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CULTURAL AND NATURAL CAPITAL: A SYSTEMS APPROACH REVISITED

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Fikret Berkes's main area of interest is common property resources and community-based resource management. In subarctic Canada, he has worked with the Cree people of Quebec and Ontario (James Bay area) and Manitoba, and also with the Ojibwa, Dene, Nishga, and Inuit. Internationally, he has worked in the West Indies, Turkey, India, Sri Lanka and Bangladesh. He has published on common property theory, coastal commons, small-scale fisheries, co-management, traditional ecological knowledge, indigenous resource use systems, subsistence economies, human ecology and conservation, environmental assessment, and biodiversity conservation.

His current work, supported by the SSHRC, involves comparative research on community-based resource management, and the current focus is traditional ecological knowledge and co-management. In the past decade, he has completed three team projects, Property Rights and the Performance of Natural Systems (1993-96, Beijer Inst.), Sustainability of Mountain Environments in India and Canada (1994-96, UM and U.Delhi), and sustainability of land-based economies in James Bay (1990-94, McMaster). He continues on a team project, the Resilience Network, with the Beijer Institute, Stockholm; acts as the President of the International Association for the Study of Common Property (1996-98), and Co-chair of the IUCN Working Group on Collaborative Management (1995-present). Ph.D. Marine Sciences, 1973 and B.Sc, 1968, McGill University

Overview

This paper does not claim to provide an "ecological perspective" on social capital. Ecology has little to say directly on social capital. But the paper does emphasise social system-ecosystem interactions, along the lines of our recent book (Berkes and Folke, 1998)

First, let's place social capital in perspective. There is a spectrum of concepts on the social dimensions of sustainability. These include social indicators, as used for example in Robert Allen's new book still in press, and a diversity of concepts of social and cultural wellbeing:

- * equity: fairness, social justice, distributional issues;
- * empowerment: ability of people to exert a degree of control over decisions affecting their lives;
- * sustainable livelihoods: capacity to generate and maintain one's means of living;
- * cultural sustainability: ability to retain cultural identity, and to allow change to be guided in ways consistent with the cultural values of a people;
- * social cohesion: shared values and commitment to a community - as the foundation stone of social order, as used by Jane Jenson and others; and
- * social capital: social organisational features, such as trust, norms and networks.

In practice, several of these concepts are used together. For example, the 1994 World Bank

paper by Serageldin, Daly, Goodland uses empowerment, equity, community participation, civil society, social cohesion, cultural identity, and institutions in defining social dimensions of sustainability. The World Bank's Environment Matters (1998) mentions several concepts, including participatory processes, stakeholders, and civil society, but focuses on inclusion and institutions.

Expanding on social capital, it is worth noting that different authors have emphasised different aspects of this idea. Perhaps the most commonly cited definition is that of James S. Coleman (1990), in which social capital is defined as features of social organisation such as trust, norms of reciprocity and networks of civil engagement. Robert Putnam's (1993) emphasis is on one form of social capital, civic participation. Strong traditions of civic engagement are the hallmarks of social cohesion and, in turn, economic progress, argues Putnam. Elinor Ostrom (1990), equates social capital with the richness of social organisation. She emphasises institutional capital, defined as the supply of organisational ability and social structures, literally the "capital" of institutions that a society has at its disposal.

Our notion of cultural capital covers a somewhat different set of elements related to sustainability. I need to explain where we are coming from. First, the context of the cultural capital idea is ecological economics, and its focus on ecology/economy and its consequent blindspot in social systems and institutions. Second, the formulation of cultural capital is related to our central interest in natural capital, and in the relationship between societies and natural capital (Berkes and Folke 1993; Berkes and Folke 1994).

We define cultural capital as factors that provide human societies with the means and adaptations to deal with the natural environment and to actively modify it. It includes the following dimensions:

- * worldview or cosmology;
- * environmental philosophy and ethics;
- * knowledge systems, including traditional ecological knowledge; and
- * institutions (rules-in-use) that deal with resources and the environment.

In operationalising the concept, we emphasise three areas. First, cultural capital identifies institutions as the key concept. The major lessons are from the common property literature ("the global sustainability dilemma is a common property dilemma writ large"). Second, cultural capital attempts to capture several key features of society-ecosystem relationships, such as the importance of cultural diversity. It emphasises adaptive processes and an evolutionary perspective (C.S. Holling et al. In: Berkes and Folke 1998), and co-evolution (Norgaard 1994). Third, cultural capital uses a systems perspective: societies not only adapt to, but also actively modify their environment.

Can the concept of cultural capital assist with the project under discussion, and with the objectives of dematerialization and resocialization (Robinson and Tinker. 1997). Looking at the first-order, three-way interactions among the three capitals - cultural capital, natural capital and human-made capital - one potential area of intervention that stands out, is the loop involving natural capital and cultural capital (Figure 1). In many ways, this loop parallels Robinson and Tinker's (1997) resocialization. Note, however, that sole reliance on the idea of social capital would not capture all of the essential dimensions, including

worldview, environmental ethics, knowledge, and institutions that deal with resources and the environment.

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- World Bank. 1998. *Environment Matters 1998*. Online Document. Figure 1 Re-drawn from Folke and Berkes (1998)

COMBINING SOCIAL COHESION AND SUSTAINABLE GROWTH

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Overview

These notes provide some references to research relating to the four following questions: What are the linkages between social capital and economic growth? What policies and institutions are most important to maintain social capital? What are the linkages among inequality, social capital, and economic performance? What pressures does globalisation place on social cohesion, and on social policies?

Social Capital

Some combination of measures of trust and participation have often been used to measure what is frequently referred to as social capital. Although usage differs somewhat among studies, and across disciplines, social capital is usually taken to be the "features of social organisations, such as networks, norms, and trust, that facilitate action and co-operation for mutual benefit." This broad definition has its roots in the pioneering comparative empirical study of post-war democracies by Almond and Verba (1963), who "concluded that interpersonal trust is a prerequisite to the formation of secondary associations, which in turn is essential to effective political participation in any large democracy." (Inglehart 1990). Over the forty years since their empirical work in the 1950s, researchers in many countries have probed the extent of interpersonal trust, and examined the extent to which individuals participate in, and contribute their efforts to, voluntary associations. There have also been attempts to establish the extent to which interregional differences in these variables, described sometimes as measures of social capital or of civic culture, are linked with the extent to which citizens in the regions of a country are satisfied with the efficiency of their regional governments (Putnam 1973), and in turn whether there are subsequent payoffs in terms of conditionally higher growth in those regions with higher levels of social capital. For the regions of Italy, where detailed research had been carried out for more than twenty years, the results were fairly supportive of the notion that there was a causal linkage running from high levels of trust and engagement to higher levels of regional government performance and in turn to higher levels of economic performance, and higher rates of upward convergence towards best practice levels of efficiency (Helliwell and Putnam 1995).

Robert Putnam, as quoted by Portes (1998), who also notes that sociologists often use the term to relate more to the contacts possessed and used by individuals.

Subsequent attempts to use World Values Survey (Inglehart 1990) measures of trust to explain subsequent differences in growth rates among industrial countries and among Asian economies (Helliwell 1996a) have had mixed results, although Knack and Keefer (1997a) have found stronger evidence supporting the view that better social institutions do support higher levels of growth among a sample of countries including both industrial and developing countries. Their use of a larger sample, covering a broader range of institutional quality, was probably an important reason for their finding.

Democracy

Democratic institutions provide ways of mediating social and economic differences, but require a certain degree of social cohesion if they are to succeed. Proponents of democracy often argue that it is good for everything, including economic growth, while sceptics have argued that populist electoral pressures within a democracy are likely to destroy economic policy discipline, and then lead to budget deficits, inflation, and ultimately to political and economic instability. The relationship is difficult to unravel, since there is reason to expect that higher levels of income will increase the demand for democracy, thus making it difficult to untangle the reverse influences running from democracy to subsequent economic growth. My best attempts to sort out these two-way relations (Helliwell 1994) indicate that there is indeed a strong linkage running from the level of real per capita GDP to the existence of a democratic regime. As for the reverse line of causation, from democracy to economic growth, it is of uncertain sign, and in any event very weak. Thus it would appear, based on more than twenty years experience from almost 100 countries, that countries tend to become more democratic as they get richer, while the attainment of democratic institutions does not itself either damage or ensure subsequent economic growth.

At the time the transition to democracy in Russia and Eastern Europe was just beginning, policy-makers and analysts drawn together for an OECD conference (Marer and Zecchini, eds.1991) were inferring the lessons to be drawn from previous transitions to market economies, including, among others, post-war experience in Germany and Japan, later industrialisation in Spain, and the development experience of Korea.. Nothing in those earlier experiences hinted at the many years of economic decline in Russia and Ukraine. What went wrong? The studies done in 1990 did raise the difficulties posed by the institutional gaps in the former USSR- the lack of a rule of law, of standards of commercial practice and contracts, and even of basic levels of social and interpersonal trust - but did not begin to predict the full consequences of these institutional gaps. Perhaps it should have been possible to predict that in these circumstances even the most likely of commercial ventures would be mired in corruption and delays, while the most striking growth would be of criminal activities expanding to fill the institutional vacuum. The result was one of the twentieth century's most dramatic displays of the central importance of the institutions of civic society.

Is it reasonable to attribute the tumult and decline to the existence of a democratic system?

Surely not, but it is reasonable to ask if it was unrealistic to expect that the institutional, political, social and entrepreneurial vacuums would be filled appropriately by some magical operation of the invisible hand. What is clear is that the institutional needs would have been easier to fill had they been more clearly foreseen, and if the process had been launched earlier and more effectively. If trust levels start low, and then fall sharply lower, the process of recovery is bound to be more difficult.

Education

One common factor that underlies all good performance, whether economic, social or political, seems to be broad and better education. There is substantial evidence that economic growth in developing countries proceeds faster where educational attainments are higher, and where literacy is more pervasive. This seems only reasonable, as the greatest part of the productivity growth of the poorer countries involves catching up to the levels of technological and organisational efficiency already in place elsewhere in the world. To search out and learn from the successes and failures of others is likely to be easier and more effective when education levels are higher and widely met.

Social capital, taken to comprise the norms, networks and trust that underpin civil society, has long been found to depend heavily on education. Empirical research consistently shows that education levels are the most important and pervasive determinants of both trust in others and engagement in community activities. The implication of these results is that rising education levels are not only good for the individuals receiving the education, who thereby receive higher incomes and greater satisfaction from their other activities, but also for the societies in which they live.

The latter inference has recently been challenged by Nie, Junn and Stehlik-Barry (1996), who agree that trust levels are generally higher where education levels are higher, but present evidence to support their claim that the effects of education on participation (as measured by the U.S. General Social Survey) apply only to relative education. They argue that those with relatively high levels of education are able to attain positions of leadership, and tend to participate more than those with lesser education. However, they argue, rising general levels of education do not lead to rising general levels of participation. Although the issue is not yet settled, subsequent research has shown that when education levels of one's peer group are appropriately defined the evidence remains strong that social engagement increases strongly with education levels regardless of relative education effects. For some types of activity, e.g. reading groups, participation increases with one's own education and with average education levels, while for other types of activity these own-education effects are partly offset by relative education effects. For all total measures of engagement, at least in the U.S. data studied thus far, there remains a strong link from education to both trust and social engagement (Helliwell and Putnam 1998).

Returning to democracy and political engagement, there is also strong evidence that the likelihood of a country supporting democratic rights and freedoms depends positively on education levels as well as on levels of per capita GDP. This should also come as no surprise, as those citizens with higher levels of education are more likely to take an informed interest in what their governments are doing, and to want an active say in the decisions being taken on their behalf.

There is also a further relation, not yet fully analysed in the literature, linking education and health status, with those who are better educated taking better care of their own health as well as taking effective action to obtain timely medical assistance where necessary. This linkage is likely to be general as well as relative, so that societies with higher average levels of education are likely to have higher average levels of health, which in turn are likely to feed back to provide a more productive economy and society.

All of the above roles of education provide evidence of social returns which augment the already well-documented private returns to education, suggesting a high policy priority for widely accessible high-quality education. There is evidence that the returns are high to both basic literacy and to higher education, and also some indication that equality of educational opportunities is likely to support a more sustainable and balanced growth path.

Inequality and Insecurity

Although inequality and insecurity are obviously not institutions, they do differ systematically among countries and over time. In addition, they have been found to be linked to several of the variables already mentioned. For example, several studies (Persson and Tabellini 1994, Knack and Keefer 1997b) have presented evidence that economic growth is higher in countries where income is more equally distributed. There is also a persistent finding from several countries (Wilkinson 1992, Ben-Shlomo et al. 1996, Mustard 1998) that several measures of health status are lower in regions or countries where there is greater inequality of income, even after account is taken of the fact that regions and individuals with higher levels of income have better health outcomes. The inequality effect may be partly because there is a diminishing payoff to income as a determinant of health (Gravelle 1998), but there may be more at play than this. Finally, it has been suggested that greater inequality may also have negative effects on measures of social capital such as trust and participation.

Government Institutions

The most important growth-supporting institutions provided by governments are those providing the rule of law, including criminal justice, commercial and civil laws, and a civil service that is free of corruption and capable of developing and administering the framework of laws and regulations required to support a modern society. Within such a framework, there is a real possibility that an enterprising civil population, supported by advice and finance from home and abroad, can develop the commercial ventures to employ and feed the people in such a way as to continually expand their options for contributing to an economically, environmentally, politically and socially secure future. Behind this broad picture lie many essential elements: a tax system that is fair and efficient, social safety nets that resemble trampolines rather than hammocks, accounting and reporting standards that provide the transparency needed to support intelligent investments, trustworthy monetary and financial institutions, efficient transportation and communication facilities, credible independent and diverse sources of information, and the ability to deliver education and health services efficiently and fairly. Whether individual items on this menu are provided by governments, non-governmental agencies, or private investors matters less than the quality of their provision. As the pre-1989 experience in the USSR shows, a fully state-operated system is not likely to provide individuals with sufficient freedom and

opportunities to develop and exploit their talents. On the other hand, post-1990 Russia has shown all too clearly that without some critical combination of social trust and public institutions, individual and commercial freedoms are of little use, with or without access to foreign expertise and capital. Indeed, in the absence of the required domestic laws and institutions, an open economy may be in more trouble than a closed one, since the absence of order may scare off many legitimate investors leaving a vacuum to be filled by those venturers more willing and able to operate by stealth and corruption.

Does Globalisation Limit National Policies to Support Social Cohesion?

It is frequently said (e.g. Kenichi Ohmae 1995) that we are now in a borderless global economy where the nation state is obsolete. However, recent empirical work (McCallum 1995; Helliwell 1996c, 1997, 1998). has shown that this perception is dramatically mistaken, and that national economies are far more tightly woven than is the global economy. This implication of this is that national governments have more room than is generally thought to design and deliver social programmes that their citizens want and are prepared to pay for. What programmes the citizens want will depend on the strength of the same networks of shared values, institutions, knowledge and culture that make national economies so much more tightly woven than the global economy. How much in the way of social safety nets, transfers among regions and individuals, and other forms of income redistribution will a nation choose to provide? Where measures levels of social trust are especially high, as in the Nordic countries, social safety nets are correspondingly well (and more expensively) provided. Although measured trust levels are only slightly higher in Canada than in the United States, the Canadian social safety nets have been broader and more expensive than in the United States. For example, Blank and Hanratty (1995, 192) found that U.S. poverty rates for single-parent families would have fallen from 43% to 16% if typical Canadian transfer programs were applied instead of the actual US programs, using 1986 data. Card and Freeman (1995) calculate that the total cost of transfer programmes in 1990 was 4.7% of GDP in Canada, compared to 1.7% in the United States. This is a large difference, but smaller than the amount by which the cost of the U.S. health care system exceeded the cost of Canadian health care. Thus the combined cost of health care and the more conventional social safety nets was no more in Canada than in the United States.

Income tax rates are nonetheless higher in Canada than in the United States for high income earners. This does not follow directly from the social transfer and health costs, but depends on a more progressive income tax system in Canada than in the United States and greater public debt costs in Canada. Intergovernmental transfers are also much greater in Canada than in the United States, with implications for federal tax rates. Does Canada have enough social cohesion to support these high transfer and tax rates? There has been worry over the past decade, as welfare case loads have risen, tax rates have risen, unemployment has remained stubbornly high, and incomes have stagnated for the average worker, that it would be impossible to maintain support for the social safety nets. Budget pressures have led to programme cuts and attempts to make the programmes leaner and more efficient. The combination of tighter rules and the growing numbers of poverty-level youth and single-parent families has meant that the current system has come under attack for being both too restrictive and too expensive. Are the current programmes politically and economically sustainable at current levels of expenditure? The politics are difficult to assess. On the social side, the programmes have been under pressure, but they have helped to avoid the

growing after-tax inequality of family income seen in the United States, even though the pre-tax inequality of incomes has risen somewhat. On the economic side, it is worth considering both the intergovernmental transfers and the frequently heard claim that tax differentials are responsible for a sharply increased drain of talented Canadians to the United States.

Although the Canadian interprovincial transfer system, whose centrepiece is the system of equalisation payments, is much larger than its U.S. counterparts, interprovincial migration in Canada is even more fluid than that in the United States. The strength of national networks is so strong that Canadians are far more likely to move right across the country than to move to the United States, even if the incomes are higher and the move a shorter one (Helliwell 1996b and 1998, chapter 4). It would be expected, especially by someone who was not aware of the much greater strength of national social and economic networks, that there would have been a large brain drain from Canada to the United States during the 1990s. This was to be expected because growth was much faster in the United States than in Canada, the supply of those with higher education was increasing much faster in Canada than in the United States, the salary premium for those with higher education was increasing faster in the United States than in Canada, and the unemployment rate difference between the two countries was about 4% for much of the decade. What is surprising to many, and unknown to most, is that the actual number of Canadian-born individuals living in the United States has fallen substantially since 1980, and most especially during the 1990s. The U.S. census and the U.S. Current Population Survey put the numbers of Canadian-born in the United States, in thousands of persons, at 843 in 1980, 772 in 1990, 679 in 1994, 660 in 1996 and 542 in 1997. Migration from Canada to the United States has fallen over the past decade, both in numbers and as a share of the population of either country.

Conclusion

The main message of this paper is that there is much more scope and need for national policies than is popularly thought. This is especially true for policies of the sort needed to build institutions capable of supporting equitable and sustainable growth. This requires economic policy-makers to take a broader than usual perspective, and to consider more explicitly the linkages among social, human and economic health. The need for such an enlarged perspective, and the corresponding need to take institution-building seriously, is one of the most striking lessons to be drawn from Canadian and international experience in the 1990s.

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GLOBAL-LOCAL RELATIONS AND CIVIC IDENTITY

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Overview

Globalisation and localisation are coupled together in mutual identification. There is nothing that is global that does not have a local manifestation, and that in its transformation, changes the global context. Similarly local actions, local perceptions, and local aspirations accumulate to chaotic but global outcomes. Globalisation and localisation, therefore, are processes of change, together with their impacts on economies, societies, cultures and outlooks, that are both globalising and localising. They may take place at any scale, and at any level of social organisation. Globalism and localism, however, are culturally and politically framed interpretations of globalisation and localisation that take place via processes of personal experience, trust, reciprocity, and social networks of interest and bias. These two discourses cannot be separated and provide a basis for civic identity, along with consolidated views on the transition to sustainability.

Global-local relationships

To show how convoluted, how non-spatial, and how interactive are the linkages between