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Response to Block and Barnett, ‘A Positive Programme for Laissez-Faire Capitalism’

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While Block and Barnett’s faithful rendition of liberal economic democracy presents a compelling case, and economic indicators and examples provide some evidence for their arguments, the connections they assert between laissez-faire capitalism and social well-being are less convincing. On a very practical level, their analysis is incomplete. Take for example the Economist report that found income inequality has increased the most in the United States, the United Kingdom and New Zealand, where free-market policies have been developed and implemented the most vigorously (The Economist 1994). Or consider the observation that, in New Zealand, one country that pursued the neoliberal project most enthusiastically during the 1980s and 1990s, there is a record number of people in jail. There are queues of people lining up at ‘foodbanks’ and one in seven New Zealanders lives below the poverty line (Kelsey 1997).

More significantly, however, Block and Barnett’s analysis is incomplete with respect to trust. The importance of trust for the successful operation of a laissez-faire capitalist economy and society is widely acknowledged. Well-established practices and conventions such as supplying goods on credit, outsourcing and the relationship between owners and managers would not be possible without a climate of trust in the business system. Indeed, Block and Barnett imply the existence of trust in their assertions about victimless crime and freedom of association. Fukuyama (1995: 4) adds weight to this argument by asserting that ‘virtually all serious observers understand that liberal political and economic institutions depend on a healthy and dynamic civil society for their vitality’. What Block and Barnett, and other proponents of laissez-faire capitalism more generally, overlook is the development and maintenance of this climate of trust.

According to social capital theorists, the development of trust within a society is dependent on a variety of factors. Widely agreed is the importance of association between groups and individuals. Putnam (2000) argues that such association generates norms of reciprocity that enables co-operation. Burt (1992) suggests that it is association between diverse groups that is important. Cox and Caldwell (2000) highlight the social processes and the role of governments and other institutions in enabling such association and connec-
tion. High levels of social capital and trust provide valuable resources in society that enable the achievement of individual and collective practices and conventions, such as those suggested above (Putnam 2000).

Returning to the examples of inequality and poverty cited above, the pursuit of a purely laissez-faire capitalist programme may rock the foundations on which such a system depends for its effective functioning. Connections between groups are difficult in situations of inequality and poverty. Government intervention that addresses levels of inequality and poverty, rather than detracting from the pursuit of economic capital, becomes an integral part of its development. Direct government intervention and co-operation with business and voluntary agencies potentially provides greater opportunities for economic and social development. The direct development of social capital ensures the development of economic capital, which further provides a platform for the sorts of social outcome advocated by Block and Barnett.

References


