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***Social Capital, Fukuyama in the Henhouse, and other Dangers to the Family and Community***

After two decades of economic globalization, new attempts are made to reassess social structures and their evolution during this period. Although the central theme of the debate is social capital the aims and the final use of its conceptual frame work differ, without anyone of the detractors having a universally acceptable definition. One of the reason why there is not an attempt made to reach consensus on the definition of social capital as a viable concept is because there seems to be a tug-of-war between social theorists on the one side and neo-liberal political thinkers in the likes of Francis Fukuyama on the other side. I will for my part try to put a „*modest*” historical perspective on the matter.

**Preview: the real intensions of Francis Fukuyama and the neo-liberal school of thought.**

French philosophers and sociologists have tackled with the idea of defining the concept of social capital since the time of Jean-Jacques Rousseau. All the efforts since then have gone into the creation and a continuous renewal of the French Republic. In this sense the notion of social capital is closely embedded in republicanism and the democratic and other social institutions which together form it, the basic principle of „*human rights*” as the guiding force. In sociological terms these relations were borrowed from pre-existing institutions like the „*family*” and other forms of traditional „*communities*”. This is not forgetting the fact that republics, in whatever époque they came into existence, represented a degree of modernity in the face of their traditional counterparts because they were able to transcend some of the closed and restrictive aspects of the former.

Although the republic represented an improvement on institutions like the family, we should be careful not create an opposition between these two structures. The intermediate institutions (family, village, geographical community etc) standing between the individual and the republic all share the same basic characteristics, namely that of „*solidarity*”, rudimentary forms of „*social justice*” and, building and sharing a „*common destiny*”, specific to a particular community. In this perspective social capital as notion cannot be studied, understood and used for policy formation, in isolation with the concept of solidarity. At this point Francis Fukuyama breaks ranks; he reduces social capital to one of the „*factors*” that produces economic „*efficiency*”, output and outstanding GDP. On the surface of it there is nothing wrong with this but pushed deeper this logic reveals itself to be a fundamental danger to social capital and social justice in all its forms.

This attempt is nothing more than neo-liberalism reinventing itself and penetrating itself into one of the last bastions of defense against the rollercoaster effects of globalization and failures of neo-liberal policies all over the world: „*The issue, for most societies, is whether they are net losers or gainers from this process, that is, whether globalization breaks down traditional cultural communities without leaving anything positive in its wake, or rather, is an external shock that breaks apart dysfunctional traditionals and social groups and becomes the entering wedge for modernity*”.<sup>1</sup> Fukuyama would like to redefine social capital in such a way that it will no longer represent a hindrance to global capitalism in the form of trade unions, conservationists, and protest groups against corruption or ultra-mondialists trying to define alternative economic models. This shows the importance of the notion of „*Social Capital*” in contemporary debate on the need for „*social structures*” to adapt to „*economic changes*”, which are projected as „*indisputable*” path upon which everyone should tread.

Like in his analysis of Liberal democracy and its dialectical evolution in history, Francis Fukuyama uses the logic of a natural scientist, far from the logic used by some of us who always think that things cannot be so simple. Fukuyama begins by brushing off „*misconceptions*” about social capital and its definition: „*The norms that constitute social capital can range from a norm of reciprocity between two friends all the way up to complex and elaborately articulated doctrines like Christianity or Confucianism. They must be instantiated in an actual human relationship: the norm of reciprocity exists in potentia in my dealings with all people, but is actualised only in my dealings with my friends. By this definition, trust, networks, civil society, and the like, which have been associated with social capital, are all epiphenominal, arising as a result of social capital but not constituting social capital itself*”.<sup>2</sup> Those who think that social capital is a new reincarnation of things like tradition, morality, code of conduct and other ethical behavior are called to reason by Fukuyama. Max Weber could well turn in his subterranean endowment.

We know what is not, so let us turn to Francis Fukuyama for a „*scientific*” definition of social capital: „*Perhaps the reason that social capital seems less obviously a social good than physical or human capital is because it tends to produce more in the way of negative externalities than either of the other two forms. This is because group solidarity in human communities is often purchased at the price of hostility towards out-group members. There appears to be a natural human proclivity for dividing the world into friends and enemies that is the basis of all politics. It is thus very important when measuring social capital to consider its true utility net of its externalities.*

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<sup>1</sup> Francis FUKUYAMA: *Social Capital and Civil Society*”, The Institute of Public Policy George Mason University October 1, 1999; Prepared for delivery at the IMF Conference on Second Generation Reforms, [www.imf.org/external/pubs/ft/seminar/1999/reforms/fukuyama.htm](http://www.imf.org/external/pubs/ft/seminar/1999/reforms/fukuyama.htm)

<sup>2</sup> FUKUYAMA: *Ibid.*, see section I: *What is social capital?*

*Another way of approaching this question is through the concept of the "radius of trust". All groups embodying social capital have a certain radius of trust, that is, the circle of people among whom cooperative norms are operative. If a group's social capital produces positive externalities, the radius of trust can be larger than the group itself. It is also possible for the radius of trust to be smaller than the membership of the group, as in large organizations that foster cooperative norms only among the group's leadership or permanent staff. A modern society may be thought of as a series of concentric and overlapping radii of trust. These can range from friends and cliques up through NGOs and religious groups." This so called radius of trust was at the center of the village life and constituted the core rudimentary institution of a traditional community. So what is that which distinguishes it from industrial or post-industrial emanation of trust?*

Although Fukuyama does not contest the existence of trust in traditional community he nonetheless sees a fundamental flaw in it: „...*traditional social groups are also afflicted with an absence of what Mark Granovetter calls "weak ties," that is, heterodox individuals at the periphery of the society's various social networks who are able to move between groups and thereby become bearers of new ideas and information. Traditional societies are often segmentary, that is, they are composed of a large number of identical, self-contained social units like villages or tribes. Modern societies, by contrast, consist of a large number of overlapping social groups that permit multiple memberships and identities. Traditional societies have fewer opportunities for weak ties among the segments that make it up, and therefore pass on information, innovation, and human resources less easily*”.<sup>3</sup> From this it is clear that Fukuyama treats the structures of traditional society as a kind of mafia grouping where the bonds of trust are very strong inside the formation but are often „*conflictual*” and „*coercive*” with the outside world. In fact he sees Chinese society, which uses Confucian ethics as the rule of the game, as structurally flawed because it produces corruption instead of the well awaited benefits from social capital. Fukuyama is conclusive of his propositions: „*In many Latin American societies, a narrow radius of trust produces a two-tier moral system, with good behavior reserved for family and personal friends, and a decidedly lower standard of behavior in the public sphere. This serves as a cultural foundation for corruption, which is often regarded as a legitimate way of looking after one's family*”.<sup>4</sup>

Fukuyama and his American contemporaries are evidently biased in their treatment of social capital by focusing only on the immaterial part of social capital. There are reasons for this: material aspect, or social infrastructure as some would say, does not fit either into the neo-liberal school of thinking or the

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<sup>3</sup> FUKUYAMA: op.cit.

<sup>4</sup> FUKUYAMA: op.cit.

„*privatization of the welfare-state*” policies preached by the World Bank or the International Monetary Fund. It looks like the purpose of this reorientation is to place the ongoing debate on the role of the State on such a direction that past or present attempts on reducing the role the state will not be contested. Since those who oppose globalization are also those who want the State to actively „*regenerate*” the „*public sphere*” – one of the key aspects of social capital. The talk in these circles is not a reduction of the state but an increase in its proactiveness. So one of the aims of this current study should be to reintroduce the physical aspects of social capital into the debate.

Another trend, and the undercurrents of the actual debate, is to recast traditional institutions of social capital in a negative light. Fukuyama and his neo-liberal clones speak about families, villages and tribes as if these have an isolated existence, totally closed from the outside world, living in perpetual darkness. This is not the case. Pierre Bourdieu and Immanuel Wallerstein<sup>5</sup> have long conceptualized and explained the historic reality: the world, starting from around the 12<sup>th</sup> Century A. D. was a matrix of interconnected socio-economic systems. It is very easy for Francis Fukuyama, for the sake of theoretical convenience, to refer to historical or sociological evidence which does not enjoy any tangible empirical evidence. But this does not distance him from his intended purpose: traditions and cultural purposes all have, directly or indirectly, economic consequences. Thus whatever modifications we can implant in the traditional patterns of behavior, will ultimately modify the economic structure of society: transform „*socialistic*” behavior into „*commercial*” one. Some would argue that an outright replacement is attempted.

Another false assumption is that free market is something that came into existence in 20<sup>th</sup> Century North-Western hemisphere. There is an assertion that the rest of world is living in the dark age of „*non-market*” allocation of resources. I challenge Fukuyama to empirically prove his case. Free and fair competition has existed in the Asian continent for centuries and constitutes a corner stone of village economic life. As Wallerstein explains, these movements of exchange of goods and ideas spanned from the rims of the Black Sea area to the remote corners of Indonesia, goods transiting from market to market. But the forces controlling these markets worked within the boundaries of regulated patterns of social capital. Only the positive aspects of the market were allowed prevail. Any damaging side effects of the market, such as externalities, were thought to be unsustainable. If tradition in market place means less negative effects like „*waste*” and „*pollution*” then it has achieved its defined optimum. What „*modern*” markets do is to produce „*externalities*” without assuming their costs. This may produce market optimum in capital allocation but taken as whole it stands on sub-optimum level, since this outcome cannot be sustained.

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<sup>5</sup> Immanuel WALLERSTEIN, *The Modern World System: Capitalist Agriculture and the Origins of the European World Economy in the Sixteenth Century*, Academic Press, New York 1974.

Continuous destruction non-renewable natural resources and abrupt modification of social patterns leads to a lowering of both in terms of „stocks”, which are not accounted for in economic indicators like GDP growth.

Fukuyama’s attack on traditional sources or generators of social capital is shrouded in mathematical formulas and a lot of tears shed on the state of civil society and liberal democracy, the decrease both which leads to an all powerful and over-burdening State. While the real purpose of his theoretical gesticulation is economic. It is a systematic attempt to rip apart the Republic and its intermediary constituents like the family and community.

### **Reappraisal: The state of the family and the community as generators of social capital.**

The Individual and the State are entities which enjoy political and legal status but the Family as an intermediary entity does not enjoy any political action or weight; it is treated as pseudo-legal entity defined according to the necessity of the day. This is mainly confined to its „reproductive” capacities and the State supports this function through nominal financial acquittals, and meager legal recognition. But the physical burden of the State and the Individual are all borne by this entity: it functions as an instrument of economic support, common denominator of public order and the primary social integrator of individuals. In times of political upheavals and economic crisis individuals fall back on the family structure for both physical and moral comfort, without any subsequent cost to the State. In times of prolonged military conflicts, order does exist although there is no State-structure to enforce it, thanks to role of the family. In this way whatever weakens the Family destabilizes the entire society. The Institute for Families in Society (University of South Carolina) sees the role of family as follows: „*Families are dynamic and interdependent units of society which take forms and functions according to society’s changing needs and the expressive and instrumental needs of the families’ members. (...) Whatever their structure, we believe that the primary function of families is to provide for the perpetuation and enhancement of culture and society by the nurturance, care, protection, and socialization of their members throughout life. Conversely, whatever the structure of the families within it, a primary responsibility of society is to provide the necessary supports to sustain them in fulfilling those functions*”.<sup>6</sup>

This vision is not always shared by the State. The relations between the State and the Family are both co-operative and conflictual. As a relatively newcomer the State sees itself as an opponent of the family in the struggle for „legitimacy” and the „control” of the individual. David J. Herring has written

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<sup>6</sup> Institute for Families in Society: general statement on families, this institute is part of the University of South Carolina. <http://ifs.sc.edu/textversion/sof.asp> (date of retrieval 2007-01-15)

that the role of the family in democratic society has been incomplete. He advocates a richer discourse around six family functions: three functions supporting the power of the state and three functions which may serve to undermine the power of the state, while supporting the development and functioning of a pluralistic democratic society. Herring describes three positive functions of the family: producing democratic citizens, relieving the state of the burden of caring for dependent citizens, and diminishing the power of other intermediate associations that could challenge the state. He makes a strong case for the three subversive functions that check state power and promote a „*rhetoric of associational respect*,” including the family’s role in the creation and maintenance of a broad array of intermediate associations, the production of adults capable of forming strong intermediate associations, and the development of citizens with associational tolerance.<sup>7</sup>

Herring demonstrates the adaptive ability of the family by drawing on American slave narratives, studies of the Israeli kibbutz, and a review of the frontier families in the American west. Despite the family disruption these experiences caused, family ties remained resilient, demonstrating the strong human preference for family associations. Beginning with an historical investigation of African-American family structures, the researchers uncovered a wealth of descriptive ethnographic studies of extended black family life. The black elderly encompassed many roles that other races have in extended families, but were particularly bonded through the „*social, political and economic adversities experienced by black families throughout American history*”. Such roles included being „*family stabilizers*” who provided both physical and spiritual support for families. Medicinal folk-doctors, familial storytellers, family counselors and mediators could all be positions provided for by the black elders of a family. Likewise, child rearing was often shared with grandmothers, aunts and cousins.<sup>8</sup> For reasons of legitimacy and political pressure from social groups and trade unions the State decided to takeover the role of this extended family.

### **From social capital of „*bonds of blood*” towards „*institutionalized*” social capital**

To gain legitimacy and cut a compromise with the family structure of society, the modern State embarked upon two maneuvers: Firstly it decided to relieve the family of some of its burdens mentioned above. Reviewing the work

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<sup>7</sup> David J. HERRING: *The Public Family: Exploring its Role in Democratic Society*, University of Pittsburgh Press, Pittsburgh 2003. See also informative review by Rosalie R. YOUNG (University of Maryland), [www.bsos.umd.edu/gvpt/lpbr/subpages/reviews/herring0206.htm](http://www.bsos.umd.edu/gvpt/lpbr/subpages/reviews/herring0206.htm) (date of retrieval 2007-01-15).

<sup>8</sup> Linda M. BURTON and Peggye DILWORTH-ANDERSON: *The Intergenerational Family Roles of Aged Black Americans*, *Marriage and Family Review* 3;4 16:1991. 311-330.

of Susan Pedersen on the welfare state, Christiane Eifert writes the following: „*Previous investigations into the origins of the welfare state have treated family policy rather sparingly. They have focused instead on the confrontation between the state and the working class as the central issue leading to construction of social policies, and, as a consequence, they have emphasized topics related to the condition of the labour market for male workers – social insurance, for example. Given this perspective, welfare programs directed at the family have been left unexamined; indeed, the whole issue of relations between the state and the family could not be analyzed. Pedersen therefore takes the economic, social, and political dependence of family members as the starting point for her reflections, arguing that this very dependence, together with normative models of the family, had a fundamental influence on all schemes for redistribution of wealth.*”<sup>9</sup>

Asserting to the compromises made towards the family unit, Christiane Eifert continues: „*In the years between the wars, family support programs were established in a number of European countries, either by the state or in industry. Such programs presupposed very broad social agreement that certain family structures ought to be supported and that "the family" ought to be protected by welfare policies.*”<sup>10</sup> This consensus, which dates from between the two wars, was reinforced in the 1960s and 1970s. In the 1960s because economically the state could afford its engagement, since the economies were running at full speed. Later in the 1970s, welfare structures were reinforced because of new realities after the „*oil shock*”.

The second maneuver, which supports the first, was the promise made to the materially deprived that a „*historic*” correction would be made. Namely the promise that revenue base of the poor would be stabilized and progressively incremented in order to attain a fairer redistribution of wealth. The policy adopted was a two-way process. The first approach was to increase revenue of the deprived by adopting economic policies that would create new jobs, and support incentives that would maintain the stock of existing jobs. The second, and more direct approach, was to have a strong public sector, which, by extension of public services, went to support the equilibrium of the job market. This move reinforced the union power, leading to better bargaining power by the unions; although this also meant prolonged periods industrial disputes. The end result was that the revenue base of the family, of the lower classes, was nominally protected. The cost of these measures was still considered affordable by the governing instances, rather than facing a social upheaval and a collapse of the social structure. Thus the stock of social capital, institutional and non-institutional, was capped from erosion.

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<sup>9</sup> Christiane EIFERT: *Book Reviews*, The Journal of Modern History, Vol. 68, No. 1 (Mar., 1996), 181-183. See also: *Family, Dependence, and the Origins of the Welfare State: Britain and France, 1914-1945*. by Susan PEDERSEN, Cambridge University Press, 1993.

<sup>10</sup> EIFERT: op.cit.

This did not mean that the erosion of social capital was not taking place; it meant that cultural references were still those that were used a couple of decades before. The role of the family in society was continuously weakened but it was still playing the role attributed to it by the state. The lower classes, in particular, supported the state's legitimacy and did not question the announced benefits of the welfare state. So the „*Grande Illusion*” was in good health and walking straight. The welfare state was not constructed to protect the poor. It is a universal system, which in principle protects everyone. Soon we were to realize the welfare state was a middleclass intuition paid for mainly by the lower classes. Globalization swept away the long-held illusions for good or for worse.

Globalization and liberalization have always lurked around for sometime but kicked off in earnest in the early 1990s. From here onwards begins a process from which states all over the world, and especially in Europe, start to call into question their social engagements. Although there were ideological bases for this, as in the case of Thatcherism, in many cases two reasons were provided: the alarming increase in budget deficits, and the need to be competitive in global markets. Shrinivas Thahur from the University of Mumbai, India, simplifies the formula: „*Globalization is no bed of roses and requires the country's economic statesmanship to pursue a comprehensive reforms programme and set up appropriate administrative machinery to execute a series of economic tasks. The success of a country's globalization programme depends on how it takes suitable steps to improve the investment climate domestically and is also able to attract foreign capital*”.<sup>11</sup>

The reform of administrative structures meant the reassessment of budgetary priorities. It was argued that the main „*culprits*” causing run-away budget deficits were the welfare state in particular and the public sector in general. The state was portrayed as measly provider of public welfare, and this image of the state was regularly echoed by „*official publications*” and „*guidance*” reports by the World Bank and the International Monetary Fund. Britain and the United States of America who were the first to pass the laboratory test. With a spectacular rise in the federal deficit alarm bells started to ring. One notable publicist summarized the situation as follows: Gross interest on the debt, including interest on the Treasury debt in the Social Security and other trust-fund surpluses (which net interest subtracts), now claims over a third of on-budget revenue - something one associates with banana republics. As its share of spending has grown, it has become a force driving spending and deficits higher. That is, our deficits are feeding on themselves. Some economists argue that on-budget-deficit and gross-interest figures exaggerate the problem. But we must remember that Social Security's surplus is an obligation of the Treasury, which it must ultimately meet with

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<sup>11</sup> Shrinivas THAHUR: *What is globalization?* published online by Global Envision. January, 2007. [www.globalenvision.org/library/8/1402](http://www.globalenvision.org/library/8/1402) (Date of retrieval 2007).

resources extracted from the private sector. As the GAO (General Audit Office) and others have warned, when Social Security eventually liquidates its surplus to pay benefits, the Treasury will have to pay that debt by taxing or borrowing from the public. The on-budget deficit measures the borrowing the Treasury does now; the real significance of the Social Security surplus (meaning a surplus of charges) is that it represents borrowing (or taxing) that the Treasury must do later.<sup>12</sup>

The question of social security and where next become a political trap. On one side the deterioration of public finances cannot be neglected any longer, because if continued it could mean the bankruptcy of the State. On the other hand how does one go about reforming (for some cutting back) the welfare state in all its avatars. One specialist on the question, called to give his opinion to a Congressional forum, said the follow: Social Security faces a long-term deficit. Restoring long-term financial balance to Social Security is therefore necessary, but it is not necessary to destroy the program in order to save it – especially since the Social Security deficit is not the primary explanation for the nation’s long-term budget imbalance. The tax cuts and particularly the projected increases in Medicare and Medicaid are much more important factors.<sup>13</sup>

This balanced declaration in the Congressional Forum partially sheds light on the quiz and quagmire of the welfare state. What was really happening at the time was a redistribution of wealth from the public (sector) to the private sector, and public budgets were being subjected to mounting pressures of resource crunch. The fact that pharmaceutical companies have high margins, and that they are not subject competition as in general market condition is one of the reasons why public deficits were higher than should be. But this fact should not cloud the fact that the social security system was supposed to be one of self-sufficiency. The main problem comes from the fact that it slowly became part of the general budget. In this way a false illusion was create unto which “bad management” led to government deficits, although in some cases this might be true. The true reason behind the near collapse of the system comes from the fact that both government and the social infra-structure became the instrument of the middle classes. The resulting „*double detonation*” of tax reductions and high social spending was the translation of the middle class aspiration of paying fewer taxes but at the same time enjoying the comfort provided by the State system.

Due to the size of the middle classes, and their growing political and economic weight, winning elections could be possible only by a convergence to the centre. In this way, were it the Right or the Left that won the elections, it

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<sup>12</sup> John ATTARIAN: *No time for gimmicks - cutting the budget deficit by reducing entitlement programs*, National Review (biweekly), May 10, 1993, New York. [www.findarticles.com/p/articles/mi\\_m1282/is\\_n9\\_v45/ai\\_13794070](http://www.findarticles.com/p/articles/mi_m1282/is_n9_v45/ai_13794070) (Date of retrieval 2007-01-18)

<sup>13</sup> Peter R. ORSZAG (The Brookings Institution): *Budget Deficits, Social Security, and Younger Generations*, House Budget Committee Forum, September 13, 2004, Washington.

was always the middle classes that celebrate the victory. Social security was always beneficial to the middle classes but more and more it became a highway for their needs. This control of social security regime produced spectacular results, they could educate themselves, have high quality medical services and enjoy a very prolonged retirement, all at the expense of the state, and for sure on the expense of the lower classes and the younger generations. George Miller, a fellow of the Royal College of Physicians, after investigation and due consideration on the matter, writes the following: „*My feeling is that the rich may have shifted a little of their wealth to their not-so-wealthy relatives, but that in relative terms what the poor have gained through welfare is a drop in the ocean. This all looks very odd when we are told that of a total public expenditure of £126 billion in 1984-1985, social security and health accounted for more than £52 billion. The reason for the apparent contradiction is that most of it goes back to where it came from. Since 1960 virtually the whole working population has been subject to tax, either at source or at the point of expenditure. The Family Expenditure Survey has shown that in 1986, income-in-kind from the use of the National Health Service amounted to about £900 a year for each family in the bottom 20% of income, and £700 for those in the top 20%. Not much difference. For state education it went the other way: £850 per year for each family in the wealthy 20%, but only £370 for families in the bottom 20%*”.<sup>14</sup> And he continues with this disturbing with this disturbing statement: „*In the years between 1930 and 1932 the death rate in infants with unskilled fathers was 25% above the national average. In the period between 1988 and 1990 it was 51 % above the average. Nowhere can I find any assurance that the lowliest in our society are really being helped to catch up*”.<sup>15</sup>

After a recent study on a poor district of London, Madeleine Bunting, a panelist on the matter for Guardian newspaper had this comment to make: „*Instead of being the engine of social democracy once envisaged, it has proved to be an engine of resentful alienation from the state. So postwar "progress" may have served the middle classes well, materially and socially - they've still got their social networks, which they use for personal advancement, status and companionship - but it has served the working class much less well. Their brightest offspring are adopted and well rewarded, but the networks and self-respect of the communities from which they come have largely been destroyed*”.<sup>16</sup> One of the problems of the welfare state is that it is projected as a

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<sup>14</sup> George MILLER (Fellow of the Royal College of Physicians): *Failure of the Welfare State*, Reprinted from Land & Liberty, 1994. [www.cooperativeindividualism.org/miller-george\\_failure-of-the-welfare-state.html](http://www.cooperativeindividualism.org/miller-george_failure-of-the-welfare-state.html) (Date of retrieval 2007-01-18).

<sup>15</sup> MILLER: op.cit.

<sup>16</sup> Madeleine BUNTING: *Ignored, angry and anxious: the world of the white working class*, The Guardian, Monday February 13, 2006, Britain. (The article is comment on a 12 year study conducted on the impacted of the welfare state on the local population of Tower Hamlets – East London. *The New East End: Kinship, Race and Conflict* by Geoff DENCH, Kate GAVRON and Michael YOUNG is published by Profile, 2006, (Geoff Dench is a professor of sociology at

universal system but is designed to benefit mainly the middle classes. It is crafted in such a way that the rules and regulations are difficult to understand for those who are not initiated. And by culturally over glorifying „work”, a moral hurdle is introduced to prohibit the lower classes from wholly benefiting from the welfare state. „*The evolution of the welfare state had turned it from a mutual aid society writ large into a complex, centralised and bureaucratic system, run by middle-class do-gooders, "those big-hearted ones who've got their own big houses and make these rules", as one interviewee put it. The system, it was felt, gave generously to those who put nothing into the pot, while making ordinary working people who did contribute feel like recipients of charity when drawing their entitlements.*”<sup>17</sup>

The same is echoed from other quarters: „*The working class as a whole has rarely benefited unconditionally from advances in state welfare. Even the NHS, arguably the most popular part of all state welfare provision, disproportionately benefits the middle and upper classes. But for great tracts of state welfare provision, class, race and gender divisions were deliberately exacerbated as a means of exercising social control and undermining more generalized class conflict*”.<sup>18</sup> Chris Jones (emeritus professor of social policy and social work at the University of Liverpool) continues, describing the difficulties faced by the lower-classes in attaining social cover: „*With colleagues from the University of Liverpool, I am interviewing a wide variety of users of state welfare. The very notion "user" has become problematic because so few are able to access any but the most minimal services from the state, despite acute need. We are continually regaled with accounts of ever more stringent eligibility criteria and humiliating processes which block access to state welfare. These realities, and the scandal of unclaimed benefits in this country, make so much of The New East End feel completely unreal. But what has further fuelled my deep unease with this study is that our research is revealing that in some of the poorest neighbourhoods the family is becoming ever more central to wellbeing as state welfare retreats*”.<sup>19</sup>

The same conclusions were attained by Dr.Houtman (Erasmus University, Department of Sociology, Faculty of Social Sciences): „*The welfare state is*

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Middlesex University and a fellow at the Young Foundation. Kate Gavron is a fellow at the Young Foundation and a vice-chair of the Runnymede Trust.) London.) <http://society.guardian.co.uk/socialexclusion/comment/0,,1708369,00.html> .

<sup>17</sup> The Guardian (Newspaper Wednesday February 8, 2006): *Lost horizons*, this is an extract from - he New East End - Kinship, Race and Conflict, co-authored by Geoff DENCH, Kate GAVRON and Michael YOUNG, and published by Profile Books,2006, London. <http://society.guardian.co.uk/socialexclusion/story/0,,1704158,00.html> (Date of retrieval 2007-01-11). It has to be noted that Michael Young (Lord) was from the Conservative Party (U.K.) a key member of neo-liberal political clique, along with Lady Thatcher.

<sup>18</sup> Chris JONES (is emeritus professor of social policy and social work at the University of Liverpool): *New Myths of the East End*, The Socialist Review, April 2006. [www.socialistreview.org.uk/article.php?articlenumber=9709](http://www.socialistreview.org.uk/article.php?articlenumber=9709) (Date of retrieval 2007-01-11).

<sup>19</sup> JONES: op.cit.

often considered a key working-class interest. Focusing on solidarity with the unemployed, this article explains why the working class nevertheless fails to support the welfare state more strongly than other classes. Drawing on insights from political sociology, data collected among the employed Dutch population in 1997 are analyzed. As class theory predicts, the workers' economic position predisposes them to support economic redistribution and social rights. However, the workers' limited tolerance for nonconformity, stemming from their limited cultural capital, predisposes them to apply strict criteria of deservingness".<sup>20</sup> This means the room for deception is greater than one would think. What one realizes is that there is a structural diversion of wealth from the families of the lower classes to the upper echelons. This was done by firstly through the welfare „deductions” made to the salaried income of less well-off. Secondly, by keeping salaries of the lower section under pressure. And finally by privatizing public services and thus letting the prices of these services to rise freely.

Families in the lower strata depend sole on their labor for their income, unlike the middle classes who tend to diversify their revenue base. But the welfare state and system of social security in particular, funds itself from deductions made to salaried income. Thus the overall percentage of contribution is greater for the lower classes than for the rest of the society. But on the receiving side there is also a structural prejudice against the families from the lower classes. Apart from the complexities and cultural damnations faced by the claimants, described by Professor Chis Jones, they are unable to enjoy the pitfalls of their pensions because of the longevity gap. In the words of Professor John Ashton (NHS North West region director of public health-Britain): “The big inequality opening up is not just length of life, it is quality of life. A lot of working class people are living into their 70s but often with multiple conditions, compared with middle-class people who often get to their 80s before problems emerge”.<sup>21</sup> The 10 year gap, on average, is paid for by cumulative surpluses coming from the lower classes that die ten years earlier.<sup>22</sup> If, as is proposed by some European governments, the retirement age is hiked to 67 or 70 years, pension contribution by the poor would be nothing more than a pure extraction of additional taxes to „directly” support the middle-class „surplus longevity”. This goes to show how the welfare state, designed to be

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<sup>20</sup> HOUTMAN D. (Erasmus University, Department of Sociology, Faculty of Social Sciences, Rotterdam, Holland): *The working class and the welfare state support for economic redistribution, tolerance for nonconformity, and the conditionality of solidarity with the unemployed*, published by The Netherlands journal of social sciences (Neth. j. soc. sci.) ISSN 0924-1477, 2000.

<sup>21</sup> Professor John ASHTON (NHS North West region director of public health): *What's the prognosis?* The Guardian, Wednesday September 7, 2005. <http://society.guardian.co.uk/societyguardian/story/0,,1563674,00.html>.

<sup>22</sup> Office of National Statistics (London): *Life expectancy at 65 reaches record level*, [www.statistics.gov.uk/cci/nugget.asp?id=168](http://www.statistics.gov.uk/cci/nugget.asp?id=168) (Date of retrieval 2007-01-19)

an institutional form of social capital to compensate for the loss of traditional form of social capital, is evolving towards a form of social „*neo-colonialism*”.

The situation in the United States was more direct, where the welfare state reached a new level. It was no longer a place for state solidarity for the deprived families. The Urban Institute (a think tank on social affairs in the USA) after reviewing the welfare reforms of 1990-2000 made the following statement: „*With the 1996 legislation, families with little or no income were no longer automatically entitled to welfare, and most states began to discourage welfare entry and require new beneficiaries to pursue paid work. States got incentives to encourage marriage and the formation of two-parent families and to reduce out-of-wedlock childbearing. The dramatic decline in the welfare caseload -- from 4.5 million families in 1996 to 2.1 million in 2002 -- was the most stunning outcome*”.<sup>23</sup> Statistics might have improved but maybe the same cannot be said of the plight of these families. By redirecting people towards family life, it seems that politicians have not heeded to the advice given to them by Francis Fukuyama: „*Policy makers also need to be aware that social capital, particularly when associated with groups that have a narrow radius of trust, can produce negative externalities and be detrimental to the larger society.*”<sup>24</sup> Maybe he is asserting that people might find comfort in other things than consumerism.

Second reason mentioned earlier, unto how social capital is destroyed structurally by economic imbalances, is by keeping salaries of the lower section under pressure. E. Ahmet Tonak (specialist on labor economics) after investigation, says the following: „*The main focus of this study is the role of the state in the distribution process vis-à-vis the working class in the United States during the period 1952-1980. This focus led me to formulate and then answer a question: what is the net impact of the distributive activities of the state on the wages of the working class as a whole and various segments within it? In order to deal with this question I proposed a concept, net-tax, which is taxes paid to the state minus benefits and income received from it. The empirical findings of the article concerning the net-tax paid by labor led me to call into question the economically beneficial role of the welfare state in relation to the wages of the working class*”.<sup>25</sup> Ahmet Tonak, here, is speaking about the changes that were bought to wage structure. More of the salary income was going to support the welfare state than was before, and that the situation for the employers was the reverse.

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<sup>23</sup> The Urban Institute: *A Decade of Welfare Reform: How Are Low-Income Families Faring?* Posted to Web: August 30, 2006. [www.urban.org/publications/900993.html](http://www.urban.org/publications/900993.html) (Date of retrieval 2007-01-15).

<sup>24</sup> FUKUYAMA: op.cit.

<sup>25</sup> E. Ahmet TONAK: *The U.S. Welfare State and the Working Class, 1952-1980*, published by *Review of Radical Political Economics*, Vol. 19, No. 1, 47-72 (1987).

This is not the only reason, as Tom Lewis of Globalpolicy explains: U.S. corporations extracted huge profits from almost every corner of the world in the 1990s. But as the declining living conditions of U.S. workers show, these profits didn't trickle down to improve their lives. (...) Downsizing, union-busting, benefit reductions, demands for labor flexibility and forced productivity gains were strategies used by U.S. corporations not only in foreign countries but also here at home to drain more out of workers.<sup>26</sup> As mentioned earlier the state had tacitly assumed the role of protecting the interests of the workers without damaging those of the employers, by interposing itself as a mediator.

But the wave of neo-liberalism of the late 1980s and early 1990s meant that the state renounced this role, some would say that it was siding with the employers against the interests of the lower classes by legislative deconstruction. Consequently, the destruction of union power meant that institutional form of social capital was eroding, along with the revenues of the poor. According to Vernellia R. Randall (Professor of Law, University of Dayton): „From 1977 to 1999, the after-tax income of the richest 20 percent of American families increased by 43 percent, while that of the poorest 20 percent decreased 9 percent, allowing for inflation. The actual income of those living on the lowest salaries was even less than 30 years ago”.<sup>27</sup>

The state has foaled on one of its promise that there would be fair distribution of wealth, in exchange for legitimacy transferred to it. Serhat Salihoglu (writing for South-East Europe Review) sums up the situation well: „Based on the foregoing, we can say that the welfare state policies which were once built up so carefully are now being dismantled step-by-step. Turkey is going through a deep social crisis.<sup>28</sup> The privatization of the public sector, the opening up of public services to global competition, the collapse of public finances and the flexibility of the labor market have nullified welfare state policies. Savage global competition has proved to be a massive danger to trade union and social security rights in general. Furthermore, solutions to 'unemployment', which is a signifier of social depression, are being abandoned to the 'hidden hand' of the market”.<sup>29</sup>

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<sup>26</sup> Tom LEWIS: *The Growing Gap Between Rich and Poor*, Socialist Worker, August 1, 2003. Published online by Globalpolicy.org/ [www.globalpolicy.org/soecon/inequal/2003/0801gap.htm](http://www.globalpolicy.org/soecon/inequal/2003/0801gap.htm) (Date of retrieval 2007-01-19).

<sup>27</sup> Vernellia R. RANDALL (Professor of Law, University of Dayton): *Widening Gap Between Rich and Poor and Deteriorating Situation of Worker's Economic and Social Rights*, <http://academic.udayton.edu/race/06hrights/georegions/northamerica/china03.htm> .

<sup>28</sup> The reader has to be alerted to the fact that Turkey suffered deep financial crisis both in the 1990s and 2002, after which both the IMF and the World Bank imposed strict long term budgetary reforms in exchange of short-term credit. This meant privatization of public services and the rollback of the welfare state, dating back to the times Kemal Atturk, the founding father of the Turiksh Republic.

<sup>29</sup> Serhat SALIHOGLU: *Welfare state policies in Turkey*, South-East Europe Review, April 2002, 21-26

Commenting on the long-awaited „*Tackling Health Inequalities: Status Report on the Programme for Action*” by the Ministry of Health (Britain-August 11th, 2005); and its findings that the life expectancy between the poor and the rich had increased by 10 years, Geoff Rayner, an Academic and former chair of the UK Public Health Association, had the following to say: „*What's so different about now, compared to when the Black Report came out, is that we live in a consumer society. There is no language of paternalism any more. The government has adopted the language of the market to sell public health policy as well as buying into a philosophy of the market. The state - as opposed to governments - needs to protect people, and we need a state structure for intervention that is agreed upon, one that doesn't change with a government or a new health minister*”.<sup>30</sup>

And finally, there has been a progressive migration of income from low-income families to the high end of the spectrum by the privatization of public services. This was done by privatization of public utilities and letting the prices of services provided by these utilities to rise, denting by a large margin the already reduced incomes of the poorer families. Let us limit our analysis to water which is of fundamental importance for human existence. Historically, water has been viewed as a public good, not a market commodity. Over the last 200 years, most water utilities have been publicly owned and managed. And, the vast majority of people around the world receive water and sanitation services from publicly owned and operated facilities.<sup>31</sup> But, as mentioned before, the neo-liberal coalition lead by the IMF and the World Bank pressured governments all over the world into privatization of public utilities under the banner of „*better management and efficiency*”: Privatization is on the rise. More than 8,500 state-owned enterprises (SOEs) in over 80 countries have been privatized in the past 12 years, 2,000 in countries that borrow from the World Bank.<sup>32</sup> Public Citizen (Watch dog and protest group based in Washington D.C.) came up with historic evidence to prove the neo-liberals wrong: „*The claim that the multinational water corporations will save government money by providing more efficient and cost-effective operation, maintenance and rehabilitation of water and sanitation services is also not borne out in practice. Instead, the cases presented below show increases in consumer water rates, public health crises, weak regulation, lack of investment*

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<sup>30</sup> The Guardian (Daily): *What's the prognosis?* Wednesday September 7, 2005. <http://society.guardian.co.uk/societyguardian/story/0,,1563674,00.html> (Date of retrieval 2007-01-16).

<sup>31</sup> A special report by Public Citizen's Water for All program: *Water Privatization Fiascos: Broken Promises and Social Turmoil*. March 2003, Washington D.C., Public Citizen online publication, page. [www.citizen.org/documents/privatizationfiascos.pdf](http://www.citizen.org/documents/privatizationfiascos.pdf) (Date of retrieval 2007-01-20).

<sup>32</sup> World Bank: *Privatization: eight lessons of experience*, Outreach #3, Policy Views from the Country Economics Department, July 1992 – Washington DC. [www.worldbank.org/html/prddr/outreach/or3.htm](http://www.worldbank.org/html/prddr/outreach/or3.htm) (Date of retrieval 2007-01-20).

*in water infrastructure, jobs and trade unions threatened, pollution and other environmental catastrophes, secret deals and social turmoil”.*<sup>33</sup>

Britain, under the leadership Margaret Thatcher, was the first to privatize water companies, which operated as 10 regional monopolies. The evidence there is not one of economic efficiency but more theft and extraction: „*On average, prices rose by over 50% in the first 4 years. The first 9 years produced price increases of 46% in real terms (adjusted for inflation). The public was further outraged when information was released about director’s pay and the profits of the 10 water companies. The real value of the fees, salaries and bonuses paid to the director’s increased between 50% and 200% in most of the water companies. The profits of the 10 water companies rose 147% between 1990 and 1997. Profit margins in the UK are typically three or even four times as great as the margins of water companies in France, Spain, Sweden or Hungary*”.<sup>34</sup> Although Britain has a water industry watch dog – Ofwat (the Office of Water Services) apparently it was not „*efficient*” enough to regulate the price rises for customers.<sup>35</sup> In turn, as public body, the work of Ofwat is overseen by the British Parliament and the British Government. This shows how far the state is disengaging itself to the detriment of the poor and institutional social capital. *The Daily Mail* sums it up best. „*... (T)he water industry has become the biggest rip-off in Britain. Water bills, both to households and industry, have soared. And the directors and shareholders of Britain’s top ten water companies have been able to use their position as monopoly suppliers to pull off the greatest act of licensed robbery in our history. (July 11, 1994).*”<sup>36</sup> By stressing the words *licensed robbery* the news paper stresses the involvement of the state – the middle class state.

The family, as a concept of basic social organization, has also suffered from cultural libertarianism – a consequence of a perverse definition of liberal democracy. Reginald W Bibby, from the University of Lethbridge and one of Canada's foremost sociologists, argues that baby boomers (born between 1946 and 1965) have emphasized individualism, consumerism, and pluralism to the detriment of community life and the common good. Personal freedom (...) ranked above family life, friendship, religious involvement, career, etc.<sup>37</sup> In the United states for example, the proportion of married people, especially among younger age groups, has been declining for decades. According to Sam

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<sup>33</sup> A special report by Public Citizen’s Water for All program: op.cit.

<sup>34</sup> Public Citizen, op.cit.

<sup>35</sup> Water price rises are regulated by Ofwat, which reviews charges every five years. During these reviews water companies submit their plans for the next five years and justify their proposed price increases. Ofwat then reviews these suggested prices and decides upon a water price rise that is acceptable to both customers and the water companies.

<sup>36</sup> Public Citizen, op.cit.

<sup>37</sup> Dr. Reginald W BIBBY: *The Boomer Factor: What Canada's Most Famous Generation is Leaving Behind*, Project Canada Books, Lethbridge, 2006. For divers books and comments by Dr.Bibby go to: <http://reginaldbibby.com/bookordering.html> (Date of retrieval 2007).

Roberts, between 1950 and 2000, the share of women 15-to-24 who were married plummeted to 16 percent, from 42 percent. Among 25-to-34-year-olds, the proportion dropped to 58 percent, from 82 percent.<sup>38</sup> Among the more than 117 million women over the age of 15, according to the marital status category in the Census Bureau's latest American Community Survey, 63 million are married. Of those, 3.1 million are legally separated and 2.4 million said their husbands were not living at home for one reason or another. That brings the number of American women actually living with a spouse to 57.5 million, compared with the 59.9 million who are single or whose husbands were not living at home when the survey was taken in 2005.<sup>39</sup>

As to people's intergenerational engagement, one of the basic tenets of social capital, the figures for the United States are very revealing: „A 1987 survey of nearly 1,460 adults who did not yet have children found 85 percent intended to have children. When the study group was revisited six years later, only 30 percent of respondents who said they desired children had one. Respondents who were childless six years later said they still wanted children”.<sup>40</sup> This dire picture turns even worse when we look at the statistics for responsibility of couples for their children. As Gordon Neal Diem (Assistant Professor of Political Science, North Carolina Central University) warns: „In many nations, and in many American states, the failure to procreate is grounds for divorce or annulment of the marriage and dissolution of the family. ... In state-enacted marital and divorce law, the economic obligations among family members insure that children and women are prevented from becoming the financial responsibility of the state. Again, the needs of the state define family and family obligations”.<sup>41</sup>

This dissolution of the family also has dramatic consequences on intergenerational solidarity. As explained earlier the welfare state is progressively being folded back. The situation is that in the absence of state solidarity, old people have turn to their families for help. But the traditional protective structures of the family no longer exist. Economically, as Sam Roberts explained one in two families can no longer be considered viable to provide intergenerational support. “This is yet another of the inexorable signs that there is no going back to a world where we can assume that marriage is

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<sup>38</sup> Sam ROBERTS: *51% of Women Are Now Living Without Spouse*, article in the New York Times, January 16, 2007. [www.nytimes.com/2007/01/16/us/16census.html?pagewanted=2&ei=5094&en=47985bda8ea9f048&hp&ex=1169010000&partner=homepage](http://www.nytimes.com/2007/01/16/us/16census.html?pagewanted=2&ei=5094&en=47985bda8ea9f048&hp&ex=1169010000&partner=homepage) (Date of retrieval 2007-01-16).

<sup>39</sup> ROBERTS: op.cit.

<sup>40</sup> Marjorie CORTEZ (Deseret News staff writer): *Family structure changes as lives grow busier*, Deseret News, 01/29/1998. URL: <http://deseretnews.com/misc/growth/29side1.htm> (Date of retrieval 2007-01-15).

<sup>41</sup> Gordon Neal DIEM (Assistant Professor of Political Science, North Carolina Central University): *The Definition of "Family" in a Free Society, published by the Libertarian Nation Foundation*, <http://libertariannation.org/a/f43d1.html> (date of retrieval 2007-01-15).

*the main institution that organizes people's lives,*" said Prof. Stephanie Coontz, director of public education for the Council on Contemporary Families, a nonprofit research group. *„Most of these women will marry, or have married. But on average, Americans now spend half their adult lives outside marriage.”*<sup>42</sup> The family as a social pillar, and as an inter-generational support, is being slowly eliminated.

Dame Denise's (House of Lords, Britain) warning came in the annual report of the Commission for Social Care Inspection. *„It warned that 70% of local authorities are limiting home care services to people who are so frail they need help to get out of bed or cannot cook a hot meal for themselves. Those who face "moderate" difficulties such as mobility problems or depression due to isolation do not qualify for help, and have to rely on family and friends or pay for private care themselves. Councils forecast that by 2009, every authority will have tightened rules so that only those with severe needs qualify for state help.”*<sup>43</sup> This call was made to show not only the plight of the elderly but the burden faced by the families of these elderly.

But neo-liberal reformers do not heed to reality. Fukuyama for one thinks, by relegating family to ranks of social paganism, that new structures like civil society will do the trick: *„In the absence of civil society, the state often needs to step in to organize individuals who are incapable of organizing themselves. The result of excessive individualism is therefore not freedom, but rather the tyranny of what Tocqueville saw as a large and benevolent state that hovered over society and, like a father, saw to all of its needs. Low levels of social capital lead to a number of political dysfunctions, which have been extensively documented”*.<sup>44</sup> Fukuyama forgets that it was the liberals that declared individualism to being a liberating force, leading to breakdown of the family. Robert Putman pointed out that liberal spending programmes have all often served to support the individual at the cost of collective social capital. Putnam's arguments anticipate one of the applications of social capital theory, where policymakers justify reduced public spending on the basis that social capital is the crucial form of capital, and cannot be reinforced by financial support.<sup>45</sup> This explains why Fukuyama entered the debate on *„social capital”*.

The systematic attack on the *„family”* is not an isolated affair; this attack is also extended against the notion of *„community”* as we know it today. By proposing new replacements to the concept of community neo-liberalism and its mercenaries like Francis Fukuyama want to deal a final blow to the

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<sup>42</sup> ROBERTS: op.cit.

<sup>43</sup> John CARVEL and Lucy WARD: *Social care system 'failing older people'*, The Guardian, Thursday January 11, 2007. [www.guardian.co.uk/uk\\_news/story/0,,1987315,00.html](http://www.guardian.co.uk/uk_news/story/0,,1987315,00.html) (Date of retrieval 2007-01-16).

<sup>44</sup> FUKUYAMA: op.cit.

<sup>45</sup> Robert D. PUTMAN: *The prosperous community: social capital and public life*. Published by American Prospect, 1993. 5.

remaining structures of community bonds. We have long known that liberal democracy, as a political ideology, is the other face of neo-liberalism and has the devastating effects on the community and its ability to control its political future. The practice of liberal democracy was to reinforce the national community by giving the instances of government true legitimacy. In reality it has become an exercise of „*selection of the governing elite*” without real incidence on people’s wishes or wellbeing.<sup>46</sup> Social capital was the cradle of democracies everywhere and overtime this has been eroded. Like in the case of the family true democracy is cornered by liberal economic policies- the material assets which upheld democracy no longer exist, so it cannot be exercised.

The stringency of (World Bank-IMF) Liberal democracy has thus turned democracy into an empty promise. The way this was done is as follows: Firstly by transforming the citizen and community member into a consumer. And secondly by progressively eliminating protest and contention, or the capacity of the citizen to call into question the economic and political agenda of the elite. In most cases economic ideology is standardized by the world economic instances like the World Bank, the International Monetary Fund and the World Trade Organization. Individual consumerism overrides common good. Annual GDP growth is favored instead of long-term human development and economic sustainability. „*Organization*” is preferred to community. Now let us examine these tendencies in detail.

The community distinguishes itself from the family by taking over those responsibilities which the family is unable to. If we look at social institutions like marriage, traditions varied from one geographic region to another, but in most cases the parents of the groom went to the neighboring villages to search for a bride. This was done to avoid genetic deficiencies and conflicts of social proximity. Whatever the immediate reason, the result was that families and villages were interconnected. This proves that isolation did not exist and it also proves that the interconnecting bonds were sufficiently strong enough to produce solidarity even across several villages – encompassing a whole region. Dr. Opler, Professor of Anthropology and Director of India Program at Cornell University, has gathered evidence to this account: „*A villager in India, besides being a member of a distinguishable local community and interacting with many of its other members, has important ties of a more extensive nature, and participates in practices and understandings and characteristics of wider areas. In discussions of the independence, viability and future of the Indian village it may be useful to keep the nature of these ties to the outside in mind and to consider their past history and the present trends in respect to them. ... (Taking as example a northern Indian village, the author continues) In the first place Senapur does*

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<sup>46</sup> See Raymond ARON: *Démocratie et totalitarisme*, Gallimard, Paris 1965.

*not stand alone. It is one of a cluster of villages covering a seventy square mile area which have traditions of a common origin and descent*".<sup>47</sup>

These social bonds are further increased by economic rationality in areas like local infrastructure, such as the building of complex water systems to distribute water for irrigation purpose. The sharing of woods and commons for the rearing of domestic animals are all examples of strong social interaction and mutual dependence. The only person to be isolated, without the inflow of new ideas, seems to Francis Fukuyama. Maybe earning excessive royalties and grants from reputed international agencies give him the opportunity to enjoy such isolation, but a villager laboring his fields cannot afford it. He for one needs constant interaction for survival.

Traditional social capital has thus survived hundreds of years of political upheavals because it is deeply rooted in the idea of solidarity and social harmony exclusive of immediate economic gains and profits. As such, this form of social capital is a real GDP buster. After slowly wiping out the rain forests, converting the whole urban world into a hypermarket, and build-bash-build policies, neo-liberals do not know where the next GDP-explosion is going to come from. From the 1990s onwards, with the disappearance of the socialist bloc, it has dawned upon them that: after all their efforts solidarity still represents a big chunk of the socio-economic relations between individuals and communities, in comparison to the economy controlled by the „Market”. Furthermore, disregarding the daily consumptions, important investments like health and education are still community based, and not do not enter the world of commercial transactions.

Another mistrust of traditional social capital is that village life is self-sufficient and self-sustaining. One newspaper comes to the defense of small communities: „*The world is beginning to understand the importance of living close to nature. Global warming, depleting ozone layer, extinction of millions of plants and animal species, and ravages followed by the tsunami, the super cyclone, landslips, floods and droughts in different parts of the world have led people to seek comfort in things small and beautiful*”.<sup>48</sup> The Green Party of the United States of America came to similar conclusion when it decided on the following as its political platform: „*No economic system is sustainable unless it accommodates the ecosystems on which it depends. Our current system - based on the notion of perpetual economic expansion on a finite planet - is seriously flawed. We urgently need to apply human ingenuity to the goal of using far less*

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<sup>47</sup> Morris E. OPLER: *The Extensions of an Indian Village*, The Journal of Asian Studies, Vol. 16, No. 1 (Nov., 1956), pp. 5-10. Dr. Opler is Professor of Anthropology and Director of India Program at Cornell University. He is the author of books and papers dealing with the culture of American Indian groups, Japan, and India.

<sup>48</sup> Sudhansu R. DAS: *Globalising the Indian village*, The Hindu Business Line (internet edition), Nov 30 2005. [www.thehindubusinessline.com/2005/11/30/stories/2005113000781100.htm](http://www.thehindubusinessline.com/2005/11/30/stories/2005113000781100.htm) (date of retrieval 2007-01-13).

*from nature to meet our needs, which is a different goal from exploiting nature and Third World people so that we can meet the invented and implanted false "needs" that advertisers continually push at us in a grow-or-die type of economy. We need to acquire the ability to distinguish between need and greed, in spite of what the media assure us we "need." We also need to restore a progressive tax structure, rather than continuing to move money toward the top echelons of society while squeezing everyone else".<sup>49</sup>*

Translating the wishes of the Green Party of the United States into reality means that goods and services are locally produced, exchanged and consumed. This leaves very little scope for outside market interferences, and its externalities such as pollution and biodegradation. But this economic structure represents a big obstacle for GDP growth. This „*non-growth*” appears namely at three levels: on the level of surplus capital formation, the economic exploitation of negative externalities and the loss of fiscal control by the State.

The OECD (Organization for Economic Cooperation and Development) gives this recipe to „*enhance*” growth and fiscal revenues. It says that the state should go after those activities which the market does not cover: „*The term "Non-Observed Economy" (NOE) refers to those economic activities which should be included in the GDP but which, for one reason or another, are not covered in the statistical surveys or administrative records from which the national accounts are constructed*”.<sup>50</sup> After enumerating extensively the ways in which the state should act, the report continues as follows: „*A third component is the production of goods for own use. This is usually perfectly legal and there is no reason for producers to conceal their activities. It may be omitted from the national accounts only because there are no observable transactions between sellers and purchasers since they are one and the same. In OECD countries, construction and maintenance of dwellings is probably the most important example of production for own use. In transition and developing countries growing ones own food is another important activity. Following the collapse of Communism in the early 1990s, small scale crop production became an essential survival strategy in most transition countries and may have accounted for up to half of total agricultural output in some countries*”.<sup>51</sup> If one understands this logic to its full scope, planting vegetables in your front garden for your consumption or pleasure is tantamount to „*anti-state*” activity and against progress, in GDP terms.

It was Dr. E. F. Schumacher who tried, in the 1960s and 1970s, to point to the danger of abstracts like GDP, which can have a devastating effect on social

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<sup>49</sup> Green Party of the United States: Platform Preamble, 2004. [www.gp.org/platform/2004/economics.html](http://www.gp.org/platform/2004/economics.html) (Date of retrieval 2007-01-13)

<sup>50</sup> Derek BLADES and David ROBERTS: *Measuring the non-observed economy*, published by OECD Statistics Brief, November 002, Issue No. 5, page 4. [www.oecd.org/dataoecd/16/16/2389461.pdf](http://www.oecd.org/dataoecd/16/16/2389461.pdf) (Date of retrieval 2007-01-13).

<sup>51</sup> BLADES- ROBERTS: op.cit.

capital and community life: „All important insights are missed if we continue to think of development mainly in quantitative terms and in those vast abstractions – like GNP, investment, savings, etc. – which have their usefulness in the study of developed countries but have virtually no relevance to development problems as such. (Nor did they play the slightest part in the actual development of the rich countries!) ... The common criterion of success, namely the growth of GNP, is utterly misleading and, in fact, must of necessity lead to phenomena which can only be described as neocolonialism”.<sup>52</sup> Although Dr. Schumacher was making his arguments in the context of „North-South” divide, after 30 years since his statement the same could be said of the situation inside any country pursuing liberal economic policies: it is neo-colonialism inside one country. Since economic resources, both labor and natural, move only in one direction – upward.

So the project of the „Washington Consensus” and its mercenaries like Fukuyama is to bust and bankrupt the vehicles of solidarity and mutual dependence, and replace them with outright dependence on „rent collecting” systems. The entire debate on social capital from Coleman to Fukuyama is situated in the arid sphere of metaphorical and conceptual patchwork. Although this debated is very important in the conceptualization of „social capital” for the purpose of public debate, and in some aspect to observe the social patterns of human behavior. Disregarding the physical attributes or vehicles of social capital will bring about a distortion in its definition. Such a distortion cannot be accepted from a historical perspective because it means removing the main components of it. The question one has to ask is: Can Social Capital exist without its physical and structural attributes? The answer is no!

Historically cities, by the concentration of political and economic power that they represent, have become places where political debates and contestation takes place. For the celebrated American urbanist - Richard Sennett, the most important element of exchange in the city is talk. „Urban space is also the turf that people have fought for and in some way suffered for. It is meaningful because something happens there politically.”<sup>53</sup> Sennett focuses on the tension between the public and private realms in which we live, arguing that different types of behaviour and activity are appropriate in each. „He believes that the barrier between these different realms has been eroded, through capitalism and the secularization of society, and that this breakdown is so profound that public man has been left with no certain idea of his role in

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<sup>52</sup> E.F.SCHUMACHER: *Small is Beautiful-A Study of Economics as if People Mattered*, published by Sphere Books Ltd (ABACUS edition), 1974, London 162.

<sup>53</sup> Bo GRÖNLUND: *The Civitas of Seeing and the Design of Cities - on the urbanism of Richard Sennett*, The text was written as an introduction to a seminar on Richard Sennett: 'Transformations of the concept of urbanity', at the Urban Design Department at the School of Architecture in Copenhagen in the spring of 1997. [http://hjem.get2net.dk/gronlund/Sennett\\_ny\\_tekst\\_97kort.html](http://hjem.get2net.dk/gronlund/Sennett_ny_tekst_97kort.html) (Date of retrieval 2007-01-11)

society.”<sup>54</sup> The notion of active citizen has been progressively replaced by the notion of active consumer, squeezing out democratic debate in the process.

D. Champlin for one argues that (...) „*privatization of goods such as public safety, education or community recreation may result in more spatially limited social capital, where individuals are less willing to cooperate for the common good. Shrinking the spatial dimensions of "community" to include only members of the same housing development or neighborhood may impose other costs to local governments that offset the expected savings from privatization*”.<sup>55</sup> Frederique Krupa Architect and Urban activist from the University of Arts – Philadelphia sees it as follows: „*Perhaps more important than the loss of social ideals is the loss of basic democratic rights. Beyond losing the "freedom of the city," in its anonymity and tolerance, the privatization of traditional public spaces such as streets in gated Los Angeles communities or the town center in the Mall of America severely limit free speech and assembly. Where could a revolution occur now that the privately-owned mall has become the substitute town center for most people? The Supreme Court upheld a decision in 1972 giving mall owners the right to limit access to their private property if someone or some activity was considered detrimental to consumption*”.<sup>56</sup> In this way protest in defense of community values is constricted to one’s living room, comfortable but not productive.

Different processes have combined in this dissolution – in particular, attempts to privatise and marketise public services have been combined with attempts to de-politicise the public realm. Shirley Kressel argues that „... *privatization of public space also represents a more fundamental elite agenda. Privatization of the public realm substitutes the private corporation for public institutions as the repository of trust, legitimacy, and communal identity in our society. By acts of custodianship and gift-giving, by naming socially-significant institutions with corporate names, by substituting company logos for official flags, the private sector subverts the idea of democracy and the public good .... The privatization of public space is part of a pattern which includes the privatization and corporate invasion of public schools, the proposed privatization of Social Security, the corporate takeover of health care, and other policies geared to define our lives and our society in terms of corporate needs and corporate power*”.<sup>57</sup> And she continues: „*When private agendas of stratification and control are imposed on those places, the very heart of*

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<sup>54</sup> GRÖNLUND: op.cit.

<sup>55</sup> CHAMPLIN D.: *Social capital and the privatization of public goods*, International Journal of Social Economics, Volume 26, Number 10, 1999, 1302-1314(13), Published by Emerald Group Publishing Limited (Bradford, UK).

<sup>56</sup> Frederique KRUPA (University of Arts – Philadelphia): *The Privatization of Public Space*, MA thesis – Spring 1993.

<sup>57</sup> Shirley KRESSEL (is a landscape architect): *Privatizing the Public Realm*, published in New Democracy Newsletter, July-August 1998, Boston. [www.newdemocracyworld.org/space.htm](http://www.newdemocracyworld.org/space.htm) (Date of retrieval 2007-01-12).

*democratic principle is threatened. Democracy cannot survive when we have no place to gather where there is "no purchase necessary". Democracy cannot survive substituting property rights for civil rights. Democratic principle cannot survive subordinating citizenship to consumerism".*<sup>58</sup>

It seems that the local authorities not always take into consideration the aspiration of the local inhabitants let alone the calls of civic activists. Local Authorities often put on a positive „*spin*” to avoid alerting the general public. The city of Leicester recently explained the sale of public spaces to developers in the following: „*The city of Leicester is changing. The physical fabric of the city is evolving as new developments and city initiatives are realised. A major opportunity for the city of Leicester to re-define its public realm has been the redevelopment and expansion proposals of the Shires Shopping Centre. The New Shires is set to open in October 2008. The Council, in response to this redevelopment, has undertaken to embark upon a three-year public realm improvement programme which, combined with major retail and commercial investment, will regenerate and transform the appearance of the city centre*”.<sup>59</sup> Indeed! In truth what happens is that city centers are no longer free for all. Previously public spaces are turned into commercial strongholds, where only middle class citizens with money can entertain themselves. But this leaves out the poorer sections of the population. Hanging around public places was one way young people could meet and exchange ideas on all aspects of society. Brendan Gleeson (Griffith University, Brisbane-Australia) after extensive research came to this conclusion: „*Public spheres are where all citizens - irrespective of socioeconomic or cultural background - are welcome and where the rules and norms that are fundamental to democracy are cherished. Importantly, the public realm is a sort of "civic school" which newcomers (the young, migrants) and outsiders (such as gated communities) can experience and learn key democratic values, such as tolerance, equality of treatment and mutual obligation*”.<sup>60</sup> In short learn to become a democratic citizen.

Increasingly as young and neglected do not have access to public spheres, along with the helping hand of the state, they rightly feel excluded. Fukuyama and neo-liberal politicians should realize it is not expounded individualism, traditionalists or family centric individuals that are putting in danger people’s faith in democracy. Madeleine Bunting from the Guardian, commenting on spontaneous theatrical performances in public spaces, gives the following

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<sup>58</sup> KRESSEL: op.cit.

<sup>59</sup> Leicester City Council: Public Realm Strategy – *The Big Picture* ( in this document Leicester City Council proposes to define its city center development strategy). [www.leicester.gov.uk/your-council--services/ep/business--the-economy/big-picture/streets-and-spaces/prs](http://www.leicester.gov.uk/your-council--services/ep/business--the-economy/big-picture/streets-and-spaces/prs) (Date of retrieval 2007-01-12).

<sup>60</sup> Brendan GLEESON (is Professor of Urban Management and Policy and Director of the Urban Research Program at the School for Environmental Planning at Griffith University, Brisbane.): *A city's health is dependent upon that of the public realm*, published by On Line Opinion. [www.onlineopinion.com.au/view.asp?article=3316](http://www.onlineopinion.com.au/view.asp?article=3316) (Date of retrieval 2007-01-12).

warning: „*Politicians bred on GDP and productivity statistics need to take notice of how the arts inspire collective experience in a way that our political languages no longer can. That means culture and its funding is no longer an add-on but central to any politics committed to the vitality of the public realm and how societies build collective purpose. In key areas such as identity, where emotions are raw and intense, culture of all kinds is a vital arena in which to explore hopes and defuse fears before the latter take violent or political form*”.<sup>61</sup> The riots in Paris, autumn 2005, show how civic education and the lack public domain can unleash destruction and communal violence. As these situations showed it was communities and strong sense of family bonds, along with the idea of common purpose that helped calm the situation. But Fukuyama disagrees: „*The vice of modern democracy is to promote excessive individualism, that is, a preoccupation with one's private life and family, and an unwillingness to engage in public affairs*”.<sup>62</sup>

Today's communities all over the world are political and economic dislocations. Socially and culturally communities in general have maintained their identity, but decisions concerning the overall running of these communities are taken somewhere else or the functioning is standardized to such a degree that it does not take into account the local specificities. This leads to discrepancy in the formation, and overall cohesion of the Republic. The new tendency is to push fiscal pressure to the lower levels and adjoining this pressure with that of the level of services provided at the local level without paying attention to the quality of services provided. The framework that is handed down is that of private enterprises. In the words of Francis Fukuyama: „*Virtually all economic activity, from running a laundry to building the latest generation microprocessor, is carried out not by individuals but by organizations that require a high degree of social cooperation. As economists argue, the ability to form organizations depends on institutions like property rights, contracts, and a system of commercial law*”.<sup>63</sup> Fukuyama's tendency to compare work place to that of other social organization lies at borders of naivety or extreme cynicism. Unfortunately, the logic of modern entrepreneurialism does not always fit well with that of social capital.

The purpose of the public and that of private sector differ considerably: „*Acting in the public interest requires consideration of natural, social, and economic systems. Natural systems provide the context and sustenance for*

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<sup>61</sup> Madeleine BUNTING: *Culture, not politics, is now the heart of our public realm*, The Guardian, Tuesday October 3, 2006. [www.guardian.co.uk/Columnists/Column/0,,1886126,00.html](http://www.guardian.co.uk/Columnists/Column/0,,1886126,00.html) (Date of retrieval 2007-01-12).

<sup>62</sup> FUKUYAMA: op.cit.

<sup>63</sup> Francis FUKUYAMA: *Social Capital and the Global Economy: A Redrawn Map of the World*, Foreign Affairs, September/October 1995 issue. [www.foreignaffairs.org/19950901faessay5067/francis-fukuyama/social-capital-and-the-global-economy-a-redrawn-map-of-the-world.html](http://www.foreignaffairs.org/19950901faessay5067/francis-fukuyama/social-capital-and-the-global-economy-a-redrawn-map-of-the-world.html) (Date of retrieval 2006-09-05).

*social systems and, therefore, must be respected, nurtured, and sustained. Social systems provide the context and purpose of economic systems*".<sup>64</sup> In the past 20 years what the neo-liberal dogma has done is to turn the tables – according to this the purpose of the public realm is to support the private sector at the detriment of the community. The French daily – Le Tribune, reported that the French state spent €60 billion (4% of GDP) in financial support for private companies,<sup>65</sup> while public deficit for the year did not exceed 3.5%.<sup>66</sup> This is a strange interpretation of social capital. The State might argue that, to weaver the hardships caused by globalization, national companies need financial subsidies. But the reality and functioning of these same companies points other directions: „*As corporations grew and as absentee owners (shareholders) became the primary corporate stakeholders, the public interest dimension became subordinate to the goal of maximizing shareholder (owner) wealth. Ultimately, in most capitalist societies, not only did the corporations abdicate any pretext of acting in the broader public's interest, but also their responsibility to shareholders has been effectively outsourced ...*”.<sup>67</sup> While Fukuyama pleads for greater participation of individuals and bare more public burdens in the process, the private sector is left free to „*wheel and deal*” itself into „*casino-economics*”.

Tradition as a factor of communal interaction, and of social capital, is not in opposition with structures of the Republic and State. Geographical and social structures like „*Village*”, „*town*” and „*city*” are all words that define gatherings of human individuals and families into communities. They all form a kind of continuous interconnections, from the simplest rural settlement to the largest and most sophisticated urban complex of highly developed and intricately structured institutions. As such social capital which accompanies this structural evolution holds the entire edifice together by bonds of solidarity and common purpose. But the principle of solidarity acts as limit to the logic of neo-liberal economics and arbitrary capital accumulation. This has nothing to do with the positive aspects of market, which for centuries have acted within the limits of community ethics, and was considered part of the social capital-since it was not distorted as today. Traditions and community based way of life are facing a two-way battle. On the one side traditional communities are seen

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<sup>64</sup> Darrell BROWN, Jesse DILLARD and R. Scott MARSHALL (all three from the University of Portland - School of Business Administration): *Triple Bottom Line: A business metaphor for a social construct*, presented on the occasion of a conference at the Universitat Autònoma de Barcelona, March 2006.

<sup>65</sup> Anne EVENO: *Les aides de l'Etat aux entreprises représentent 949 euros par habitant*, La Tribune.fr-Paris, 2007-01-25. [www.latribune.fr/info/Les-aides-de-l-Etat-aux-entreprises-representent-949-euros-par-habitant---ID31A567A485AF879CC125726D004297FA-\\$Db=Tribune/Articles.nsf](http://www.latribune.fr/info/Les-aides-de-l-Etat-aux-entreprises-representent-949-euros-par-habitant---ID31A567A485AF879CC125726D004297FA-$Db=Tribune/Articles.nsf) (Date of retrieval 2007-01-25).

<sup>66</sup> L'Expansion.com: *Le déficit public français atteindra 3,5%*, Paris - 2007-01-25. [www.lexpansion.com/art/15.211.62380.0.html](http://www.lexpansion.com/art/15.211.62380.0.html) (Date of retrieval) 2007-01-25.

<sup>67</sup> Darrell BROWN, Jesse DILLARD and R. Scott MARSHALL: op.cit.

as cell of economic underdevelopment, compared to the cob-web of economic interactions which is globalization. The other, on the political front, by the claiming that traditional communities refuse political integration by denying adapting to the institutional structures of modern government – which are as arbitrary as the modern market. The ensuing destruction of social capital both institutional and cultural is creating a new form of economic slavery and political disintegration. Unfortunately the lessons of history do not hinder the quest for GDP growth.