

**Understanding the concept of social capital:
Neoliberalism, social theory or neoliberal social theory?**
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by

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Declaration of originality

I hereby declare that this thesis is my own work, and that, to the best of my knowledge and belief, it contains no material previously published or written by any other person, nor material that has been accepted for the award of any other degree or diploma of a university or other institute of higher learning, except where due acknowledgment is made in the text.

(signed)

Ben Spies-Butcher

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Abbreviations

ABS - Australian Bureau of Statistics

AIFS - Australian Institute of Family Studies

AIPP – Australian Institute of Public Policy

ALP – Australian Labor Party

BLF – Builders Labourers Federation

CACOM - Centre for Australian Community Organisations and Management

CIS – Centre for Independent Studies

GST – Goods and Services Tax

IEA – Institute of Economic Affairs

IPA – Institute of Public Affairs

NGO – Non-Government Organisation

NIE – New Institutionalist Economics

NPM – New Public Management

NSEF - National Social and Economic Forum

NSW – New South Wales

OECD - Organisation for Economic Cooperation and Development

OIE – Old Institutionalist Economics

ONS – Office of National Statistics

OR – Operations Research

PD – Prisoner’s Dilemma

PTA – Parents and Teachers Association

SCC – Socialist Calculation Controversy

SES – Senior Executive Service

TGEB – Theory of Games and Economic Behavior

USA – United States of America

Abstract

This thesis examines the growing debate around the concept of social capital. The concept has been heralded by many as a means of uniting the social sciences, particularly economics and sociology, and of overcoming ideological divisions between left and right. However, critics argue that the concept is poorly theorised and provides little insight. More radical critics have claimed the concept may be a neo-liberal ‘Trojan horse’, a mechanism by which the atomistic thinking of neoclassical economics colonises social theory.

I examine these more radical claims by exploring the origins of the concept of social capital within rational choice economics. I argue that we should differentiate between two types of potential colonisation. The first is a form of methodological colonisation, whereby overly abstract, reductionist and rationalist approaches (which I term modernist) are extended into social theory. The second is a form of ideological colonisation, whereby a normative commitment to individualism and the market is extended into social theory.

I argue that the concept of social capital has been the product of a trend within rational choice economics away from the extremes of modernism. In this sense the concept represents an attempt to bring economics and social theory closer together, and a willingness on the part of rational choice theorists to take more seriously the techniques and insights of the other social sciences.

However, I argue that this trend away from modernism has often been associated with a reaffirmation of rational choice theorists’ normative commitment to individualism and the market. In particular, I argue the concept of social capital has been strongly influenced by elements of the Austrian economic tradition, and forms part of a spontaneous order explanation of economic and social systems.

I then apply these insights to the Australian social capital debate. I argue that initially the Australian social capital debate continued an earlier debate over economic rationalism and the merits of market-orientated economic reform. I argue that participants from both sides of the economic rationalism debate used the concept of social capital to move away from modernism, but continued to disagree over the role of individualism. Finally, I argue that confusion between moving away from modernism, and moving away from market ideology, has led some Third Way theorists to misconstrue the concept as a means to overcome ideology.

Published Material

Some of the material in this thesis was included in articles and chapters published during my doctoral candidacy. I initially identified the rational choice genealogy of the concept of social capital in (2002) 'The rational choice origins of social capital', *Australian Journal of Social Issues*, Vol.37 No. 2, May. I first identified the ongoing ideological divide between left and right in the Australian social capital debate in 'Social capital', Stilwell & Argyrous (eds) (2003) *Economics as a Social Science: readings in political economy*, 2nd edition, Sydney, Pluto Press. And I first discuss, in a preliminary manner, the distinction between the methodology of economics and the ideology of economics in (2003) 'Social capital in economics: Why social capital does not mean the end of ideology', *The Drawing Board*, Vol.3 No.3, March. I first discuss how Mark Latham's Third Way misunderstands the ideological distinction between individualism and collectivism in (2003) 'Latham's suburban vision: new collectivism or old fashioned individualism?', Digest article, *The Drawing Board*, September. And I first examine how classical liberal think tanks have used the concept of social capital to respond to the critique of economic rationalism in (2005), 'Social Capital and Civic Neoliberalism – Why the Australian Right has used the Politics of Recognition', Barbara, Leach and Walsh (eds), *Proceedings of the Politics of Recognition: Identity, Justice, Respect Conference*, Geelong, Deakin University.

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