areas as diverse as welfare reform, food safety regulation and town planning. As Robert Putnam put it, social capital is the idea that ‘features of social organisation, such as trust, norms, and networks ... can improve the efficiency of society by facilitating coordinated actions.’ Social capital is important because it links economic prosperity with how societies and communities operate. Greater prosperity occurs where there are multiple overlapping voluntary networks and people are civil to each other.

Publishing Putnam in the *IPA Review* was just the beginning of the IPA’s interest in social capital. Over the past 14 years the IPA has engaged with social capital across a wide range of policy and theoretical areas.

Although some left-wing academics have attempted to redefine social capital as some sort of alternative to sound economic analysis or a panacea for all society’s ills, the IPA has explored the role of social capital within a market based economy with particular attention to the role of volunteering. As long ago as 1995 the IPA commissioned a survey of the condition of Australian voluntary associations and explored the prospects for social capital as the post-war generation of active

volunteers wound down their activities. This was the first empirical work specifically tied to social capital theory in Australia.

In more recent times the IPA has moved beyond identifying the causes and constraints on social capital to addressing how social capital can be applied by public policy makers. Ross Fox examined the treatment of civil society organisations by the legal and taxation systems. And Vern Hughes published a groundbreaking reconceptualisation of how disability and mental health services could be delivered. At the heart of Hughes’ argument is a call for a greater involvement of family, carers and civil society in the delivery of services and creation of meaningful social activities for some of society’s most vulnerable people.

Key to all aspects of the IPA’s work on social capital is the understanding that the creation of social capital is from the interaction of individuals, social norms and institutional settings. The state does not create social capital; it creates the environment where social capital can flourish or wither. Social capital flourishes when people have the time, inclination and capacity to invest in their communities. Social capital is eroded when government rules either put up a barrier to volunteering or government meddles in areas best left to individuals and families within their communities.

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