



# Solving sustainability with social capital? A paradoxical reframing of modernity?

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## Abstract

The concept of social capital has the potential to force non-economic factors into consideration in our modern system that is dominated by economic concerns. Many modern cultures have systematically undervalued and ignored social and environmental factors by focusing on economic outcomes. However, the health of society limits economic potential, and an impoverished environment retards economic growth. This highlights how wrong and backward purely economic priorities are and how unsustainable they will inevitably be in the long term. Social capital could allow for the reclarification and reframing of social and environmental problems beyond the profit motive.

*Keywords:* social capital, sustainability, environment, economics, capitalism

## Introduction

In 1962 Rachel Carson published the book *Silent Spring* which thrust environmental problems into public awareness and is widely credited with inspiring the environmental movement. Yet nearly 60 years later it doesn't seem there has been much progress towards sustainability. There has been extensive scientific investigation of environmental issues and leading scientists have twice (1992 and 2017) warned humanity of the urgent need to change<sup>1</sup>. There has been widespread public concern for environmental issues. The United Nations has held regular conferences since 1972 to help define ways to stimulate sustainable development at the global level<sup>2</sup>. Yet very little seems to have changed in the last 50 years with most environmental issues continuing to trend in the wrong direction<sup>3</sup>.

1 The first World Scientists' Warning to Humanity was signed in 1992 by the majority of the Nobel Prize laureates in the sciences as well as about 1,700 of the world's leading scientists. The second World Scientists' Warning to Humanity was signed in 2017 by 15,364 scientists.

2 For example, the decennial Earth Summit conferences held in Stockholm 1972, Nairobi 1982, Rio de Janeiro 1992, Johannesburg 2002, Rio de Janeiro 2012.

3 The second World Scientists' Warning to Humanity in 2017 included 9 time-series graphs of key indicators, each correlated to a specific issue mentioned in the original 1992 warning, to show that most environmental issues are continuing to trend in the wrong direction. Critics have developed new tools to undermine the movement and introduce doubt and uncertainty, as evidenced by recent debates about climate change.

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The simplest explanation is that the systems that created the problems have not changed. Our worldview is still based on Adam Smith's "invisible hand"; the idea that an individual who "intends only his own gain," is "led by an invisible hand to promote...the public interest."<sup>4</sup>

Globally many cultures are increasingly capitalist and individualistic<sup>5</sup>, and although there is some evidence of widespread social change, there also seems to be increasing bifurcation with more people becoming entrenched in modernistic values<sup>6</sup>. Persons continuing to embrace capitalist and individualistic ideologies tend to be preoccupied with attaining wealth, self-reliance, and high self-esteem, often at the expense of others including non-human others.

Sustainability requires a shift from a narrow focus on economic and individual interests to a more holistic approach that also includes consideration of the environment, society and future generations. There needs to be a shift towards consideration of the full range of costs and benefits over generational time periods, not fiscal years and election terms. We need to move past the assumptions of neoliberal economics<sup>7</sup> and the

4 A. Smith, *The Wealth of Nations* (Modern Library, New York, 1937), p. 423.

5 We could call these values and attitudes modernity, which includes trends such as questioning or rejection of tradition; increasing individualism; valuing freedom and equality; rationalisation; capitalism and the market economy; and the development of the nation-state, representative democracy, public education. For more detail see Foucault (1977).

6 Polls report an increasing divide between those who are concerned with social and environmental problems and those who are not. Social media seems to play a significant role in creating 'silos' of similar values and beliefs that are self-reinforcing.

7 Economics employs three basic assumptions: people have rational preferences among outcomes that can be iden-

problems resulting from concepts such as externalities<sup>8</sup> that undervalue or ignore non-economic considerations. Not only are the underpinnings of neoliberal economics wrong, they are entirely backwards.

### Refocusing what's important

By focusing on economic outcomes, modernity has systematically undervalued and ignored the factors upon which it depends. The health of society limits economic potential, and an impoverished environment retards economic growth. Although interrelated, the economy is inseparably linked and dependent on society and the environment.

The economy is a construct of society that involves the provision of the basic needs but does not contribute directly to the attainment of higher order needs<sup>9</sup>. As a construct of society, it is completely reliant on society for labour and markets, and social ills directly undermine economic potential. Therefore, while there is interdependence, long-term economic growth is dependent on the health of society. This approximates the opposite of modern priorities.

Similarly, the economy is reliant on the environment, particularly for material input and output, as well as for sustenance of society itself. The environment provides ecosystem services such as suitable air, water, and food that are essential for human survival, and various other functions required for continued economic activity such as decomposition of waste, natural pollination of crops and other plants, and control of climate. The modern system has taken these services for granted and placed little or no value on them, resulting in their exploitation and deprivation.

This is akin to cutting a tree branch while sitting on it, except that it may not be us who fall but our children and future generations.

But how do we achieve this shift in modern economic and political systems that are preoccupied with profit and power?

Is the solution to force non-economic factors into economic consideration by calling them 'capital'?

tified and associated with a value, individuals maximize utility and firms maximize profit, and people act independently on the basis of full and relevant information.

<sup>8</sup> Externalities refers to situations when the effect of production or consumption of goods and services imposes costs or benefits on others which are not reflected in the prices charged for the goods and services being provided.

<sup>9</sup> A healthy economy could be argued to provide the opportunity for higher order needs by efficiently meeting basic needs. However, consumerism keeps people seeking lower order needs even after basic needs are met: the big house, new car, latest gadgets, etc that impairs the pursuit of higher order needs, such as self-actualisation.

Or are non-classical types of capital such as social capital<sup>10</sup> exacerbating the problem? Does casting non-economic values as "capital" given them credence? Or does it perpetuate and reinforce a narrowly economic worldview?

To explore these questions, we need to identify how and why economists have increasingly focused on broader forms of capital than those defined by Adam Smith.

Garrett Hardin's seminal 1968 publication *The Tragedy of the Commons* identified the tragedy engrained in Adam Smith's "invisible hand"<sup>11</sup>. Hardin pointed out the inevitable tragedy that ensues from the narrow pursuit of self-interest that results in the depletion of any shared and unregulated resource such as atmosphere, oceans, rivers, fish stocks, etc. Hardin, and other forward thinkers, could understand the finite nature of earth's resources and the inevitable "tragedy" of the prevailing economic approach.

The significance of this became beautifully illustrated by the famous Blue Marble photo taken from Apollo 17 in 1972. This photo became a symbol of the environmental movement, showing earth's frailty, vulnerability, and isolation amid the vast expanse of space. In the same year the Club of Rome published *The Limits to Growth* which further highlighted the finite nature of earth's resources. The report was met with fierce criticism from intellectual watchdogs of powerful economic interests, but history has proved its conclusions to be surprisingly valid<sup>12</sup>.

In 1973 progressive economist E.F. Schumacher used the term "natural capital" to describe the goods and services provided by the natural environment<sup>13</sup>. The concept attempts to overcome the shortcomings of conventional economics by assigning value to ecosystem services. In practice however it is typically a crude valuation of natural and ecological systems as they relate to human interests and needs.

Although the concept of natural capital allows for ecological systems to be assigned value it does not mean that this value will be fully incorporated into decision making along with other criteria. For example, if pollution of the ocean is treated as an externality it will be exploited even if the ocean's natural capital value is recorded in a register of accounts. The result is that the loss of natural capital continues to accelerate and is mostly unnoticed or overlooked by mainstream

<sup>10</sup> Other examples include natural capital, human capital, cultural capital, symbolic capital, psychological capital

<sup>11</sup> But originated in an essay written in 1833 by the British economist William Forster Lloyd.

<sup>12</sup> Nørgård, Jørgen Stig; Peet, John; Ragnarsdóttir, Kristin Vala (March 2010). "The History of *The Limits to Growth*". *The Solutions Journal*. 1 (2): 59–63. Retrieved 1 July 2014.

<sup>13</sup> Ernst Friedrich Schumacher is widely credited with the first significant treatment of the term. It was further developed by Herman Daly and Robert Costanza and more recently has been used in UN declarations.

economic analysis.

These problems were highlighted in the highly influential book *Natural Capitalism* published by Paul Hawken, Amory Lovins, and Hunter Lovins in 1999. The authors stated: “What might be called ‘industrial capitalism’ does not fully conform to its own accounting principles. It liquidates its capital and calls it income. It neglects to assign any value to the largest stocks of capital it employs – the natural resources and living systems, as well as the social and cultural systems that are the basis of human capital.”<sup>14</sup>

Non-economic types of capital such as natural capital and social capital attempt to reverse these errors by making that which is unvalued valued in modern systems that are heavily focused on economic considerations. They place these priorities in the economic arena and attempt to add them to accounting systems. However, overwhelming evidence would suggest that it has been ineffective.

The problem is not capitalism per se, but the dominant form of capitalism (i.e. industrial capitalism). The problem is not with science; there is more than enough knowledge and understanding. The problem is not even with the economic discipline, although it may seem like I am relentlessly critical of the entire discipline. The problem is moral, and since morality is normative, **the problem is social.**

This claim requires some consideration and further explanation. It strikes at the heart of my earlier question since if the problem is social, is there an important role for the concept of social capital in sustainability?

### Morality and sustainability

By virtue of my birth (and little else) I am unlikely to be disadvantaged in my lifetime. I could be consumeristic and wasteful, and exploitive within legal limits, and the impacts are unlikely to affect me personally. I'll likely be dead before environmental consequences become sufficiently bad to cause much disadvantage to me directly. But my actions will and do affect other people alive today and future generations, as well as non-human life. Acting purely and narrowly in my own interest does not require any change to the status quo. For someone in a cultural socio-economic position such as mine change must be a moral imperative. Sustainability is a moral consideration. Why should anyone act in the interests of others? Why shouldn't we be out for our own interests regardless of the impacts on others? Sustainability calls for a reprioritisation of values beyond those that are narrowly self-serving.

Somewhere along the way it became socially acceptable to exploit others (other humans, non-humans, natural

systems, and future generations) for personal gain (as long as it wasn't blatantly criminal). Not only did it become acceptable, it came to represent high social status. Excessive consumption (as a demonstration of high wealth) represented success and achievement, and it was to be desired and pursued, often at the expense of other important priorities. Profit was the focus, but the source of the profit was ignored. It was socially acceptable to invest in a company that made its profit from paying its workers \$1 per day or exploiting environmental or health and safety regulations to minimise costs. Most people in society came to revere the mega rich, regardless of how they made their money.

Therefore, the problems relate to societal values.

### The growing divide between values and actions

What we consider to be appropriate has changed significantly over time. Slavery was once treated as an established institution but is now considered abhorrent to virtually all modern societies. Societal values have also changed in relation to women's rights, animal rights, and even the rights of all living and non-living things.

Our moral considerations have changed, and in general, have expanded in their scope. Unfortunately, for many people their actions change more slowly than their values. Actions tend to be somewhat habituated since we tend to move through our daily lives operating largely on the basis of presuppositions, or background understandings, that are infrequently tested. They are prereflective, meaning that we only become fully aware of them when we reflect on them. This background context can easily become disconnected from our values when our beliefs change, unless we reflect deeply on the meaning and significance of our daily actions.

Most people find it simple to ignore this disconnect between values and actions and our cognitive processes makes this fairly easy to do. We have over 175 cognitive biases and many of them help conserve mental energy by finding supporting evidence of what we already know. But the contradiction lingers and festers, causing nagging discontent.

This incongruity includes the hidden contradiction between desired return on investment, economic growth, profit and prosperity and moral considerations. We want cheap products but don't want the environmental pollution and social exploitation that come from their production. We want the drugs that are developed with animal testing but value animal rights. We want our share portfolio to provide a return but fail to connect any moral considerations. We blame others for social and environment problems, but the reality is our own spending patterns are creating or perpetuating these problems.

We need a fundamental change of values. We need to redefine our moral frameworks. We need to reconcile the gap between our current values and our actions<sup>15</sup>. We need to reconnect with human nature – the innate desire to cooperate, share, and care. We need to regain our empathy and compassion. We need to reset our moral compass because our collective actions are currently deeply immoral. We need to identify the misconceptions and mistruths that rule our modern economic and political system and debunk and dismiss them.

Greed has created enormous inequality that is resulting in suffering and even death for large numbers of people, both in the developed and developing world. We are disadvantaging future generations; leaving our children worse off, with numerous serious problems and fewer options to solve them. We are exploiting other animals and natural systems for our temporary gain, appropriating the majority of the productive capacity of the planet for our own use, leaving little for other life.

The problem is not a lack of understanding of environmental and social processes and problems, the actions required to reduce or reverse these problems, the importance of change, and the potential consequences of not changing. It's straightforward; we need to stop treating natural resources as infinitely available and ecological systems as infinitely resilient. We need to stop acting like other people are competition, or a resource for our own profit. The stumbling block is achieving change. How do we get people, and the businesses and governments that act in their interest, to change?

This again highlights that the problem is social since values are socially defined.

Sustainability involves meeting the needs of the present generation without compromising the ability of future generations to meet their needs. While there are unknowns about how technological developments will change future needs, the general principle of sustainability is to meet human development goals while simultaneously sustaining the ability of natural systems to provide the natural resources and ecosystem services upon which the economy and society depend. Underpinning this is the concept of triple bottom line (TBL) which states that there is not one bottom line (fundamental and most important factor which has traditionally been economic) but three bottom lines that should all be included in decision making: economic, social and environmental.

TBL calls for the acknowledgement of the interrelationships and interdependency between the economy, society and environment. This is difficult in an economic system that regards the negative consequences of economic activity on the environment

<sup>15</sup> Many people are concerned about the morality of their investments but continue to invest money without consideration for how their profits are made. Many people are concerned about environmental degradation but continue to use products that have high environmental consequences.

and society as “externalities”. Externalities represent a form of market failure, where the free market fails to efficiently allocate resources. Typically, market failure requires government intervention through legislation or regulation including the use of taxes and subsidies to artificially assign value to impacts that would otherwise be considered externalities. However, government intervention is rarely highly effective since it is a blunt tool that is only as good as its design and enforcement.

The dominant belief in the corporate world is that a company only has responsibility to its shareholders to maximise profit (known as shareholder theory)<sup>16</sup>. This view means a company has no social or environmental responsibility. In fact, this means a company has a moral imperative to maximise profit including where it results in exploitation of the environment or society. This worldview justifies cost-cutting on health and safety and environmental protections, even where there is risk of permanent injury and death to workers and the public, and the risk of permanent and irreversible damage to ecological systems<sup>17</sup>.

Therefore, under this mindset, the government must intervene to assign value to externalities, so they can be accounted for in the free market. This can allow companies, including those who believe in shareholder theory, to follow the principle of the triple bottom line while meeting their responsibilities to shareholders.

However, interventions are rarely perfectly designed, implemented and enforced, allowing companies to find loopholes or workarounds to maximise profit. This can result in situations where companies can make more profit from breaking regulations than the costs of fines if caught. This can result in the ridiculous situation where company executives believe they have a moral responsibility (to shareholders) to break government regulations in order to maximise profit.

These beliefs are at an extreme end of the spectrum, although clearly held by some. Regardless of the prevalence of these views they are indicative of a system that has structural barriers to long-term sustainability. The response to this problem to date has been to manipulate the system rather than make widespread changes.

I believe the widespread interest in non-standard forms of capital is evidence of the desire and urgent need to change our economic and political systems. However, casting natural and ecological resources and systems as natural capital is not beneficial if said ‘capital’ continues to be treated as a free amenity in inexhaustible supply

<sup>16</sup> Also called the Friedman Doctrine after economist Milton Friedman's 1970 essay. An article in *The Economist* 31 March 2016 claimed that “today shareholder value rules business.” Although increasingly some companies view their role as moral protagonists who have purpose beyond profits.

<sup>17</sup> See for example the Bhopal Union Carbide disaster for an example of cost-cutting on safety equipment that resulted in approximately 15,000 deaths. Also see the 1978 Nigerian oil spill where poorly maintained pipes burst spilling over 500,000 barrels of oil. There are numerous other examples.

that is devoid of moral implications. To become more sustainable natural capital must be treated as a finite and integrally valuable factor of production<sup>18</sup>.

What can be done about the systemic problems of modernity that are interwoven into our economic and political systems such that they are an integral part of the daily lives and experience of large swathes of the population. The majority of society is 'locked in'; systematically disadvantaged by ... their labour treated as a commodity, advertising and political propaganda and disinformation perpetuating the beliefs and value systems that keep them engaged in the rat race.

What then is required: revolution or evolution? There certainly is need for urgent change however there are several barriers that make revolution both unlikely and undesirable<sup>19</sup>. This suggests that the only viable option is evolution; incremental change that aims to modify the existing system to solve systemic problems. Since capitalism then is here to stay, we need to find a way to integrate non-economic considerations. This is the logic of non-standard forms of capital; human capital, natural capital, social capital, cultural capital and other capitals.

This illustrates the dominance of economic discourse and the triumph of capitalism. Non-economic forms of capital have effectively closed the debate about the type of society and economic system we might want. Capitalism won when the concept of 'capital' was extended to virtually every aspect of social action. Under the 'plethora of capitals' framework, all social action is reduced to the accumulation of capital to give the individual or organisation a competitive advantage. The capital may be human, social, cultural, symbolic, or psychological, but it is capital nevertheless.

The debate now must be refocused on how to manage the only system we have. Non-standard forms of capital could provide the mechanism for achieving such change; however, they could just as easily perpetuate the problem by reducing everything to capitalist thinking.

The question is not whether the concept of social capital is good or bad. The issue is how the concept is used, how it is understood, and how it is incorporated into our thinking, actions, and policy. What is clear is that much more is required than simply casting non-economic values as capital.

<sup>18</sup> The international sustainability discourse paid little attention to the 'natural capital' concept. Little more than passing reference is made to the term 'ecological capital' in the 1987 World Commission on Environment and Development publication on sustainable development titled *Our Common Future*.

<sup>19</sup> The majority of society is too 'invested' in perpetuation of the current system or too ignorant to support difficult and abrupt change. There is no clear viable alternative to capitalism that is significantly different. If there was sufficient support, who would society revolt against? There is no single leader, government, or institution that is responsible for the current problems, making revolution problematic. Further, abrupt change is likely to most severely affect those members of society already disadvantaged or vulnerable. Unfortunately, poverty is one of the biggest contributors to environmental degradation, meaning that rapid change may initially place increased pressure on environmental systems.

## How can the concept of social capital be used as an agent for change?

The concept of social capital has enormous potential to highlight the importance of social factors and the benefits of cooperation and collective action. It can allow for the reclarification and reframing of social and environmental problems beyond the profit motive. It can refocus the salience of human rights and wellbeing, and the importance and benefits of an engaged and empowered society. It can help to reverse the problems of rampant individualism and its associated competition, greed and exploitation. It helps to reverse the under-socialised view that assumes that humans are overly rational and self-interested, and largely beyond the influence of social factors.

This can only happen when the complexity of the concept is embraced. Social capital is multidimensional, dynamic, and context specific involving multiple complex interrelationships. It cannot be reduced to a single variable or set of variables and it must be understood within the context of interest. Social capital is an umbrella concept that brings together numerous important sociological concepts that each have rich meaning and significance. The concept should not weaken the validity and theoretical rigor of its constituent parts by oversimplifying them or applying inappropriate assumptions for convenience.

When the concept of social capital is used in this way it inevitably leads to a deeper understanding and appreciation for others, and the importance of social organisation for collective action. It helps us to reconnect with our innate social nature and the value and importance of giving, caring, and sharing. It reinforces the importance of personal characteristics such as duty, respect, loyalty, solidarity, service, compromise, restraint, patience, tolerance, understanding, self-discipline, compassion, responsibility, friendship, perseverance, honesty, trust, faith, and numerous others. It helps to change our priorities and values. It reconnects us to feelings of belonging and togetherness leading to care and consideration for others.

This reconnection does not just relate to other people but also to ecological systems upon which society and future generations depend. Therefore, a deep and meaningful understanding of social capital helps to change societal value systems that are currently leading to a lack of sustainability. A greater appreciation for social capital may be just the change that is required to help transition to a more sustainable future.