SOCIAL CAPITAL AND LOCAL GOVERNANCE:
EXPLORING THE INSTITUTIONAL DESIGN VARIABLE

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This article argues that Robert Putnam’s social capital thesis is too society-centred and undervalues state agency and associated political factors. It explores the role of institutional design in explaining how governments can shape the development of social capital and its potential influence upon democratic performance. New Labour’s programme of ‘democratic renewal’ within British local government provides an excellent opportunity to assess the relevance of institutional design to arguments about social capital and democracy. We propose that prospects for the creation and mobilisation of social capital may depend as much upon the process as the content of institutional design.

It is hard to overstate the impact upon political science of Robert Putnam’s *Making Democracy Work* (1993), described by discipline-watchers Goodin and Klingemann as an emerging ‘contemporary classic’ (1996, pp 16-17). Putnam’s thesis is that dense networks of civic engagement produce a capacity for trust, reciprocity and co-operation (‘social capital’), which in turn produces a healthy democracy. The thesis has had a major impact upon political theory (the role of ‘civil society’ in a democratic polity), political economy (the link between ‘civic communities’ and economic success), and the comparative and historical analysis of nations’ democratic performance (the role of associational activity and social trust). A version of the social capital thesis also lies at the heart of the ‘third way’ politics professed by many European and American political leaders (see Giddens 1998). Yet, as Putnam admits, his now famous arguments about social capital were nurtured in the context of research ‘on the arcane topic of local government in Italy’ (1995a, p 665).

This article returns to the mundane territory of local politics to address the growing critical response to Putnam, in particular the assertion that his analysis is too society-centred, undervaluing state agency and associated
political factors. The article explores the role of institutional design in explaining how governments can shape the development of social capital and its potential influence upon democratic performance. We take up Ken Newton’s challenge to ‘explore the connections, if any, between government policies and structures, and the formation of social capital’ (1999, p 17). The current programme of ‘democratic renewal’ within British local government provides an excellent opportunity to assess the relevance of institutional design to arguments about social capital and democracy.

The article is divided into three parts. The first part explores the theoretical case for paying more attention to state agency within the social capital debate, with particular reference to institutional design. The second part develops a framework for analysing the relationship between institutional design and social capital in the context of local governance. The utility of the framework is explored in relation to the likely impact of New Labour’s ‘democratic renewal’ agenda upon social capital. The third part of the article considers whether it is possible to ‘design in’ high levels of social capital to systems of local governance. It proposes that prospects for social capital may depend as much upon the process as upon the content of institutional design.

PART 1: SOCIAL CAPITAL AND INSTITUTIONAL DESIGN

Although not the originator of the concept of ‘social capital’ (see, for instance, Coleman 1988 and 1990; Bourdieu 1986), Robert Putnam has been its chief publicist. His most succinct definition is as follows: “‘social capital’ refers to features of social organization such as networks, norms and social trust that facilitate co-ordination and co-operation for mutual benefit.” (Putnam 1995b, p 67). The strength of Putnam’s approach lies in the way in which it seeks to combine different aspects of the ‘social capital’ concept (Newton 1999, p 3). Putnam treats social capital as an amalgam of social norms (particularly trust, as emphasised by Coleman 1990, and by Fukuyama 1995); objective features of society (primarily social networks, as highlighted by Bourdieu 1986 and, more recently, by Foley and Edwards 1999); and outcomes (see Coleman 1990, and Ostrom 1990, on the productive aspect of social capital).
Putnam’s argument, based on a 20-year comparative study of the Italian regions, is that: ‘the most important factor in explaining good government is the degree to which social and political life in a region approximates the ideal of a civic community’ (1993, p 120). Putnam’s measures of ‘civic-ness’ include levels of associational activity, newspaper readership and aspects of voting behaviour. How is it that, in Putnam’s words, ‘norms and networks of civic engagement undergird good government’ (1993, p 116)? Although criticised for inadequately specifying the causal mechanism (Levi 1996, p 46, Brehm and Rahn 1997, p 1000), Putnam provides a plausible descriptive account of the linkages. People learn to trust one another through face-to-face interaction in associations and informal social networks; norms of trust and reciprocity ‘spill over’ into society at large; a capacity is created for collective action in pursuit of shared goals; citizens expect, and representatives provide, competent and responsive government (Putnam 1995b, p 67). Putnam asserts that civic communities (and their ‘uncivic’ counterparts) are self-reinforcing: civic engagement and good government become locked together in a ‘virtuous circle’ - in contrast to a parallel ‘vicious circle’ of distrust, disorder and poor government (1993, p 117).

A mark of the importance of Putnam’s work is the liveliness of the critical debate that surrounds it. Does the thesis actually ‘fit’ the Italian case (Tarrow 1996)? What are the causal mechanisms involved (Brehm and Rahn 1997, Levi 1996)? Do all associations, and all forms of social capital, support democracy (Foley and Edwards 1996, Levi 1996)? Why are voluntary associations seen as the primary locus of social capital – what is the relative role of employment, education, family and friends (Cohen 1999, Haart and Dekker 1999, Newton 1999)? How is social capital distributed within and between communities (Lowndes 2000, Hall 1999)? While these are important lines of enquiry, our concern in this article is with one specific – and fundamental - weakness in Putnam’s argument: his neglect of state agency.

Levi points out that Putnam’s analysis in *Making Democracy Work* ‘is resolutely society-centred to the neglect of other important actors, most
notably those in government’ (1996, pp 49-50). She observes that ‘all the important action comes from the citizenry’ (1996, p 50). Tarrow comments that we learn almost nothing about the way in which the different regions are actually governed (1996, p 394). Newton challenges Putnam’s ‘bottom-up’ bias, arguing that social capital ‘may also be strongly affected by the policy of governments and by the structure of government itself – a top-down process’ (1999, p 17). For a book about the interaction between civil society and government, it is curiously one-sided.

The role of social capital may be better understood in the context of a two-way relationship between civil society and government. Governments (particularly at the local level) shape the conditions in which voluntary associations – and social networks more generally – thrive (or do not). As well as influencing the creation of social capital, government seems likely to affect its mobilisation. Governments, after all, play a crucial role in determining the degree of influence that organised interests, and individual citizens, have upon democratic functioning and performance. As Maloney et al (2000) put it: ‘the governance of an area is affected by social capital, but is itself an influence on social capital’. Such an approach not only adds depth to Putnam’s account, it also escapes its extreme fatalism. If governments are able to affect the development of social capital, it may be possible to break out of ‘uncivic’ vicious circles and actively promote the ‘virtuous’ combination of civic engagement and good governance.

In his more recent work on American society, Putnam himself advocates – but does not specify – a positive role for government in promoting social capital (1995a, 1995b). What variables are likely to be significant in determining the influence of government upon levels and uses of social capital? We identify four possible avenues of enquiry.

(a) Government ‘size’

In discussing the apparent decline in social capital in the USA, Putnam considers the relevance of the size and spread of government. He notes that
commentators like Fukuyama (1995) see the rise of the welfare state as the main cause of civic disengagement. Asking whether ‘private initiative’ is ‘crowded out’ by big government, Putnam establishes that, for the US, there is no relationship between welfare spending, size of government and stocks of social capital (comparing states). For the 19 OECD countries investigated in the World Values Survey, big government appears to be, if anything, positively correlated with social capital (Putnam 1995a, p 671). In characteristically colourful language, Putnam concludes that ‘swollen government’ does not necessarily lead to ‘shriveled social capital’ (1995a, p 671). The national level data suggest that expanding or reducing the scale and scope of government is unlikely to have a critical impact on social capital; however, more research is needed, across a range of different contexts and at the local as well as the national level.

(b) Government performance

Using data from the US General Social Survey (1972 to 1994), Brehm and Rahn (1997) set out to test Margaret Levi’s conjecture that: ‘policy performance can be a source of trust not just a result’ (Levi 1996, p 50). They establish that ‘the more confident respondents are in the major federal institutions, the more likely they are to participate in their communities’; the effect of confidence on interpersonal trust is even more significant (1997, pp 1014-5). Brehm and Rahn turn Putnam on his head: ‘social capital may be as much a consequence of confidence in institutions as the reverse’ (emphasis added; 1997, p 1018). If governments are able to influence confidence – through their own competence and achievements – then they can also influence levels of civic engagement and interpersonal trust: the key ingredients of social capital. Breaking out of Putnam’s ‘vicious circles’, and strengthening ‘virtuous’ relationships, becomes a real possibility.

Despite many calls of ‘fire!’ over recent decades, Kaase and Newton (1995, p 61) point out that there is actually no evidence of a general trend towards decreasing satisfaction or confidence in democratic institutions (within the European Union at least); good news for social capital, given Brehm and
Rahn’s thesis. Maintaining, or enhancing, the legitimacy of specific government institutions in specific places (and among specific sections of the population) may, however, remain an important challenge for promoters of social capital.

(c) Government policies

In challenging Putnam’s account of Italian history, Sidney Tarrow argues that ‘civic communities’ did not cause ‘good government’: both owed their existence to traditions of ‘progressive politics’ in particular regions. In illustration, Tarrow notes that, in the North of Italy, ‘civic competence was deliberately developed after World War II as a symbol of the left-wing parties’ governing capacity’ (1996, p 394). Foley and Edwards claim that most of the sports’ clubs, choral societies, co-operatives and cultural associations studied by Putnam in the Northern ‘civic’ regions were actually ‘organized by and for two major political parties: the Communists and the Christian Democrats’ (1996, p 42).

Even if we leave aside the especially politicised civil society of Northern Italy, it is clear that government policy can play a major role in stimulating, or depressing, the activity of voluntary associations. Of Britain, Peter Hall (1999, p 440) writes: ‘Since the turn of the century, British governments have made great efforts to cultivate the voluntary sector, notably by involving it in the delivery of social services’. British social policies ‘have been designed to preserve a substantial role for voluntary endeavour’ - from the birth of the welfare state to the contracting-out reforms of the Thatcher governments (Hall 1999, pp 441-2). Of Norway, Per Selle (1999, p 146) notes that: ‘the voluntary sector is, and always has been, deeply influenced by government’. Within this context, Selle shows how policy changes can influence in a positive or negative way the prospects for social capital. He argues that new contractual relationships preserve a major role for voluntary organisations, but at the expense of tighter government control and a weaker, less autonomous voluntary sector (similar arguments have been made for Britain, see Leach and Wilson 1998, pp 14-5).
In their work on democratic transition in Spain, Torcal and Montero (1999, p 168) note that ‘politics can play a significant role in forming social capital’. In transitions to democracy (whether from dictatorship, apartheid or communism) government policy may be all-important in the reinvigoration of weak civil societies, or the redirection of resistance activity towards forms of social capital able to support democracy.

(d) Institutional design

While the content of government policy is undoubtedly important in influencing levels and uses of social capital, policies – almost by definition – come and go. A crucial factor determining the long-term prospects for social capital in any society or community is the underlying institutional framework of government. Governments influence the health of social capital not simply by securing a role for voluntary associations in service delivery. As the experience of democratic transition reminds us, government plays an important role in ‘framing’ civil society. Opportunities for (and constraints upon) associational activity are shaped by constitutional and legal frameworks, the structures and conventions of government, and the traditions and conventions of political life. For example, governments influence prospects for social capital through: civil rights to protect freedom of association and a free press; citizen education and the provision of community facilities; the design of public places; approaches to poverty and social exclusion; and, crucially, through the responsiveness of their own decision-making machinery. Social capital either thrives or withers in the context of the institutional framework that ‘governs who plays, the rules of the game, and acceptable outcomes’ (Foley and Edwards 1996, p 47).

In introducing his study of Italy, Putnam recognises the potential role of institutional design in explaining government performance. However, he justifies his focus on alternative socio-cultural explanations in the following way:
in our study, institutional design was held constant: regional
governments with similar organizational structure were all
introduced at the same time... the fact that institutional design is a constant in the Italian regional experiment means that we can
detect more reliably the influence of other factors on institutional
success. (Putnam 1983, p 10; emphasis added)

Despite his brief review of ‘new institutionalist’ insights (1983, pp 7- 10),
Putnam smuggles into his analysis an oddly formalistic and static
understanding of ‘institution’. Because the structures for regional government
put in place in 1970 were identical, he writes the institutional design variable
out of the story. He argues, in effect, that all subsequent institutional
developments (and variations in institutional performance) are attributable to
sociocultural factors. It seems highly unlikely that state agents desisted from
attempts at intentional institutional design over the next 20 years, or that
institutions evolved only in reaction to the activities and preferences of civic
actors. We know from Putnam’s own work that the institutions of regional
government diverged radically in terms of performance, why should we
assume that their design remained constant?

Drawing upon ‘new institutionalist’ theory, we know that institutional
frameworks have informal as well as formal elements, and are characterised
by change as well as stability (Lowndes 1996, p 192). Institutions are not
simply administrative and political organisations; they are the sets of routines,
 norms and incentives that shape and constrain individuals’ preferences and
behaviour. Institutional rules may be consciously designed and clearly
specified (as in structure plans and operating procedures) or take the form of
unwritten customs and conventions (as in aspects of ‘professionalism’ or
‘departmentalism’) (Lowndes 1999a, p 23). As Fox and Miller (1995, p 91)
note: ‘Institutions are habits, not things’. Institutions may evolve in response
to a changing external environment, but they may also change as a result of
strategic action in pursuit of new ideas (or of sectional interests) (see
Lowndes 1996, p 45; John 1999, p 201). While Italian regional governments
may have remained ‘formally identical’ (Putnam 1983, p 7), this does not
mean that the effective ‘rules of the game’ have remained the same across
space or over time. As Jordana (1999: 48) argues, because Putnam adopts a
'narrow' conception of institutions, he is able to assume that they play no more than 'a passive role.. devoid of explicative value'.

By assuming that institutional design is a constant, Putnam potentially underestimates the role of this factor as an independent variable in explaining divergent government performance. More importantly, for our purposes, this sleight of hand enables Putnam to disregard the interaction between institutional design and social capital - his preferred explanation for government performance. Our proposal is not that institutional design is more important than social capital in explaining government performance; rather, we are asserting that it is only possible to understand the role played by social capital if we consider the institutional design variable too. As Margaret Levi (1996, p 50) suggests, it seems likely that: 'good government is a result of an interaction between a civic-minded citizenry and civic-minded government actors'. Putnam studies the role of the 'civic-minded citizenry'; we are interested here in the activities of 'civic minded government actors' – how might they act to enable and support (or disable and frustrate) the citizenry? What institutional designs might be created to give expression to a government’s ‘civic-mindedness’? How might such institutions influence the formation of social capital, and its subsequent mobilisation in support of democracy?

PART 2: A FRAMEWORK FOR ANALYSING SOCIAL CAPITAL AND INSTITUTIONAL DESIGN IN LOCAL GOVERNANCE

The remainder of our article looks at the relationship between institutional design and social capital in the context of local governance. We are concerned with wider constitutional issues and central government arrangements only in so far as they affect local governance. However, our use of the term ‘local governance’ signals that our interest extends beyond the design and functioning of elected local authorities (see Wilson 1998). In Britain, the last two decades have seen an erosion in the responsibilities of directly elected local government, alongside a growth in non-elected bodies and new roles for the private and voluntary sectors (through contracting and
partnership’) (see Stoker 1999a and 2000). The New Labour government, elected in 1997, is committed to maintaining a ‘mixed economy’ of service provision and stresses a ‘community leadership’ role for elected councils. As Tony Blair (1998, p 13) explains: ‘Local authorities will still deliver some services but their distinctive leadership role will be to weave and knit together the contribution of the various local stakeholders’.

The health of social capital within any locality is likely to be affected by the design of non-elected as well as elected agencies, and by the formal and informal institutional arrangements that link (or fail to link) different bodies involved in local decision-making and service delivery. Institutional redesign cannot, however, be a precise science in which outcomes are known for sure in advance. Hood (1995, p 15) observes that ‘unintended effects of policy and management measures are a recurring theme in social science’. At the same time, it is possible that ‘bad’ institutional design may have a positive impact on social capital: for example, Newton (1976) found that the effective exclusion (in the early 1970s) by Birmingham City Council of ethnic minority pressure groups led ultimately to their mobilization and growing influence upon decision-making (see Maloney et al 2000). With these caveats in mind, we establish in this part of the article a framework for studying the interaction between social capital and institutional design in local governance. We propose that there are four, interacting, dimensions of institutional design within local governance that shape the creation and mobilisation of social capital: relationships with the voluntary sector; opportunities for public participation; the responsiveness of decision-making; and arrangements for democratic leadership and social inclusion.

The applicability of the framework is illustrated with reference to New Labour’s programme for the ‘democratic renewal’ of British local government. While previous Conservative administrations seemed prepared to let local democracy wither on the vine - in the context of their preoccupation with service efficiency - New Labour is determined to tackle the deficiencies of local democracy head-on (see the collection of articles in Pratchett, 2000). An ambitious programme of institutional redesign is underway that aims to
address problems of low electoral turn-outs and declining levels of public interest in, and commitment to, local government (Rao and Young 1999). New institutional arrangements are being developed to make voting easier and more frequent at the local level, and to require local authorities (and other local bodies) to consult with, and involve, the public on an ongoing basis (DETR 1998a, Lowndes et al 1998). New institutional arrangements are also proposed to tackle practical problems of councillor recruitment and retention, and underlying confusions regarding councillor roles and political leadership – primarily through the formal separation of executive and representative functions (DETR 1998a, Leach and Wilson 2000). New Labour’s reform programme provides an excellent opportunity to explore our proposition that institutional design impacts upon the creation and mobilisation of social capital. Although we draw upon research on individual councils and localities,¹ our concern is with the implications of system-wide institutional redesign; as such, it complements Maloney et al’s (2000) city-specific study of the local authority/social capital relationship.

(a) Relationships with the voluntary sector

This is a crucial variable given the emphasis to date upon the role of associations in nurturing social capital (see Part 1, above). Our interest here is in institutional arrangements within local authorities and other local agencies for the support and recognition of voluntary associations. The forms and levels of support available, and the conditions attached to that support, influence the incentive structures faced by associations. Whether an association is looking for a location for its first meeting or seeking European funding for a major project, its activity is likely to be facilitated, or constrained, by the institutional arrangements of local governance. The institutional arrangements of local governance may, for example:

- make it more attractive for groups to engage in one sort of activity rather than another (e.g. service-level agreements or contracts may squeeze out campaigning or self-help);
reward groups with particular internal structures whilst sidelining those
organised in a different way (e.g. by recognising only groups with a formal
constitution or an elected committee);

- influence overall levels of voluntary sector activity (through grant levels
and other forms of support);

- determine access to other funding and information-based networks (e.g. at
the central government or European level).

New Labour’s reform programme is likely to affect local government/voluntary
sector relationships in two main ways. First, through its promotion of
community consultation and involvement; second, through its preference for a
multi-agency ‘partnership’ approach towards meeting local needs (DETR
1998a). The government’s initial consultation paper argued that ongoing
public involvement is ‘crucial to the health of local democracy’; it identified and
recommended ‘new ways in which councils can listen to their communities
and involve local people in their decisions, and in their policy planning and
review’ (DETR 1998b, para. 2.3). However, the new institutional
arrangements promoted by the government – citizens’ juries, citizens’ panels,
focus groups, deliberative opinion polls (as well as annual elections and local
referendums) – prioritise the involvement of individual citizens rather than
organised groups. Partly out of a desire to redress past imbalances, and
partly out of a distrust of ‘narrowly focused lobby groups’, the government
gives no more than a passing mention to mechanisms to ‘involve local groups
and organisations’ in consultation (DETR 1998b, Chapter 4).

Using Leach and Wilson’s typology (1998, p 8), the reform programme seems
to embody an ‘instrumental’ rather than a ‘democratic’ approach to local
authority/voluntary sector relationships. The service delivery role of the
voluntary sector is stressed: as a contractor in the process of securing ‘best
value’ (DETR, 1998a), and as a ‘partner’ in tackling what John Stewart
calls the ‘wicked issues’ of local governance: that is, ‘multi-faceted issues which
defy simple solutions, and cannot be solved in traditional ways’ (2000, p 110).
As Tony Blair (1998, p 10) argues:
... if communities are to deal with difficult cross-cutting issues like youth justice, drug abuse and social exclusion, we have to harness the contribution of businesses, public agencies, voluntary organisations and community groups and get them working to a common agenda.

There is a danger that such relationships may undermine rather than reinforce the capacity of voluntary bodies to generate and mobilise social capital. Contractual and partnership relationships can promote processes of isomorphism (see Hood 1998, p 202), whereby successful voluntary bodies increasingly come to resemble their local authority sponsors – becoming larger, more formal, bureaucratic and professional. Such institutional arrangements generally disadvantage smaller, more informally organised voluntary groups who are unable (or unwilling) to compete for contracts, and also those associations who wish to retain their independence and campaigning stance (see Taylor 1997, Skelcher et al 1996). Our own research shows that many voluntary bodies feel frustrated at the service-focused nature of the relationship with local government, and their lack of access to policy forums (Lowndes et al 1998, p 74). In their study of voluntary bodies in Birmingham, Maloney et al (2000) argue that ‘survival has often been related to patronage’. They cite as typical the view of a senior manager in a local voluntary association: ‘The City Council behaves like a big funding lord; voluntary organisations are the peasants – the Council do not want the voluntary sector to have autonomy. They want control. The voluntary sector is caged’.

Even in the new neighbourhood-based initiatives that lie outside the control of local government – in health, education, employment, urban regeneration - the requirements of ‘partnership’ may exclude all but the biggest players. Lowndes and Skelcher (1998, p 327) cite a civil servant reflecting upon partnership institutions in urban regeneration:

Unless you’re cute and big, the voluntary sector could get squeezed out. Small and specialised voluntary organisations haven’t got the clout of understanding or strategic overview required by the SRB (Single Regeneration Budget) process. These organisations are valuable because they bring enormous
energy and commitment, but... you need political clout and strategic nous to get into partnerships to bid for SRB.

As Foley and Edwards (1996, p. 49) comment, civil society activity is shaped by ‘the relations that associations of all sorts might forge with the state’. New Labour’s prioritisation of individual over collective forms of public participation (see below) and its focus upon the service or ‘partner’ role of voluntary associations seems likely to suppress, rather than exploit, the full potential of local associations to nurture social capital. An alternative model is, however, emerging in the context of institutional change designed to tackle social exclusion (see below), where emphasis has been placed upon ‘building the capacity’ of community groups in a generic sense. If the government is to achieve its goal of securing ‘a new brand of involved and responsible citizenship’ (DETR 1998b, para. 4.4), such institutional arrangements may need to be generalised beyond the current time-limited pilots in particularly disadvantaged areas.

(b) Opportunities for citizen participation

In addition to shaping the context within which established associations flourish or decline, the institutional design of local governance may influence prospects for the formation of new groups and new stocks of social capital. By providing opportunities for participation, local agencies can influence citizens’ appetite for, and competence in, civic activity. Local governance is an important arena for practical ‘citizen education’. As John Stuart Mill (1974) argued in the nineteenth century, participation in ‘free and popular local and municipal institutions’ is part of ‘the peculiar training of a citizen, the practical part of the political education of a free people’. More recently, Jean Cohen (1999, p. 223) has argued that: ‘well-designed political institutions are crucial to fostering civic spirit because they provide enabling conditions... that could become an incentive to civil actors to emerge and a target of influence for them once they do’.

As noted above, New Labour is keen to increase the ongoing involvement of
individual citizens in the work of local government. In contrast to other aspects of the democratic renewal agenda (notably political management structures and electoral arrangements), the government has not pursued a prescriptive approach to institutional design in the case of public participation (although the new Best Value Inspectorate is now attempting to define what constitutes appropriate consultation). The government’s consultation paper argued that: ‘Every council will have to decide which methods are most appropriate in its own particular circumstances’ (DETR 1998a, para. 4.7). Our own survey evidence confirms that local authorities are undertaking an increasing volume and range of participation initiatives. New deliberative approaches (like citizens’ juries, ‘visioning’ exercises and focus groups) are emerging alongside both ‘traditional’ methods (e.g. public meetings) and the ‘consumerist’ techniques that gained ground from the early 1990s (e.g. satisfaction surveys and complaints procedures). Our qualitative research confirms the benefits of local agencies selecting different participation methods to meet different objectives, reach different citizen groups and address different issues (Lowndes et al, 1998, p 85). While deliberative approaches may be most likely to foster social capital, they may be inappropriate (for example) where local agencies are seeking quick responses from busy people, or where policy choices are tightly constrained by legislation or resource availability.

The government clearly sees the expansion of social capital as part of the rationale for designing institutions to enhance participation. Enhanced public participation, it is argued, can secure ‘greater democratic legitimacy for local government and a new brand of involved and responsible citizenship’. However, participation is also seen as a means of improving the quality, appropriateness and cost-effectiveness of local services (DETR 1998b: para 4.4). Our own survey evidence shows that local authorities rank service improvement ahead of citizen development as purpose of public participation. However, our qualitative research reveals that those involved in participation initiatives (both ‘officials’ and citizens) consistently emphasise social capital-related benefits (Lowndes et al 1998, p 66). This apparent discrepancy relates both to the difficulties involved in measuring outputs in terms of social
capital, and to the audit and inspection pressures that local authorities face with regard to consultation for service improvement.

Through the range and quality of participation opportunities that they make available, it is clear that local agencies can influence prospects for social capital. Public meetings and consultation exercises may serve to inform citizens and provide them with opportunities to meet one another; as such, they may stimulate and enable citizens to join together in groups and associations. Participation opportunities that involve more in-depth or longer-term deliberation (such as citizens’ juries or community forums) may actually create social capital, in the sense of developing norms of trust and reciprocity that facilitate future collective action. While New Labour’s promotion of participatory institutions clearly has the potential to expand social capital, it may be necessary to provide local authorities (especially the more sceptical) with incentives to value and pursue the social capital-related benefits of participation. There is a danger otherwise that new participatory institutions may be effectively hijacked by those involved in the marketeting and management of local services.

(c) The responsiveness of decision-making

Institutional design plays a crucial role in determining the degree of influence that citizens and associations have upon collective decision-making at the local level. Voluntary associations may receive financial support from local agencies, but institutional arrangements do not necessarily exist to allow them access to policy-making. Individual citizens may be urged to ‘participate’ but then find their influence limited to commenting on specific services. Even where institutional arrangements exist to involve citizens and associations in policy formulation, social capital can only ‘make a difference’ where decision-makers actually listen to, and take into account, citizens’ preferences.

Our own research shows that the biggest deterrent to participation among citizens is their perception – or experience – of a lack of council response to consultation (echoing the message of other participation studies, e.g. Audit...
Commission 1999, Goss 1999, Seargeant and Steele 1998 and 1999). Our citizen focus groups established that people are deterred from participating by a general perception that the council ‘won’t do anything’ or, as one respondent put it: ‘They are prepared to listen but then they do what they want’ (Lowndes et al 1998, p 75). These findings are confirmed by our research with local authority personnel. The majority of councillors we spoke to expressed concern about, if not hostility to, the idea that public opinion should carry more weight in decision-making. In our survey, only one third of local authorities considered that public participation actually had a significant impact upon final decision-making (Lowndes et al 1998, p 49). In its survey of ‘best practice’ authorities, the Audit Commission found that three-quarters failed to link the results of consultation with decision-making processes (1999, p 41).

New Labour clearly intends that the new executive/assembly split in local government should make councils more responsive and accountable (see the 1999 Local Government Bill). The new institutional arrangements are designed to weaken the grip of the party group on decision-making, to ‘free up’ the elected mayor or cabinet to listen to all local stakeholders, and to strengthen the link between back-bench councillors and their constituents. It is possible, on the other hand, that a secretive and insular form of executive decision-making could emerge and that continued party discipline could undermine the new scrutiny function (Copus 1999). As Leach and Wilson (2000, p 212) note, councils could actually become ‘further distanced from the community they represent’. Indeed, there is a singular lack of enthusiasm for the mayoral model among British local authorities, and many remain sceptical about the benefits of an executive/assembly split (Leach et al 1999). As they seek to redesign their political management institutions in response to imminent legislation, local authorities face the challenge of ensuring that both the executive and the assembly have access to public opinion and, moreover, a capacity to respond to citizen preferences (whilst not necessarily deciding in their favour).
Social capital may, then, remain a ‘latent’ phenomenon in the absence of responsive political institutions. Even where high levels of social capital exist in a locality (in the sense of networks of trust and reciprocity), institutions of local governance may be structured in such a way that no ‘benefit’ from social capital accrues to formal democratic processes. As Levi argues:

> even assuming that citizens.. are mobilized for political action, their capacity to make effective demands and sanction government may remain limited. Agenda setting, non-decision making, and media manipulation mean that certain issues do not even reach the public’s attention. (1996, p 49)

The design of local political institutions is a crucial variable in determining whether social capital becomes an actual, rather than a potential, resource for democracy and governance. The ‘supply’ of social capital (which, as we have seen, is itself affected by the institutions of local governance) needs to be matched by an equivalent ‘demand’ within the political process. Only then might the Putnamian ‘magic’ have a chance to work! As Foley and Edwards explain:

> When the state is unresponsive, its institutions are undemocratic, or its democracy ill designed to recognize and respond to citizens demands, the character of collective action will be decidedly different than under a strong and democratic system. Citizens will find their efforts to organize for civil ends frustrated by state policy – at some times actively repressed, at others simply ignored. (1996, p 48)

### (c) Democratic leadership and social inclusion

The openness and responsiveness of government do not, however, in themselves ensure that social capital may be mobilised as a resource for democratic governance. As David Beetham (1996, p 30) explains, it is the twin criteria of ‘popular control’ and ‘political equality’ that define democratic practice. Public participation is a necessary but not sufficient condition for democracy. Institutional arrangements that ensure access for interest groups and individual citizens to the processes of government do not necessarily guarantee democratic decision-making. As the original critics of the pluralist model argued, conflict between competing interest groups is inevitable, and
such groups approach the ‘polyarchy’ with radically different power resources (see Judge 1995). As Beetham (1996, p 32) reminds us: ‘Extending participation... can simply mean more power for already advantaged groups’.

In local governance, seemingly neutral procedures – such as the timing and conduct of meetings – exercise a decisive influence over which groups gain access to decision-making. It may be hard for a lone parents’ group to send a representative to an evening meeting; an Asian community association may require translation and interpretation facilities; young people may be ‘turned off’ by formal committee procedures; users of social care services may find it difficult to express their concerns in terms of ‘issues’ rather than personal experience. Where conflict arises between different local interests, it may not be openly addressed but rather diffused through behind-the-scenes ‘deals’ among influential groups, which effectively exclude those who don’t know how to ‘play the game’. As we have argued elsewhere: ‘Increased participation is not the same as increased democracy’ (Lowndes et al 1998, p 86).

Interestingly, Putnam fails to make this crucial distinction in his pioneering work on social capital. The research method in Making Democracy Work actually enables Putnam to relate levels of civic activity to policy performance and not to the quality of democracy. Not one of Putnam’s twelve indicators of institutional performance relate to democratic variables (1993, Chapter 3). Despite the book’s title and its now famous claims, it actually ‘has little to say about democracy’ (Tarrow 1996, p 396). Putnam pulls off a remarkable sleight of hand in assuming that democratic success can be read off from high levels of institutional, or policy, performance. Commenting on Putnam’s thesis, Margaret Levi points out that ‘effective demands may not be democratic demands – or they may represent only a narrow spectrum of the electorate’ (1996, p 49). It has even been argued that the dense networks of civic engagement lauded by Putnam may (in contrast to other forms of political engagement) actually favour the expression of particularistic demands and the mobilisation of citizens according to ascriptive criteria (Levi 1996, Cohen 1999).
We argued earlier in this article that the impact of social capital upon democratic functioning was best understood in the context of the interaction between social capital and the institutional design of governance. Social capital is surely only a resource for democracy - as against ideal-type pluralism or real-life populism - where the institutional arrangements of governance are designed to maximise political equality as well as popular control. Institutions for democratic leadership (ideally) enable the mobilisation of civic activity but also the brokering of competing demands and the formulation of a collective viewpoint. Different interests are (ideally) acknowledged and explicitly ‘weighed’ against each other. Leaders are expected to give an account of their decision-making and to take responsibility for final outcomes. The relationship between social capital and democracy is, then, shaped by the capacity of governance institutions to ‘mediate conflict by hearing, channeling, and mediating the multiple citizen demands that modern societies express through civil and political associations alike’ (Foley and Edwards 1996, p 49).

Strengthening community leadership is a central plank of New Labour’s democratic renewal programme. New Labour argues that the traditional committee system has failed to deliver clear and accountable political leadership in local government (DETR 1998b, para. 5.7). Despite the continued hostility of many in local government (see above), the mayoral model remains New Labour’s preference for institutional redesign in this area. Gerry Stoker has argued that, as a leader, an elected mayor would have greater independence (in respect of the council and the party group) and greater legitimacy (having been directly elected by the public). A mayor would be able to broker community demands in a more open and accountable fashion, whilst providing ‘a steering capacity within and beyond the locality’ (Stoker 1998, pp 11-12).

Strong and transparent political leadership is not, on its own, sufficient to ensure political equality. As we noted above, institutional design in local governance may systematically, if indirectly, exclude certain groups of citizens from political participation. The Council of Europe actually defines social
exclusion as the ‘inability (of individuals) to participate effectively in economic, social, political and cultural life’ (cited in Martins and Miller 1999: 138). Our own survey found that one third of local authorities admitted to difficulties in involving particular citizen groups (particularly young people and citizens from minority ethnic groups) (Lowndes et al 1998, p 47); our qualitative research suggests that this figure represents significant under-reporting of a common problem (pp 64-66).

It is possible, however, for institutional redesign to be a tool in tackling processes of social exclusion. Within its neighbourhood (or ‘zone’) initiatives (in health, education, employment, child-care and urban regeneration), New Labour is promoting institutional arrangements designed to build the capacity of excluded groups to organise and express their demands. In so doing, the government is building upon the best practice of those local authorities that have developed cross-service, locally focused ‘anti-poverty’ initiatives in recent years. Our own research has identified a range of imaginative ways in which local councils are adapting institutional designs to make participation more attractive and accessible to traditionally excluded communities (Lowndes et al 1998, p 65). The government asks in its consultation paper: how can local authorities ‘ensure that the views of minority and other generally under-represented groups are taken into account?’ (DETR 1998b, para. 4.9). Our research suggests that developing a range of participation methods to suit different citizen groups and circumstances may, in many instances, be more important that seeking the illusive goal of ‘representativeness’ within any specific initiative. We found, for instance, that young people preferred focus groups to questionnaires, that Asian women preferred meetings in neighbours’ homes to public places, and that parents disliked events held in the early evening. Developing a portfolio of well-targeted methods may be more important than playing the ‘numbers game’ when it comes to addressing social exclusion in public participation.

The institutional arrangements of local governance influence not just ‘how much’ public participation exists; they also influence the distribution of opportunities to participate among different social groups. As Peter Hall has
observed, social capital is not distributed evenly among the British population: it is disproportionately ‘a middle class phenomenon.. and the preserve of those in middle age’ (1999, p 455). Institutional design in local governance has a potentially important role to play in facilitating the creation and mobilisation of social capital among traditionally excluded sections of the citizenry.

PART 3: CONCLUSION – THE DILEMMAS OF INSTITUTIONAL DESIGN

We established in Part 1 of the article the importance of the institutional design variable in shaping the creation and mobilisation of social capital. In Part 2 we explored the key dimensions of institutional design in local governance that are likely to influence prospects for social capital. We noted that levels and forms of voluntary sector activity are influenced by institutional arrangements for the support and recognition of local groups. In addition to shaping the context for established associations, the institutional design of local governance also influences prospects for the formation of new groups and new stocks of social capital. We argued, however, that social capital may remain a ‘latent’ phenomenon in the absence of responsive and inclusive political institutions. Institutional design plays an important role in determining whether groups of citizens are able to gain access to decision-making, whether decision-makers have a capacity to respond, and whether certain groups are privileged over others in terms of the influence they exert.

We have illustrated our argument about social capital and institutional design with reference to New Labour’s reform programme for British local government. Although we have not set out specifically to evaluate the reforms, it is clear that a radical process of institutional redesign is underway, with far-reaching, if ambiguous, consequences for social capital. While citizen involvement in local governance is championed by New Labour, new institutional arrangements tend to prioritise individual over collective forms of public participation, and to focus upon the service delivery role of local voluntary bodies. Despite the stated intention to foster ‘a new brand of involved and responsible citizenship’, new institutions may be in danger of
suppressing, rather than exploiting, the full potential of local associations to nurture social capital. As noted above, social capital may only become an effective resource for democracy if decision-makers are accessible and responsive to citizens. While strengthening ‘community leadership’ is central to the government’s reform programme, it remains to be seen whether the new executive/assembly split will improve local authorities’ capacity to respond to (and broker) the demands of different citizen groups. New Labour’s focus upon ‘joined-up government’ and ‘capacity building’ within traditionally excluded communities reveals the potential, at least, for institutional design to shape the distribution (as well as the overall level) of social capital within localities.

We have established, then, that institutional design influences the creation and mobilisation of social capital. Can we conclude from our discussion that it is possible to ‘design in’ high levels of social capital to democratic systems? New Labour may intend its ‘democratic renewal’ programme to expand social capital, but is it likely to work? The literature on institutional design suggests that there exist powerful constraints upon the design process, but that it is also possible to identify principles of ‘good’ institutional design. The framework established in Part 2 provides the would-be designer with an important route map, but it needs to be supplemented by an awareness of the underlying dynamics of institutional design. We conclude the article with a consideration of the constraints upon, and the opportunities for, institutional redesign.

When reformers attempt to introduce new institutional frameworks, they are faced with the task of \textit{deinstitutionalising} old rules and norms. Research on management change in local governance has demonstrated the tenacity of bureaucratic institutional frameworks, which frequently persist alongside innovations or adapt to incorporate (and effectively ‘defuse’) reforms (Lowndes 1997 and 1999). Attempts to restructure political institutions at the local level are likely to encounter similar constraints of ‘path dependence’ or, as Offe puts it, ‘the long arm of the past’ (1996, p 219). In its attempt at ‘democratic renewal’, New Labour persists in promoting the elected mayor
model in part because it fears that the alternative ‘leader plus cabinet’ option could be effectively incorporated within existing institutions, leaving intact underlying ‘logics of appropriateness’ (March and Olsen 1989, p 38). Similarly, new institutions for public participation are unlikely to have a major impact upon social capital unless the traditional bureaucratic and professional conventions of local governance are challenged.

The likelihood of new institutions becoming ‘embedded’ over time (Granovetter, 1985) is related to their interaction with the broader institutional environment. As Goodin and Klingemann note, political institutions are ‘nested within an ever-ascending hierarchy of yet-more-fundamental, yet-more-authoritative rules and regimes and practices and procedures’ (1996, p 18). Whether new institutional designs ‘stick’ in local government will depend, at least in part, upon their compatibility with dominant institutions operating at higher levels of government. ‘Joined-up government’, for instance, is unlikely to become institutionalised at the local level if obstacles are presented by a lack of coordination amongst central government departments (see Stewart et al 1999, p 37).

Political institutions are also embedded in locally specific institutional frameworks. Clegg (1990, p 163) argues that locally specific institutional frameworks may serve to reinforce or undermine innovations in political institutions. In the context of New Labour’s democratic renewal programme, a mayoral model is more likely to take root in an area with a strong tradition of charismatic leaders (whether in business, politics or community life); neighbourhood-based initiatives will flourish more readily in areas where neighbourhood identities are strong; and participatory institutions are less likely to fail where there is already a dense network of groups and associations. The same institutional prescriptions may have very different implications for social capital within different localities.

Not only is institutional design constrained by ‘embeddedness’, it is also limited by the fact that political institutions ‘embody, preserve, and impart differential power resources with respect to different individuals and groups’
(Goodin 1996, p 20). As Knight (1992, p 9) puts it, institutions ‘express patterns of distributional advantage’; they privilege certain courses of action over others and include certain actors and exclude others. The redesign of political institutions invariably destabilises existing ‘settlements’ among actors with access to different power resources. Resistance to the mayoral institution, for example, arises out of concern among both back-bench councillors and party leaders (and senior local government professionals) that they will lose power currently vested to them through traditional committee-based institutions. National opinion and city-specific polls (see, for example, Liverpool Democracy Commission 1999) show that a majority of the public support the elected mayor principle, perhaps in part because it is seen as challenging existing power relations.

Because institutional redesign is an embedded and contested process, it is peculiarly hard for its instigators to control. As March and Olsen note, institutional redesign ‘rarely satisfies the prior intentions of those who initiate it’ (1989, p 65). New institutions in local governance are likely to be resisted (or ‘hijacked’) by those who benefit from existing arrangements or see new rules as hostile to their interests. At the same time, their development will be shaped by interactions with existing, ‘embedded’, institutional frameworks. Goodin argues that institutional change actually proceeds through a combination of accident, evolution and intention (1996, p 24). What is certain, however, is that attempts at institutional redesign inevitably involve conflicts over values, identities and interests; New Labour’s programme for democratic renewal is clearly no exception to this rule. Indeed, the real importance of institutional reform may lie in the debate that it stimulates regarding the values that generally lie hidden beneath the surface of political institutions (March and Olsen 1989, p 91). It is difficult, therefore, to predict confidently the implications of New Labour’s institutional reform programme for social capital; however, as traditional arrangements are destabilised and underlying values questioned, opportunities for change are nonetheless opened up.
Given the constraints upon institutional design, what principles are best followed by those seeking to redesign the institutions of local governance and expand social capital? Two key principles emerge from the literature:

(a) Clarity about values. Because institutions inevitably embody values and impact upon power relations, a value-critical stance towards design is required. Hood refers to political institutions as ‘structures with attitude’, arguing that ‘the two elements of structure and attitude need to be combined to produce robust forms of organisation’ (1998, p 10). ‘Good institutional design’, argues Goodin, ‘is not just a matter of pragmatics.. or functional “goodness of fit”’ (1996, p 39). Offe notes that institutions typically change when ‘their value premises have changed or because they are considered incompatible with other values’ (1996, p 685). If institutional design is inescapably a normative process, it follows that there should be clarity about the values being promoted (and challenged) within institutional reform programmes. The values steering institutional design should be not only clear but, as Goodin argues, ‘publicly defensible’ – that is, legitimate in the eyes of the wider citizenry (1996, pp 41-2).

(b) Variability and revisability. Hood counsels against the ‘one-best-way reflex’ in institutional design and the idea that modernity has a single ‘leading edge’ (1998, p 68, p 20). Rather than seeking the universal application of a particular model, or the maximum spread of ‘best practice’, it is important to sustain a ‘variety engine’ within institutional design (Hood 1998, p 69). Tolerating, even promoting, variability within institutional design is a way of building in a capacity for innovation and for adaptation to changing circumstances. Goodin argues in favour of ‘disharmony’ within institutional design, even advocating ‘the deliberate creation of institutional irritants’ (1996, p 39). In this context, ‘embeddedness’ may be viewed positively – as a source of variety within institutional design. The interaction between political institutions and the wider institutional framework stimulates the development of a broad repertoire or ‘stock’ of institutional arrangements across the political system. It also makes possible the evolution of locally acceptable institutional variants (Clegg 1990, p 151).
It is clear from Part 2 of this article that New Labour is engaged in a self-consciously normative process in seeking to reinvigorate the institutions of local governance. New Labour does not disguise its intentions behind a legitimising ‘rational’ discourse of efficiency (although references to ‘modernisation’ do help to create a sense of necessary progress). Making its project ‘publicly defensible’ presents New Labour with a significant challenge, however, given the existing low levels of interest in local democracy. How can citizens so disillusioned with local government become engaged in debate about future guiding values? Is it possible to use institutional design processes to break out of Putnam’s vicious circle of distrust, disengagement and weak democracy? It is this dilemma, among other factors, which has provoked the government to adopt an ever-more ‘top down’ approach to securing institutional redesign in local governance.

New Labour’s democratic renewal programme has a mixed record in terms of the variability principle. The government’s early encouragement of experimentation and pilots has given way to an increasingly prescriptive approach to institutional design, backed up by legislation and elaborate inspection arrangements (as in political management, best value, even public consultation). Outsiders – in local government and elsewhere – have accused New Labour of ‘control freakery’, but the government claims to be acting to further the public’s interest against the ‘forces of conservatism’ within local governance and the public sector more generally. Stoker (1999b, p 35) expresses the government’s dilemma thus: ‘There is a danger that the reform programme is seen as external and imposed. Equally there are considerable vested interests that make a wholly bottom-up approach unviable’.

What will be the cost for the government if it gives in to the ‘one-best-way reflex’ in institutional design? First, New Labour is likely to be plagued – like its Conservative predecessors – by implementation problems, as ‘imposed’ institutions are resisted by local actors and crash up against diverse local circumstances. Second, the robustness of the new local governance system as a whole is likely to be compromised, given that a lack of variety may
suppress innovation and adaptability. In this context, it may become harder over time, rather than easier, to build public support for the values behind institutional reform. New Labour’s dilemma is not a new one for students of institutional design. There is a trade-off at work. While locally acceptable institutional designs are more likely to ‘stick’, they are also less likely to stimulate radical change. ‘Institutional gardening’ - as opposed to ‘institutional engineering’ - may produce robust but unchallenging institutional designs (Offe 1996, p 219). The only advice is necessarily eclectic: good institutional design should proceed via ‘a creative combination of recollection and innovation and a serious engagement with both values and contexts’ (Goodin 1996, pp 31-2). It seems that prospects for the creation and mobilisation of social capital may depend as much upon the process as upon the content of institutional redesign in local governance.

1The research drawn upon in this article involved a survey of all English local authorities. A postal questionnaire asked about initiatives and strategies to enhance public participation, and achieved a response rate of 85 per cent. This was backed up by eleven detailed case studies of contrasting local authorities, involving interviews with local authority councillors and officers, and focus groups with members of the public and community organisations. For further information on the study and a detailed account of research findings, see Lowndes et al 1998.
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