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Social Cohesion and Macroeconomic Performance

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Today we live in a complex society. Indeed, it is becoming more so with instant communication, globalization, powerful weapons, and large countries and companies. But how did we arrive here? And what were the drivers?

In a recent Pulitzer Prize selection, Jared Diamond lays out the causal factors that determined the relative success of various groups of people in different parts of the world. [Diamond, p.406-7]. Of particular interest here are the reasons that we have a complex society. Improved food production increased population size and allowed for the emergence of permanent settlements making complex societies possible. The inevitable reasons for that complexity were:

1. Conflicts between unrelated strangers increase dramatically as the population size increases, leading to revenges to any murder or other wrong-doing, destabilizing the society in the absence of law. This factor explains the development of a centralized authority to monopolize force and resolve conflict.
2. A society quickly runs into the impossibility of communal decision-making with increasing population size. A large society (more than a few thousand) must be structured and centralized to reach effective decisions.
3. Redistributive mechanisms evolve to overcome the difficulty of bilateral exchanges in a larger society with goods in excess of one individual's needs being transferred to a central authority which then redistributes the goods to individuals with deficits.
4. Increasing population densities also require the centralizing, complex societies to allow for living together, since the space for self-sufficiency in the area is not available.

"Considerations of conflict resolution, decision making, economics, and space thus converge in requiring large societies to be centralized." [Diamond, p.288]

1. The Concepts

Culture - a set of ethical habits and reciprocal moral obligations internalized by members of each community. [Fukuyama., p. 9]

Trust - dependability that members will follow the norms defined by the culture.

Social capital - a capability that arises from the prevalence of trust in a society or in certain parts of it. This can range from the family to a nation, and is reflected in the adoption of a set of common norms. (Fukuyama, p.26)

Social cohesion - Instead of the analogy to “capital” or a stock, this concept relates to the notion of “glue” or “linkages” between people, groups, etc. Trust and norms of civic cooperation are two elements, with membership in associations a third element.

The common starting point for economics is the **individual**, with his or her tastes taken as given, with given characteristics of age, education, skills, experiences, etc. which are often lumped together into the concept of human capital. The stock of **human capital** is augmented by education, informal and formal training, and experiences. Human capital is taken as the explanation for differential incomes among people, and as the standard nostrum for solving the problems of the economy - more human capital formation.

But clearly there is more than just individuals in **society**¹. Individuals in relation to others - the **social** dimension - are to be found as families, co-workers, unions, companies and other organizations, movements, friends, clubs, volunteer groups, cabals, etc. All of these involve two or more people in some form of social relationship.

1.1 Social Capital

[Durkheim -]

Social capital is defined as "trust in personal and economic relationships, dense networks of community organizations, wide participation by citizens" [OECD, March 1998, p.121]. Others focus this concept more closely, defining it as "a quality created between people" in contrast to "human capital is a quality of individuals" [Burt, p.1] Social capital theory would suggest that the return to the individual depends to some extent on their social position in a market or hierarchy, along with their human capital.

Of interest here is the notion that social capital so used is about **private** returns to the individuals involved, not to the broader notion of society. If we restrict social capital to "property-like" values accruing to the individual through "markers", position, or "inter-personal relationships", then we need another label for the externalities that flow from such social relations.

¹ All of the people of a particular time and place who have organized cultural and social patterns and institutions.

1.2 Social Cohesion

The term, **social cohesion** is often used to describe a positive characteristic of a society, dealing with the relationships among members of that society. It is synonymous with the "social fabric", implying a supporting structure for the groups in a society. "It is the bonding effect of that web of social relationships through which individuals are attached to each other in a society, and through which they help each other, knowingly or inadvertently, to achieve their full potential." [Stanley, p.2]

"If social cohesion defines a society where different groups and institutions bind together effectively despite differences, then social capital must be part of the glue which enables this outcome." [Blakeley] Major elements in his analysis include: individual opportunity, family well-being, strong communities, and national identity.

This notion of a "web" suggests that "networks" may be a way of describing these concepts.

1.3 Network Framework

Reference is often made to "networks" in the context of the discussion of social capital or social cohesion.

A simple social network - the family with two adults and one child is shown in figure 1.. (The dog has been left out for simplicity.) This network produces economies of scale that are captured within the family. Re-production, household production, and consumption take place here.

"Social capital" is a property of the arrows, or flows between "nodes" or members of the network.

Each person is also a member of an "older" family. As well, he or she, may be a member of an extended family network, as an uncle or aunt, grandparent, etc. Members of a family may also be members or "nodes" on other networks. Here for example are two parents each working at a different company, which itself is a network of people and relationships. (See Figure 2.) The child could also be a member of a number of networks - school, sports team, gang

Most people "belong" to many networks. Indeed, as a social entity a person is "defined" as a node on many different networks. (There may be other types of nodes than people.)

Typology of networks that people "belong" to:

- Inherited - family born into
- required - taxpayer
- necessary to earn income - worker, investor
- necessary to consume - "consumer" networks, linked with retailers, with two-way flows of goods for dollars.
- voluntary - political, social, caring
- earned or chosen by other members - current family, Order of Canada
- physical or technological - phone, Internet, TV/radio viewer/listener

The notion of a community or neighborhood can be seen as a collection of connected nodes, tied together because of geographical nearness or common interests/identities.

Networks are fundamentally different than an individual or single entity in that the outputs can be greater than the sum of the inputs. There are economies of scale or "externalities" from the view of any one node, that may be captured within the network or shared more broadly. Such economies arise because the "value" of the network is related to the number of linkages, $(N*(N-1))$, whereas the costs are tied to the number of nodes, N .

"Social cohesion" might be thought of as the net benefits accruing to people that are in addition to the private benefits that attracted them to join a network.

1.4 Social Cohesion and Social Exclusion

There are two related concepts - social exclusion and social cohesion.

In Figure 3 the horizontal axis represents the share of the total population (0,100). The vertical axis is some monetary or other measure of the net benefits of being part of the society's networks (social cohesion) or the net costs of being "outside" or excluded from some or all of the positive networks (social exclusion).

Social exclusion focuses on those outside of the society's structure, either because of discrimination, unemployment, or other reasons. It is interesting to note that Europeans seem to focus more on "social exclusion" and bringing groups who are "outside" into the system.

In North America, to the extent that there is any concern at all, the focus seems to be on improving "social cohesion", or the performance of existing networks to the benefit of their current "members", but without much attention to those outside.

If there are income transfers from the "insiders" to the "outsiders", then the costs of exclusion can be reduced, but the number of excluded remains unchanged. This may help to understand the point that the poor and the excluded are not necessarily one and the same. (Dotted line in Chart 3.)

Progress can be defined as shifting all or part of the curve to the northwest, (see Figure 4) thereby reducing social exclusion and improving the benefits of social cohesion. In Europe, shifting the curve to the left seems more important; In North America, shifting the right side of the curve up seems to be the objective.

1.5 Social Contract or Compact

One of the early descriptions was that of Jean-Jacques Rousseau in *The Social Contract*, in which a group of individuals enters into a voluntary agreement (or pact) to receive benefits from others, and with the surrendering of individual will, becomes a corporate entity with a single will. [xiv-xv]

When thinking about large groups within a society and the nature of the relationships between them, the notion of a "social contract" or "social compact" emerges, with a mix of explicit and implicit contracts **between** groups. Indeed, the social compact can define the society or culture.

In the Canadian context, some of the elements of the social contract as it existed into the 1970s and changes that occurred since then are arrayed in the table below.

Post-War Social Contract (50-75)	The New State (85 -??)
Companies would share benefits with Workers	Down-sizing, declining real wages, loss of benefits, anti-union activities
Security of employment	Contingent work increasing
Wage structure increased with productivity gains	Polarization of wages
Stakeholder involvement and benefit	Emphasis on shareholder only
Social Insurance	Government cutbacks of all parts of social insurance package
UI	EI, with lower % qualifying and receiving lower benefits
Social security	Increase in premiums, clawback of OAS
Social assistance	CHST, provincial cutbacks - workfare
Good health care system	CHST, provincial cutbacks - basic health care system
Access to a good education	Rising tuitions at tertiary institutions
Regional redistribution	Abandonment of regional development
Cooperation with provinces	Downloading on provinces
Nurturing voluntary associations	Offloading on voluntary associations

2. What Do We Know?

The Policy Research Committee has identified "social cohesion" as one of three over-arching challenges in the next decade, along with economic growth and human development [PRC, p.50].

There is growing awareness that something is not right with the world. Efforts to reduce social spending are leading to dissatisfaction with governments, loss of confidence in institutions, and the emergence of a "meaner" society. At the same time, economic performance is less than expected, as productivity gains are weak, investment intentions poor, and demand soft.

Could the problem be that we are in a downward spiral, with economic shocks destroying social cohesion, which, in turn, is reducing productivity and increasing social tensions with subsequent costs to the economy and governments?

Is it possible to reverse the spiral, and to turn it into a self-reinforcing positive virtuous circle, with rising incomes, improved social cohesion, and an improved longer-term dynamic in the society?

The breakdown in the "social compact" in the United States has been discussed by Robert Reich [Reich: 1998], with a strong urging for corrective actions.

The Dutch government's scientific advisory group has examined the concerns about a growing social dichotomy between those who are working and not working, and those with skills and those without [WRR, 1997].

In New Zealand, efforts are underway to examine the ways in which social cohesion can be improved through the Foresight Project. In their terms, "If social cohesion describes a society where different groups and institutions bind together effectively despite differences, then social capital must be part of the glue which enables this outcome." [Blakeley 1997].

When scenario planning is applied to the consideration of future outcomes for the economy it is quite common for two major driving forces to emerge - uncertainty about economic growth and uncertainty about social cohesion.

Several recent exercises concluded that uncertainty about social cohesion made it a major element in their scenario development. In the Changing Maps project [Rosell] the dimension was "new social consensus" versus "social fragmentation". In **The Futures for Women** [McCorduck and Ramsey] the polar states are "individual rights prevail" versus "group rights prevail". (Indeed this is a foreshadowing that social cohesion need not always be a positive force.) Finally, in a scenario around the future marketplace, the two extremes become a cohesive society versus a fragmented one, with the other dimension being the relative emphasis on the individual versus the group [Wilkinson].

At this point it is clear that something called social cohesion or a social compact is thought to be an important determinant in the future evolution of the economy and society. There is also a strong suspicion that we have somehow damaged that cohesion, with a set of actions and inactions over the last several decades. But we still are left with little clarity about the mechanisms at work and how to fix the damage. Have we pricked a balloon, that has burst? Or is the analogy more like a hot-air balloon with some small holes? Simple repairs can be made when we are next on the ground, and in the meantime, we keep blowing hot air!

3. Social Cohesion Links to Macroeconomic Performance

Better economic performance improves social cohesion, particularly as gains are shared among the economic partners and social programs help fill in the gaps by providing trampolines for those who need assistance to regain their place in the social structure. As well we have seen the corrosive effects on social cohesion as a result of cutbacks in social programs and reduced economic gains provided to employees by employers.

The view of social cohesion as a fringe benefit or "luxury" of a well-performing economy, but subject to cutbacks in tough economic times suggests there is no long-term consequences of sacrificing social cohesion [Stanley, p.5].

But there is growing evidence that there is a strong causal linkage **from** social cohesion **to** macroeconomic performance. The new view is that "... growth is affected by public goods, finance, demographic parameters, income distribution, and social norms, all of which are grist for the social cohesion mill." [Stanley, p.5]

Stephen Knack and Philip Keefer [1997, p. 1252 ff.] identify a number of possible channels through which an improvement in social cohesion (social capital) can impact macroeconomic performance, directly and indirectly. These include:

- **Reduced transaction costs** - trust between organizations and people allows transactions to take place with high confidence that payments will be made, goods shipped, etc. Without such trust, payments are made in advance, shipments only occur after cheques have cleared, contract and litigation costs are higher, bribes necessary, etc.
- **Higher investment ratio** - an increase in the investment ratio as a result of greater trust and more credible policies can influence the long-term growth prospects of the nation by raising the rate of productivity growth
- **Encouragement of innovation** - more entrepreneurial time available for innovation, less needed for close supervision of employees, partners, and suppliers.
- **Better performance of government institutions**, including education, provision of public goods, and better public policy; higher quality schools -

more investment in human capital; credibility of government allows more effective policy application

- **Lower social costs** - Lower health costs, lower police costs, and other social costs result in lower taxes or user fees, and fewer private resources to manage risks. Reductions in absenteeism and sickness improves productivity.
- **More informed citizenry** and accountable politicians and bureaucrats.

All of these channels (and more) represent an expanded view of the determinants of growth beyond the simple model of labour, capital, and exogenous technical progress. These influences can reduce the costs and risks of investing, a pro-growth outcome.

An increase of 0.5% per year in economic growth will mean 5.1% more GDP in 10 years, 10.5% more in 20 years, and 65% more in 100 years. But can we expect as much as 0.5% per year from improved social cohesion? Or has the decline in the past been that much or more?

An increase of 10 percentage point increase in TRUST increases the growth rate by 0.8%; a four-point rise in the 50-point CIVIC scale would raise growth by 1 percentage point. The TRUST and CIVIC measures for several countries in 1981 are tabulated below from Knack and Keefer [p.1285]

Country	TRUST	CIVIC
Norway	61.2	40.75
Sweden	57.1	41.57
Canada	49.6	39.74
US	45.4	40.55
UK	44.4	40.07
Germany	29.8	39.83
France	24.8	36.26

A movement in Canada from the 1981 levels of TRUST to those of Norway or Sweden would provide more than enough of a change to yield an increase of 0.5% in economic growth. How to make such a move? That is a more complicated process than first meets the eye.

3.1 Social Institutions

The notion of social cohesion includes the **institutions** through which society deals with the achievement of its social and economic objectives. In the 1960s, a number of institutions were developed that focused Canadians' attention on longer-term issues. These included the Economic Council of Canada, with its emphasis on economic goals and policy recommendations based on a consensus of major stakeholders. The Science Council of Canada also undertook to develop a strategy for science policy in a number of areas.

But these institutions came under increasing pressure in the 1980s, and were finally eliminated by the federal government in 1991. In the case of the Economic Council, this silenced potential criticism of the federal government's strategy of mass unemployment as an inflation control device. This program has been very costly in lost production, and created a negative feedback loop by lowering social cohesion, lowering productivity growth, resulting in an even worse inflation/unemployment menu.

Is it possible to re-create some of these institutions? Or how else might trust in governments be restored? We will return to this issue below when potential policy changes are discussed.

4. Measures of Canada's Social Cohesion

Although we talk about the decline in social cohesion or social capital, what evidence is there that there has been any such decline? When did it start? Has it been continuous? Where do we look for such evidence?

Since we are considering people's social activities, a first step is to consider how people spend their time each week, and which parts of that time use are "social" or "networking", particularly outside of the family.

<p style="text-align: center;">Average Time Spent on Various Activities (hours per day, 7-day week)</p>				
Activity	Male FT M 25-44	Female FT M 25-44	Male FT MP 25-44	Female FT MP 25-44
Paid Work (N)	7.1	6.8	6.6	5.3
HH Work	1.8	2.3	2.8	4.6
Civic/voluntary (N)	0.2	0.2	0.3	0.2
Education (N)	0.2	0.2	0.1	0.2
Sleep, Meals	9.8	10.5	9.7	10.1
Socializing (N)	1.7	1.5	1.3	1.5
TV, Reading	2.3	1.9	2.2	1.5
Sports, Movies	0.1	0.1	0.2	0.2
Active Leisure (N)	0.8	0.5	0.7	0.4
<p>Judith A. Frederick, As Time Goes By - Time Use of Canadians (Statistics Canada, General Social Survey 1992, 89-544E:1995) MP - married parent, M - married, FT - full-time employed N - networking or social activity (outside family)</p>				

Paid work (for those employed full-time) is the dominant networking or socializing activity outside the family. Informal socializing with friends is the second-most important form of networking (in terms of time spent). Civic or voluntary activities

are a small part of the total. This suggests that if social interactions play a major independent role in determining the macroeconomic outcomes, then the access to the labour networks is likely to be key. Other activities of people may be ancillary.

The interactions between **networks of organizations**, who in turn are made up of people networked together, may be the other fruitful area for exploration.

A closer look at the network "status" of various groups may be useful. One "simple" approach is to allocate people into the "included" or "excluded" categories, with a possible "purgatory" in between of people "in transit". The question would be whether people belong to effective networks or not. In practice, it means identifying people with secure jobs, adequate retirement incomes and the support of families or institutional settings. For young people, it is an issue of a supportive family network and school system.

As a starting point the two sides of the range can be filled in, avoiding double-counting, with those who are included on the "right" and those excluded on the "left", with a residual in the middle.

Excluded	"Limbo"	Included
long-term unemployed		employed full-time
discouraged workers	contingent workers part-time (residual)	part-time by choice
short-term unemployed not frictional	frictional unemployment	temporary layoff
In prison or remand		NILF, not on welfare
welfare	workfare?	school, part-time training
on-reserve, unemployed		school, full-time
pensioner (GIS)		nursing home pensioner
street people	mental institution	community house
client of "do-gooder" group	donate cash	member of volunteer group

We now turn to specifics about this allocation, as well as discussing other indicators.

4.1 Workplace Dimensions

One of the major collection of "networks" are the many firms employing from one to 10,000+ workers. If there are macroeconomic effects from networks, then one would expect that these would be a source. Indeed, one might think of the productivity of a firm as reflecting the network economies of the organization.

The first step is to look at those people who are clearly "included" in the major network - employment on an on-going , secure basis.

Look at young people (M&F), including both labour market and education participation (notion of engagement)

Look at men and women at 55-64.

In the workplace it might be useful to compare the number of managers/supervisors per 100 workers as an indicator of trust (reciprocal)

Absenteeism and Sickness info standardized for size (people and hours). (M&F)

See **Fat and Mean**

4.2 Social Exclusion

Stats for aboriginal youth and other age groups (issue of exclusion and discrimination)

Number of people incarcerated.

Long-term unemployed.

Not-so-long unemployed (but beyond "in transit")

Social assistance recipients

4.3 Income Distribution

Is this about social cohesion or a result?

Robison and Siles [1997] explain both the level and the disparity of incomes through changes in a set of social capital proxies.

4.4 Trust

% of people marrying for the first time (first time marriages), divorces a % of married families, number of births outside marriage [Pullinger, p.8]

World Values Survey

4.5 Association Membership

See Putnam, Helliwell, Olson

4.6 TV Viewing

Putnam's view is that this is an all-encompassing explanation for US demise in social capital measures.. [Putnam 1996]

4.7 Newspaper Circulation

Declining readership is taken as evidence of less interest in society. May be alternative "channels" for information, ads, social notices. Some magazines may substitute. TV is a substitute. If newspaper concentration leads to only one or two views - then this too may explain decline in readership.

4.8 Voting

% population voting in federal elections, provincial elections, local elections

parse if possible into [% eligible]* [% voting of eligible].

4.9 Diversity

% of largest ethnic group in "region" / province or national. View is that the more homogeneous, the more trust, networking, etc.

4.10 Number of Lawyers

% of enrolment in university in law school (leading edge, but failure rate may differ)

Number of lawyers (called to bar) as percent of population or GDP

View is that large number or rising number reflects growing conflict, or rewards for generating conflict. (Joke re one and two lawyers.)

In Eastern Europe social cohesion allowed agreements to be struck among entrepreneurs, clients, and creditors, in the absence of proper institutions to enforce contracts and to accumulate collateral for borrowing [Kolankiewicz, p.1] Thus social cohesion may be a substitute for lawyers, but it is not clear that following Shakespeare's advice would necessarily increase social cohesion.

5. Measures of Canada's Economic Performance

If there are linkages from social cohesion to macroeconomic performance, the question immediately arises as to which dimensions of economic performance are most affected, and in what direction?

5.1 Economic Growth

The pace has been slowing

5.2 Unemployment

rising level of unemployment at each cycle

lower prate, lower ERATIO

5.3 Investment Performance

An independent influence on investment effort, or investment as a share of Gross Domestic Product, is an interesting channel since this would raise factor productivity directly, at least in the model of Maurice F.G. Scott.

5.4 Real disposable income

per household measure, per capita, adult equivalents issue. Income continues to decline since 1989

5.5 Inflation

GDP deflator (factor cost), market prices, CPI. Inflation is low, but at high social cost.

Role of social cohesion here might be in improving the inflation-unemployment tradeoff. (See policy section below.)

5.6 Economic Well-being Index

Simply note that it has declined.

6. Policy Suggestions

"Social capital .. can be dissipated by the actions of governments much more readily than those governments can build it up again." [Fukuyama, p.362]

"The social compact is a promise we made to one another, and we are not keeping it when we can most afford to." (Robert Reich)

6.1 OECD work

The OECD has produced a number of studies on social programs, with a link to the fiscal difficulties of the member countries. They try to sell the view that fiscal restraint is a necessary condition for policies to promote social protection and well-

being [OECD 1997, p.10] They seem surprised, however, that the "...economic strategy of prudent macroeconomic policy, including fiscal consolidation, structural reform and market liberalization" has resulted in " .. witnessing in some OECD countries signs of social unrest and protest movements as well as popularity ratings for many governments and a "feel bad" factor which may reflect a lack of confidence in these policies." [p.9]

Although there are many good intentions spelled out, one is left with the feeling that the governments are not prepared to change their fiscal strategy at all, leaving little hope for much coordinated progress among the OECD countries.

This suggests that we had better focus our attention on what we can do in Canada, rather than waiting for the OECD to provide guidance. This is even more obvious if one takes the view that the OECD represents a lagged consensus of the member countries, with particularly strong influences from the Finance officials in each country.

6.2 Improved Institutions

At one time (1964-1975), Canada was well-served by an institution that brought together the various private sector interests (business, labour, associations, education, etc.) and defined the economic goals of the society and the medium-term policies to approach them. This served as a framework for the social compact and provided some coherence to governments in their programs. However, it began to fall apart when significant elements of labour withdrew as a protest against the introduction of mandatory wage-price controls (the Anti-Inflation Board of AIB). Nor did they return three years later when the AIB was folded. The Economic Council continued until 1991, operating primarily as a research institution, but with a greatly reduced role in forming a consensus.

The elimination of the Economic Council (and the Science Council) left no vehicle for discussion of economic goals, independent from the political documents of the government of the day. Nor are there as many objective economic studies to be referred to in the policy discussions among NGOs and governments. (For a fuller discussion of the demise of the Economic Council see [McCracken 1992].)

The decision to close the Economic Council had more to do with silencing public debate than showing some "fiscal prudence", particularly in light of the subsequent draconian fiscal and monetary policies that produced the longest recession in postwar experience (to date).

6.2.1. Economic and Social Council

A new institution should be developed along the lines of the Netherlands Economic and Social Council. It should be a consensus-forming organization with representatives from:

- labour
- large business
- small business
- provincial governments
- federal government - mandatory for Deputy Minister of Finance and Governor of Bank of Canada to attend meetings, along with social policy departments.
- NGOs (public interest)

Supporting staff to include sociologists, economists, and such other disciplines as necessary to ensure a broad-based, trans-disciplinary approach to the study of issues and policies.

6.2.2. Science and Environmental Council

Society is also concerned about science, technology, the environment, and regulation of technological change. This institution would be a useful “re-birth” of the Science Council of Canada. Its mandate should include an open approach to the discussion of science matters, including both an educational element and the promotion of expert discussion on the key issues of biotechnology, climate change, health, genetics, etc.

6.3 Improved Fiscal and Monetary Policy

6.3.1. Vigorous Pursuit of Full Employment

output gap 5% less (cut in half)

6.3.2. Automatic Stabilizers

Improve automatic stabilizers by restoring unemployment insurance (UI) system to fuller coverage and better benefits and ensuring the social assistance system (SA) is adequately funded, particularly during cyclical downturns. More extremely, it may be appropriate for the federal government to take over the financing and delivery of both the UI and SA systems, perhaps in return for the provinces assuming full responsibility for health care. [McCracken 1998a]

6.3.3. Objectives of Monetary Policy

Lower real interest rates to 3% or less and keep them there.

And I thought you would want to emphasize the possibility of a better way of dealing with the potential for inflationary pressures. Even the Layard/Nickell line of macro reasoning finds that the Scandinavians have achieved a better inflation/unemployment relationship due to corporatist central bargaining on wage levels. The alternative strategy of mass unemployment as an inflation control device is both very costly in production terms, and creates a negative feedback loop in lower future social cohesion, lower productivity growth and an even worse inflation/unemployment menu.

6.4 Improved Structural Policies

Need for balance and recognition of costs of destroying social cohesion

[Bessis, 1995] 31 ff.

Some thoughts from the Roskilde Symposium:

- Changing ways of life
- Redefining the roles of the state - more pro-active, an integrative role on tackling exclusion and poverty
- mending the social fabric
- minimum income
- work-sharing
- implementation of vigorous employment policies, including social employment
- new meaning to democracy; involvement of social groups in decision-making and in responsibility for actions

6.5 Improved Governance

6.5.1. Federal-provincial Relations

Canada is "defined" as much by its struggles over federal-provincial matters as it is by its dual cultures, desire to be like the US, but with the appearance of difference, and its weather. Yet the increasingly bitter feuds between the federal and provincial governments is harming social cohesion by destroying the trust in both levels of government, while leading to poor policies - macro and micro.

At the same time, global corporations are embracing the concepts and operational advantages of federalism by organizing through the use of subsidiarity [Handy, p.133 ff.]. Where as citizens we seem to miss is in allowing ourselves to slip into a view that governments are competitive enterprises, rather than parts of an entity we

call government. If we insist on applying the corporate organization model, then it should be one of a large enterprise, with multiple branches.

6.5.2. Consultation Processes

Aside from the organizational structure needing work, there is a need for real consultation with the citizens of the country through a variety of devices. With rising education levels, citizens seem to want to participate more. The key is to develop ways for effective inputs, true listening by governments, and better communications with all citizens.

7. Why Bother?

What is the impact of increasing economic growth by 0.5% per year?

Although this sounds quite modest, over a ten-year period this would mean a five percent larger economy; over twenty years more than a ten percent gain.

Conveniently, this is enough to close the output gap that has opened up from the early 1970s, leaving us with much higher unemployment rates than necessary and wasting public and private resources in the process.

If routed to real disposable income then it provides a chance for a turnaround in the situation of declining real disposable income per household that has characterized the period from 1990 on and resulted in the 1997 level below the 1981 level by about six per cent.

What are the advantages in a society in which all of its members feel included, rather than having some people outside looking in?

For those outside the gain is obvious. But those currently "inside" have more security of person and property, the benefits of a larger functioning society, and less need for redistribution of income, given full access to all.

What is the importance of demonstrating to the world that there is a more sensible model of social and economic improvement?

By developing a society in which improvements in social cohesion and economic prosperity go hand in hand we can provide a working example for the rest of the world. This will help to create some sense of hope for the 5 billion who are not worried, unfortunately, about the niceties of improving social cohesion and improving economic growth, but rather must focus on the next meal and survival overnight. They have only despair and deprivation.

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Figures for Paper - Social Cohesion and Macroeconomic Performance

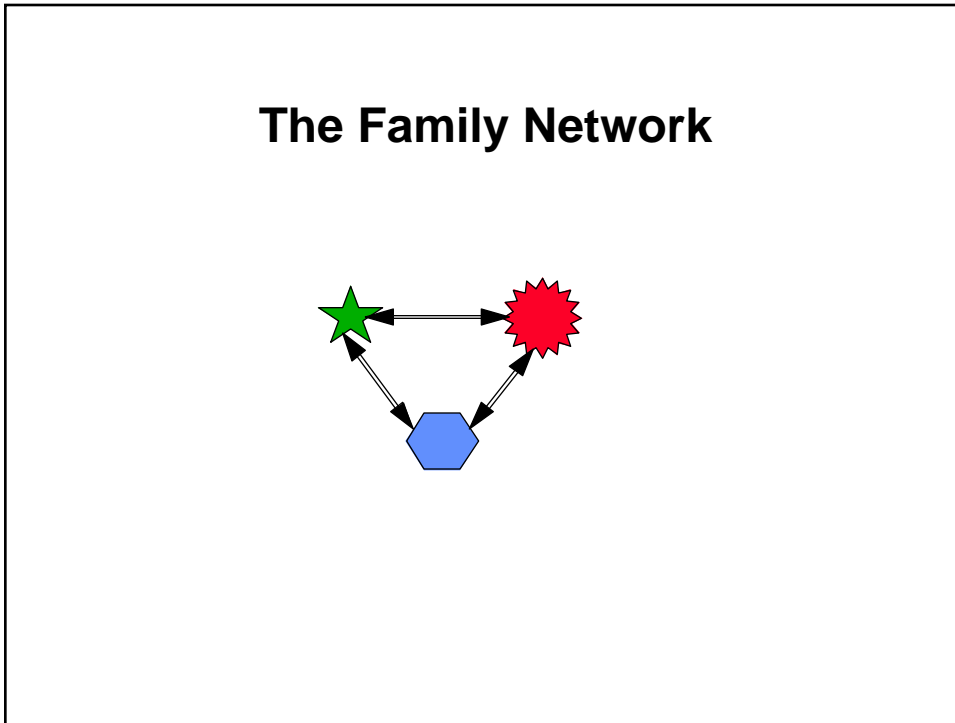


Figure 1. The Family as a Network

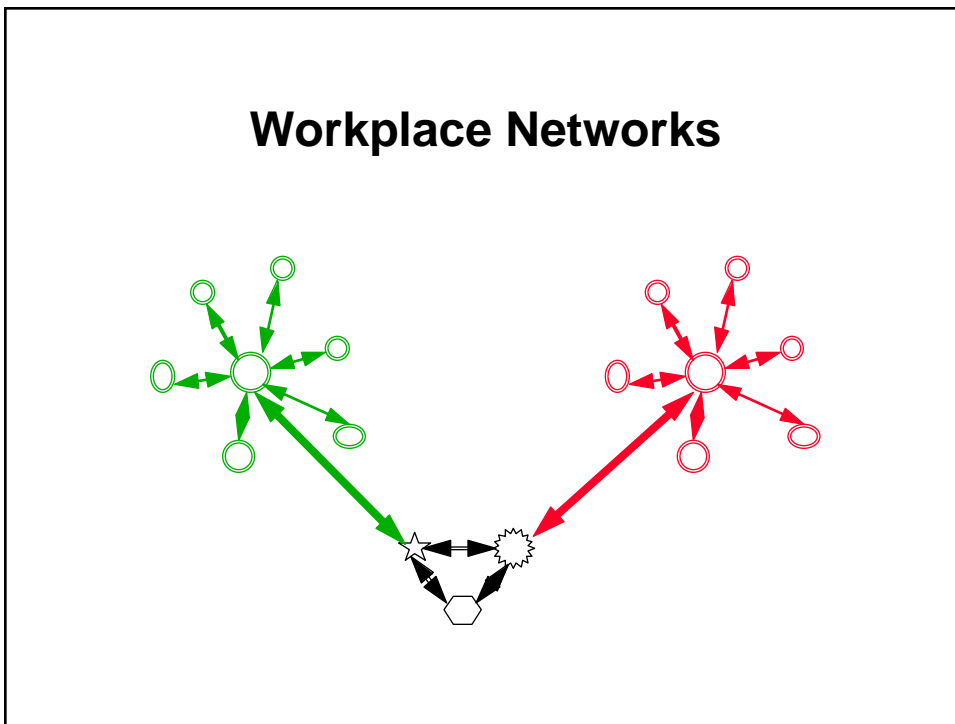


Figure 2. Employment Networks

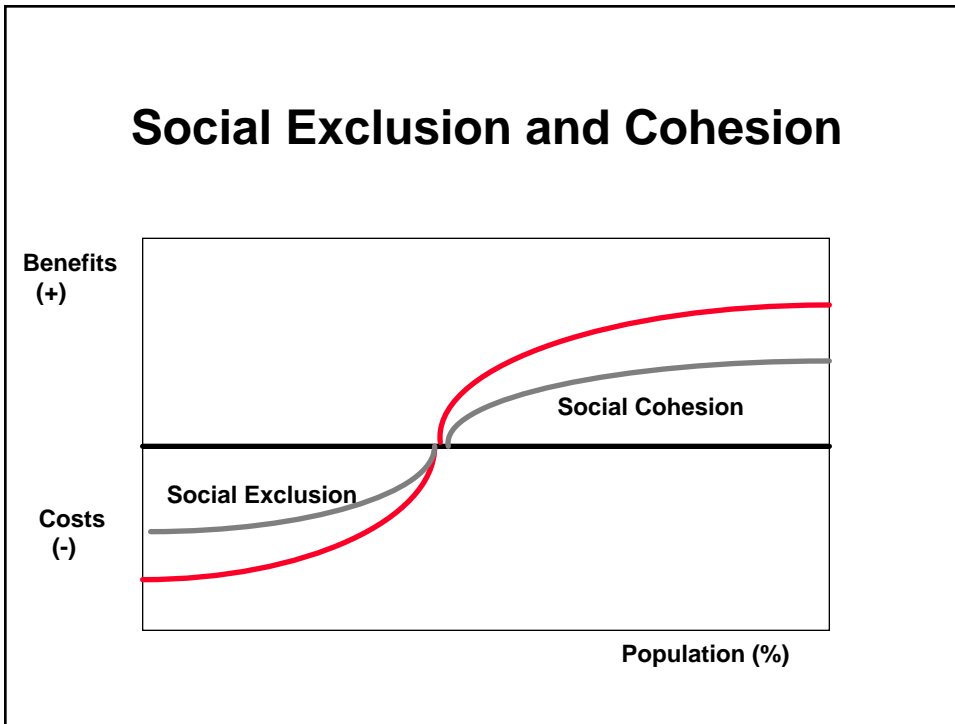


Figure 3. Social Exclusion and Cohesion

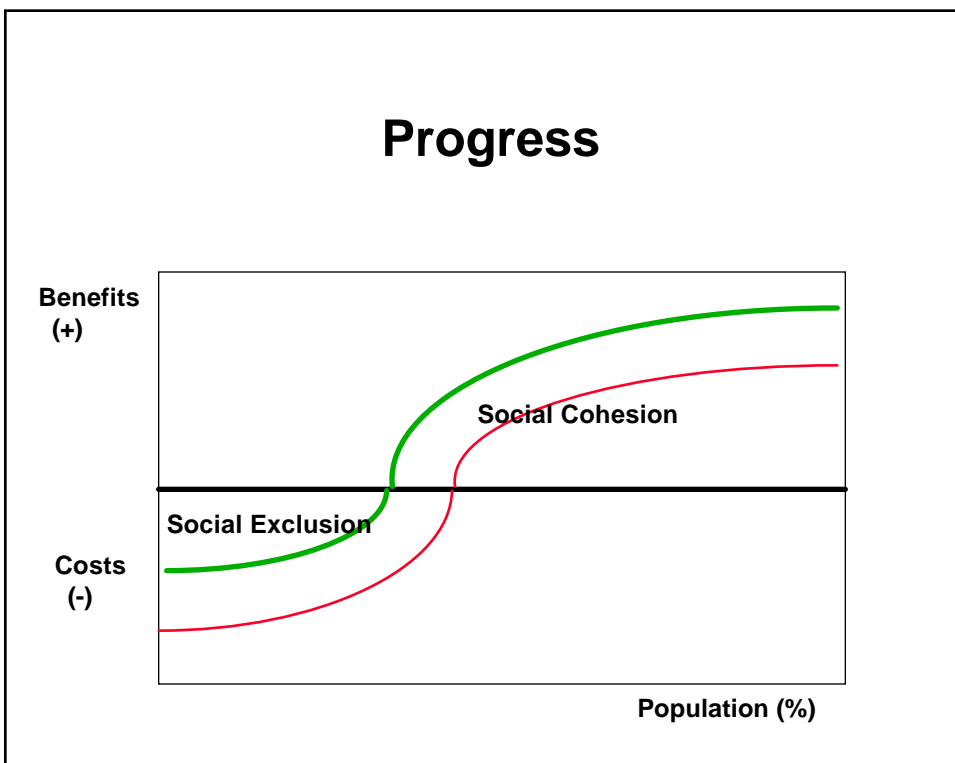


Figure 4. Definition of Progress