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Expert Comment

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Making and breaking social capital: The paradox of China's social credit system

Jürgen Grote and Matteo Bonomi

The Chinese government is engaged in a major mass-surveillance initiative, to become fully operational by the year 2020. It has been subject to varied critique, advanced by many Western observers. Much of this is limited to a pure description of respective legislative measures, more often than not afflicted with nightmare fantasies of Orwellian dimensions. Rather than fully sharing visions of that kind, this article discusses the matter in a more theoretically informed context. Use is made of social capital theory to shed light on some of the reasons ultimately underlying the government's initiative. A distinction is made between bonding relations in small communities of fate, bridging ties across such communities, and links that connect society to state authorities. Taking different types of trust as proxies reflecting these relations, we demonstrate that China performs quite peculiarly in comparison with other countries. The paper concludes that the Chinese government's initiative may be justified to the extent to which it appropriately balances various dimensions of social capital. Yet the concrete measures envisaged can reasonably be said to represent a form of administrative overkill, which may ultimately undermine rather than correct disequilibria in the country's stocks of social capital.

Trust is good, control is better

V.I. Lenin

In treating an ideological or a political malady, one must never be rough and rash but must adopt the approach of curing the sickness to save the patient, which is the only correct and effective method.

Mao Tse-tung; February 1, 1942. Rectify the Party's Style of Work. Selected Works, Vol. III, p. 50.

Introduction

Critique on the social and political implications of big data is not new. It has once again become an issue of public concern since Facebook's recent data breach scandal. Most of this critique is directed at the way information is exchanged among private consortia and organisations as active in data collection, data storage, and data analysis as they are in data exchange and resale. The imminent risk of direct state interference in these circuits of exchange is widely acknowledged but cannot yet be verified. This is soon going to change. The Chinese government is preparing a major mass surveillance initiative to become fully operational country-wide by the year 2020. Its main objective is the increase of trust among individuals and enterprises spanning lower levels of small groups, an intermediate level of inter-group exchanges, and a macro level of state-society relations. This raises at least two questions. Firstly, should we assume that trust in Chinese society is in short supply to the extent that it justifies a government-led initiative of such truly Orwellian dimensions? Secondly, what might this initiative entail in terms of the maintenance and extension of social capital as one of the main (non-economic) factors constitutive of the performance and development of 'the state', 'the market', and 'the community'? This paper seeks to avoid the alarmist rhetoric of most authors commenting on the Chinese initiative. It rather tries to embed it in a wider theoretical context and also seeks eventual reasons to partially explain it. We proceed as follows. We first introduce some essentials of the social capital debate. We then turn to the concept of trust as the main proxy used for measuring social capital worldwide and present some figures on the Chinese case. In the following section some key points of the Chinese government initiative are outlined, predominantly the so-called Social Credit System (SCS). We finally address the initiative's implications for the future of interpersonal relations in China and in other parts of the world.

Social capital

At around the turn of the new millennium, several leading international organisations started seeking development indices beyond merely economic indices. Among the most interesting, but also the most controversial, of such indices is that of social capital. Drawing from the conceptual contributions of world-renowned political sociologists like Pierre Bourdieu, Robert Putnam, James Coleman, Ronald Inglehart, Francis Fukuyama, and others, both the World Bank (2001) and the OECD (2001) embarked on attempts to measure social capital across most of the world's countries and regions. These attempts are grounded in the conviction "that social capital contributes significantly to sustainable development" (World Bank, 2001, p. 1) to a possibly higher and more relevant extent than the endowment of countries with natural and economic resources. There is no all-embracing definition of social capital and accordingly no single uncontested empirical yardstick as to whether and how it can best be measured. Yet degrees of trust, both in interpersonal and interorganisational form, figure prominently on the list and are taken as proxies believed to exhibit some of the core features of social capital. A widely accepted definition was provided by the OECD in 2001: "Networks together with shared norms, values and understandings that facilitate co-operation among individuals and between groups of individuals" (OECD, 2001, p. 41).

From both a conceptual and a practical perspective, the notions of social capital, social exchange, networks, trust, and reciprocity are closely related and cannot easily be disentangled (Grote, 1998; 2006). The most important property of social capital is its being a relational concept based on forms of social exchange. Accordingly, if measuring its relative strength as occurring between individuals, groups, institutions, countries, and regions, proper relational methods of inquiry would be mandatory. The most appropriate and widely diffused method in that respect is network analysis, in one of its various guises (social, political, policy, etc.).

Without going any further into the method of network analysis, suffice to say that this type of analysis is habitually used to measure two different things. Firstly, the relational properties of individuals, individual organisations, and institutions in terms of their positioning in a network, their centrality, their reputation, their power, their brokerage capacity, and so forth. Secondly, the network as whole can also be measured, namely in terms of its density, its connectedness, its degree of centralisation, its fragmentation, and its cohesiveness (Grote, 2011). Quite like network analysis, the social capital debate tends to distinguish between three levels of analysis. Drawing from both these research traditions, we may say that social capital networks can be analysed at the *micro*, the *meso*, and the *macro level*. With respect to the social relations present within and across these levels, a distinction has been introduced by participants in the debate, namely between *bonding social capital*, *bridging social capital*, and *linking social capital*.

Translated into the language of political sociology, it could now be said that the *micro level of bonding* essentially concerns *communities of fate*. These are relatively small groups like families, tribes, villages, and neighbourhoods. At this level, the existence of relatively high degrees of trust may generally be taken for granted.

The *meso level of bridging* relates to outward-looking relations by individuals or by groups of individuals spanning towards wider *communities of choice*. These are groups or organisations based on voluntary adhesion or membership, but can also represent relations of economic exchange between firms and entrepreneurs, beyond the narrow boundaries of small community groups. Compared to actors in networks of bonding, such groups may operate at the same level or at a higher level of complexity. Trust in communities of choice, or trustful relations across such communities, is likely to thrive to the extent that forms of social exchange have sufficiently been learned and practiced downstream at the lower levels of communities of fate. In the absence of norms of reciprocity at these lower levels, trust-building beyond the realm of small groups is quite a painstaking exercise, requiring repeated rounds of exchange with outsiders. *Tit for tat* or sporadic spot exchanges only last at the very beginning of such processes. Over time, if successfully repeated by all partners to the deal, *tit for tat* may turn into a more lasting relationship. This is the case particularly when it is related to the provision of credit and the timely repayment of debts. The creditor will engage only to the extent that the debtor possesses sufficient trustworthiness. Conversely, the debtor – individuals, institutions, or organisations – also needs to invest a lot in the interests of avoiding the risk of forfeiting his trustworthiness. Concerning the quality of relations, Gerbasi and Latusek (2015) have introduced the notions of *thick trust*, for bonding in communities of fate, and *thin trust*, for bridging relations in and across communities of choice.

There is a third level of complexity, however, where trust is likely to be even thinner, albeit not unimportant. The two prior forms of social capital are essentially based on horizontal relations among equals within or across different groups. Communities of fate and choice are not ordered hierarchically by relations of superiority and subordination. Yet both may be connected to higher-order entities that possess more power and coercive capacity. In the literature, relations to such higher-order entities are understood in terms of *linking social capital* and represent state-society relations. Since the building of trust in such vertical hierarchies evolves from the bottom-up of bonding and bridging, linking social capital is likely to persist and thrive only to the extent that sufficient experience has been gained at the two lower levels. Existing stocks of social capital can thus be invested upwards. The classic types of relation here are those of the patron-client or the mentor-mentee. High degrees of linking social capital reflect high degrees of legitimacy for public authorities, and hence, of systemic trust. Although, compared to the other two forms of social capital, such relations tend to be weaker, they provide more access, and better access, to powerful institutions and they are more important for the achievement of development goals for the entire society.

Trust in China and beyond

Let us now turn to the case of China. Different views persist with respect to the country's social capital endowment. Estimates in that respect have changed within a relatively short period of time. Not long ago, Hamrin (2006) observed that "there is a widespread sense in the urban public that Chinese society lacks a public morality of honesty and trust". This has come to be acknowledged by the leaders of the country's Communist Party, who called for a shift to a more "people-oriented" development strategy as far back as 2003. Accordingly, China's 11th five-year plan (2006-2010) asserts that major social issues are hampering the further development of the economy and society in general. There has been widespread consensus within the Party that sustaining human and economic development requires social capital, i.e., human connections based on a shared sense of community (Hamrin, 2006).

High levels of social capital are contingent on high degrees of trust between a creditor and a debtor, or a trustor and a trustee. Although this is true of all three types of social capital, it is of particular importance in the case of linking relationships. It is hardly astonishing then that the proxy used by international organisations to evaluate the quality of social capital in different parts of the world has indeed been trust. This is because trust is essential in a society where people increasingly find themselves operating at the borders between confidence in what is known from everyday experience, and the contingent possibilities. Without trust, all contingent possibilities would need to be considered simultaneously, thereby leading to a paralysis of inaction as a result of excessive transaction costs.

The OECD, the World Bank, the UN, and other international organisations increasingly consider the social capital endowment of countries when designing appropriate development strategies. The data required for estimating social capital stocks is largely provided by the World Values Survey (WVS), conducted every four to five years. The last wave in 2014 encompassed a total of 62 countries, while the forthcoming one in 2019 is expected to obtain sample form up to 80 countries. Trust is the proxy most often used for measuring social capital across the world. In what follows, we look at the questions addressed to the respondents of the 2014 WVS sample and re-interpret the answers in terms of the three categories of social capital introduced above.

Answers to questions regarding "the extent to which most people can be trusted" are taken to indicate the strength of bonding social capital in communities of fate. Answers to questions regarding "the extent to which people can be trusted when one meets them for the first time" are taken as indicators of the strength of bridging social capital, i.e., of the quality of relations bridging one's own small community and thus reaching outside groups and associations. Finally, answers to queries related to "the extent of confidence in government" are likely to exhibit information with respect to linking social capital or state-society relations.

Bonding social capital:

Quite unsurprisingly, countries with the highest levels of social capital are the usual suspects, namely parts of Scandinavia followed by the Netherlands *(see Table 1*). While large parts of Africa, Asia, and Latin America are ranked close to the bottom, the US, Central Europe, and Southern Europe tend to occupy intermediate positions. There is one outlier, however, whose unexpected positioning might raise questions with respect to the reliability of the data, at least at first glance.

China has levels of social capital endowment as high as Scandinavia (see *Table 1*). The country ranks close to the very top of the list alongside Norway, Sweden, and Finland (all four above 60 percent, with peaks of around 75 percent), significantly above Germany (45 percent), and far ahead of the United Kingdom (29 percent). The Chinese figures have remained fairly stable since the early 1980s and the OECD average is at 38 percent for

2014. At the same time, comparable information for the US is alarming. The respective figures for that country have been declining from a height in mid-1980s of close to 50 percent, to 35 percent in 2014. If we were to take these figures for granted, then (interpersonal) trust in China is as twice as high as in the United States.

Table 1: Bonding in 'communities of fate'

	Brazil	China	Germany	Netherlands	Russia	Sweden	US
Most people can be trusted	7,1	60,3	44,6	66,1	27,8	60,1	34,8
Need to be very careful	92,2	35,2	53,8	32	66,2	37,2	64,3
Inapplicable	0	0	0,2	0	0,6	0,3	0
No answer	0	1,8	0,1	0,1	0,4	0,8	0,9
Don´t know	0,7	2,6	1,3	1,8	5	1,6	0
(N)	1,486	2,3	2,046	1,902	2,5	1,206	2,232

Source: World Values Survey 2010-2014 (*"do you agree that most people can be trusted?")*

These results tend to be confirmed by another study (Buchan et.al., 2002). Comparing levels of trust (in terms of "giving specific assets") with levels of reciprocation (in terms of "returning these assets") in China, Japan, South Korea, and the US, China comes out on top, while the US (relatively high trust but low reciprocation) and South Korea (low levels of trust but high levels of reciprocation) fare considerably worse.

Bridging social capital:

Of course, the information above refers solely to levels of trust in terms of bonding. It cannot be excluded that high levels of bonding as reported by the WVS may result in insular, untrusting social relations beyond small communities and, subsequently, may obstruct economic and social development. In the WVS, respondents have also been asked how much they trust people they meet for the first time. As demonstrated by *Table 2*, in terms of bridging, China ranks at the very bottom of the group of countries we have selected (11 percent) and ranks far behind Sweden (57 percent), the country having been outperformed in terms of bonding.

This negative impression is confirmed when looking at other efforts to capture elements of bridging social capital. For instance, as argued by Hamrin (2006), associationalism and 'civicness' may also be taken as proxies for bridging. In Hamrin's words, there still is a widespread lack of intermediaries in China, i.e., of organisations that effectively link informal social networks of the bonding typology to outside groups and to formal institutions: "State polices and regulations are […] designed to limit and control […] associational activities, redirecting them to state purposes, rather than to encourage the proliferation of […] the creative social entrepreneurship that would allow the nonprofit sector to contribute greatly to success" (Ibid.). There still "is a strong tendency to rely on vertical command systems to mobilize social capital to counter corruption".

Table 2: Bridging in 'communities of choice'

	Brazil	China	Germany	Netherlands	Russia	Sweden	US
Trust completely	0,6	1	2	0,1	1,7	4,7	0,8
Trust somewhat	17,4	9,9	28,9	22,2	18,7	52,2	34,4
Do not trust very much	25	57,9	48,6	57,3	43,2	29,6	47,6
Do not trust at all	56,2	19,4	18,1	12,1	32,4	10,9	16,1
Inapplicable	0	0	0	0	0,1	0,2	0
Not applicable	0	1,3	0	0	0	0	0
No answer	0	5,3	0,1	0,5	0,2	0,4	1,1
Don´t know	0,8	5,2	2,2	7,8	3,8	1,9	0
(N)	1,486	2,3	2,046	1,902	2,5	1,206	2,232

Source: World Values Survey 2010 -2014 (*"how much you trust people you meet for the first time?")*

Further and more recent evidence in that respect has been provided by Easterlin et.al. (2017). The authors looked at forms of civic cooperation between individuals and at associations in communities of choice. Their results are based on information measuring the extent to which people disapprove of cheating and bribery in circumstances such as paying taxes or claiming government benefits. Interestingly, it turns out that while levels of trust (inter-personal relations of bonding) have been increasing throughout the country, particularly in the period since 2007, civic cooperation across communities is in marked decline.

Yet other authors refer to the dominance of the country's traditional system of 'guanxi'. Guanxi is a form of private social capital for personal and family advancement that inhibits the accumulation of public social capital for the common good, thus ultimately leading to social and economic stagnation. Originally praised for its capacity to strengthen interpersonal bonds in small communities, guanxi may exhibit negative properties when it comes to extending relations to the outside world. Studying the relations connceting private enterprises to public authorities, Xin et.al. (1996) have observed that guanxi often consists of a form of gift-giving approaching bribery. In a similar vein, Warren (2004) points to “the double-edged sword of Guanxi”. This suggests that social capital promotes economic development only to the extent that there is a balanced relationship between intense in-group exchange (bonding) and pronounced out-group exchange (bridging). This does not seem to be the case in China, where relatively high degrees of trust in communities of fate do not correspond to comparable figures for bridging.

Linking social capital:

Bonding and bridging social capital in China, hence, are in marked disequilibrium – a fact obviously in need of rectification. What, then, about government and public authorities as actors potentially able to establish a balance between the two? Should it not be possible to deliberately modify the disequilibrium such that the strong relations binding individuals within small communities could extend to larger ones which are so crucial to economic performance and development? At first glance, this seems to be the case. When respondents were asked about their confidence *vis-à-vis* their country’s government, state-society relations turned out to be as strong and reliable as relations of trust in the sphere of bonding (see *Table 3*).

Just as in *Table 1*, China again appears to be an outlier. This time, however, not because it appears in a group of countries where nobody would have it expected to be, but rather, as the one single case with exceptionally high levels of systemic trust. Trust in government figures is at almost 85 percent, in comparison to the much lower levels obtained by countries such as Germany (45 percent), the Netherlands, and the US (both 33 percent).

Table 3: Linking in state-society relations

	Brazil	China	Germany	Netherlands	Russia	Sweden	US
A great deal	5,1	37,7	5,5	1,3	7	9,4	3,7
Quite a lot	35,9	46,9	38,9	31,7	40,4	50,5	28,9
Not very much	26,5	6,2	43,6	48,9	30,6	28,3	51,2
None at all	31,5	1	10,4	13,4	16,6	10,3	14,1
Inappropriate	0	0	0	0	0,5	0	0
No answer	0,1	5,3	0,3	0,5	0,4	0,4	2,1
Don´t know	0,8	3	1,3	4,2	4,5	1,2	0
(N)	1,486	2,3	2,046	1,902	2,5	1,206	2,232

Source: World Values Survey 2010 -2014 (*"what about the confidence in the government of your nation's capital?")*

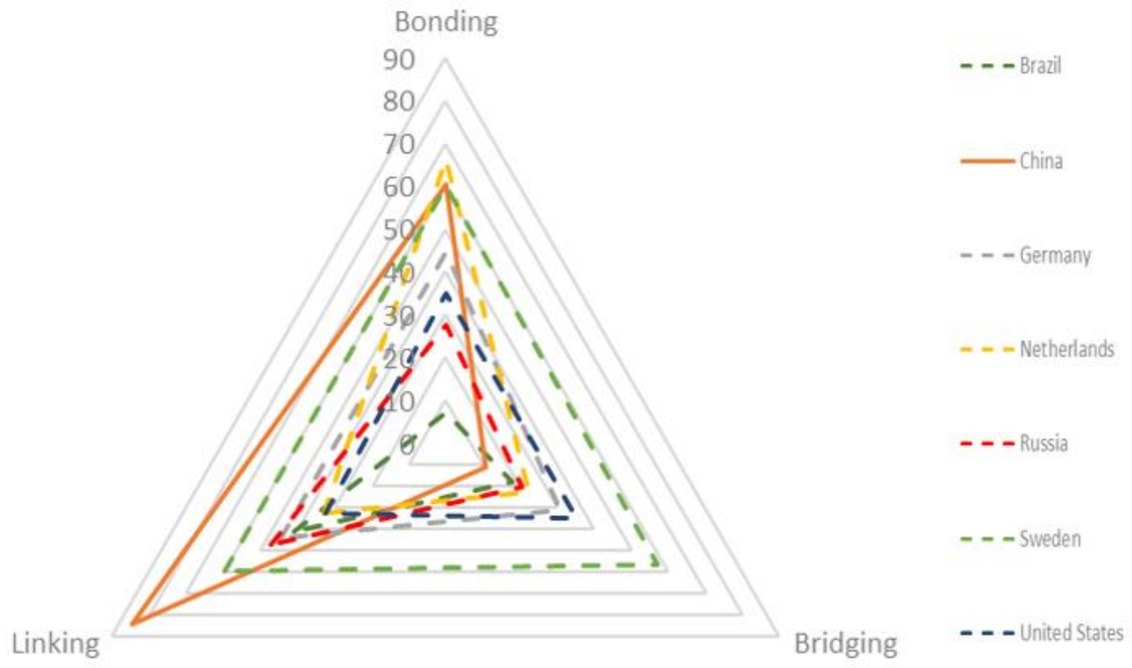
How could this radical deviation between developed capitalist democracies and a clearly less developed authoritarian regime be explained? Is it that citizens feel threatened to an extent that they cannot freely express their distrust? Is it because the regime has been so successful in its propaganda that citizens are persuaded that their government is outstanding in its performance? Wang, who calls the first explanation "the intimidation hypothesis" and the second "the indoctrination hypothesis" (Wang, 2005, p. 152) has suggested an alternative reading. According to him, the more reasonable explanation is that people are indeed satisfied with the performance of the government. This is further supported by Popov's analysis (2011), which measures state capacity in terms of non-compliance with the state's monopoly on violence (murder rate) and non-compliance with economic regulations (shadow economy). The results: "China is rather unique [in terms of] both measures – one of the lowest indicators in the developing world comparable to developed countries" (Ibid, p. 4). Hence, high levels of political or systemic trust (linking social capital) are "largely due to citizens' positive assessments of the regime's performance, which reflects improved economic well-being at the individual level" (Wang, 2005, p. 154). While the ratio between materialists and post-materialists was almost balanced in advanced democracies as early as the beginning of the 1980s, in China this ratio was still at about 50:4 in 2001. Wang therefore concludes that the high level of legitimacy enjoyed by the Chinese government largely depends on economic performance, but that in the long run, further development will likely give rise to a critical citizenship that will increasingly question its performance-based legitimacy (Ibid, p. 160-61). Others have argued that this may already have been accomplished, at least with respect to moving "social norms in the direction of individualisation and a sense of personal agency" (Abbot et.al., 2015, p. 1).

Even if this were the case, it is reasonable to ask whether there is time left for government, before the effects of further individualisation and critical citizenship start unfolding, to capitalise on that high degree of legitimacy with a view to bringing the stocks of bonding and bridging social capital into balance? As it seems, this is unlikely to happen, and the reader is invited to take account of this when we turn to present some essential parts of the country's initiative to establish a Social Credit System (SCS). In her study of China's social capital deficit, Hamrin has drawn attention to the fact that, while the state "can act negatively to undermine civil society" (by way of punishing adverse behaviour), it cannot "act positively to promote the strong bonds of social solidarity or the moral fabrics that underlie community" (Hamrin, 2006). As argued before, social capital tends to emerge from the bottom up almost by default. It can hardly be created deliberately from the apex of a hierarchy.

In general, then, social capital is an inadequate yardstick for measuring growth and development, if not further differentiated with respect to relations within and beyond smaller and wider social groups at different levels of complexity. If limited to interpersonal bonds alone, its negative properties may easily gain the upper hand, thus preventing rather than promoting socio-economic development. Accordingly, critiques of the social capital paradigm frequently point to its double-edged nature. In the absence of bridging relations, bonded communities can become isolated and disenfranchised from the rest of society. Bonding then results in distorting effects that have been described as the “dark side” of social capital (Portes and Landolt, 1996). Among the possible outcomes of negatve social capital are things such as the mobilisation of networks for nefarious aims, the use of networks to foster ingroup versus out-group dynamics, social ineqality, exclusionary and nepotistic practices, social stratification, and corruption. This is supported by Xin in her study on rural grassroots governance in China. The author confirms that bonding social capital, as manifested in exclusive social networks that generate “distrust and suspicion towards people who are considered to be excluded from the group […] tends to negatively impact the performance of Chinese […] governance” (Xin 2012, p. 137). Bonding social capital has the tendency to “bolster our narrower selves” rather than to encourage a broad representation of, and cooperation among, people who do not know each other and who are not alike (Ibid, p. 138).

Overall, then, the picture emerging when comparing figures on different types of social capital across the countries selected for this paper is as follows (see *Figure 1*).

Figure 1: The three dimensions of social capital



Source: Author's figure based on World Values Survey 2010-2014

Contrary to the social capital stocks of the other six cases, which exhibit somewhat isosceles-type triangles, China's image appears severely skewed. The country outperforms the others in terms of linking, is equal to the leading Scandinavian countries and the Netherlands in terms of bonding, but is dramatically deficient on bridging. This disequilibrium shall now be taken as a starting point for a closer examination of recent governmental attempts to come to grips with the malaise.

The social credit system (SCS) of the Chinese State Council

It has been argued above that social capital of whichever sort tends to emerge from the bottom-up and can hardly be top-down from the apex of a hierarchy (Hamrin 2006). All the more astonishing, then, is what is currently happening in China. In 2014, the county's government took a decision aimed at enhancing levels of trust and trustworthiness in

Chinese society. The decree, which reflects a rigid top-down logic of social control, is not only directed at legal persons such as enterprises, banks, and other for-profit organisations, but also extends to natural persons, i.e., to individuals, citizens, and interpersonal relations. In other words, it comprises both the dimensions of bridging (trust among competitors in markets) and bonding (interpersonal trust in communities) while ultimately resting on the presumed future stability of linking (exorbitant levels of trust in government).

It is unlikely that any kind of social capital reasoning has led the government to develop a country-wide Social Credit System. Yet, considering the arguments presented in *Section 2 and 3* above, this is the impression an outsider might get at first glance. Compared to its competitors in the West, China's position in terms of trust and trust-building appears, in some ways, unsustainable. Many people in China do not own houses, cars, or credit cards, such that this information is not available to be measured. The central bank has financial data from 800 million people, but only 320 million have a traditional credit history. Moreover, the sale of counterfeit and substandard products is a massive problem. According to the OECD, 63 percent of all fake goods, from watches to handbags to baby food, originate in China; the level of micro-corruption is enormous, and half of signed contracts are not kept. If there is something to be done in the interests of overcoming the trust deficit and of adjusting the disequilibrium represented by *Figure 1* above, then this must clearly be with respect to bridging.

Influenced by what is practiced in other countries, such as in the US (*Experian, TransUnion*, and *Equifax*) and certain parts of Europe (Germany's *Schufa* and *Kreditreform*; Norway's *Dun & Bradstreet* and *Lindorff Decision*; Denmark's *Bisnode*), the Chinese government aims to fully install a credit system by 2020. Building on information gained by different government departments and companies active in big data analysis and sales, it aims to create a unified system for monitoring and rating the trustworthiness of both legal personalities (companies, banks, etc.) and natural persons (individuals), steering behaviour and supporting sincerity and reliability through a system of punishments and rewards.

A full version of the system has not yet been realised and its implementation still appears fragmented and at an early stage. Nevertheless, current developments can be divided into two main tracks (Ohlberg et.al., 2017). On one hand, Chinese authorities have been operating at the national level in order to build country-wide infrastructure to ensure cooperation between different government bureaucracies, to assess both financial credit and moral integrity, and to put public sanctions in place. On the other hand, the government has been promoting a number of pilot programmes run by public authorities at local and provincial levels or by private companies, which have been licenced to experiment with non-mandatory credit scoring schemes.

So far, the national-level implementation has been working, mainly as a system for blacklisting individuals and companies on the basis of their ‘trust-breaking’ behaviour, for example, resisting court orders and infringing current laws and regulations. Punishments have been issued directly – for example, through the imposition of restrictions on eligibility for particular jobs – and indirectly, by the setting-up systems of ‘naming and shaming’. The private information of blacklisted personalities (including names, photos, ID numbers and, in some cases, home addresses) has been shared and made publicly available through government databases, major news outlets, and websites, thus imposing severe reputational and social costs. Pilot projects can provide a more accurate idea of how the system could potentially run in the future. According to a publication by the Mercator Institute for Chinese Study (Ohlberg et.al., 2017), 43 municipalities have been designated by the State Council to experiment with new ways of accessing social credit and to introduce mechanisms of punishments and rewards.

The rationale for the entire project, which is in line with the spirit of the 18th Communist Party Congress and its ‘scientific outlook on development’, emerges quite clearly from the *Planning Outline for the Construction of a Social Credit System (2014-2020)*, issued by the State Council on 14 June 2014. The overall line of thinking for the construction of the SCS reflects the general shift in Chinese development strategy towards the goal of broadening and deepening its internal market reforms. It starts from an analysis of the "contradiction" between current low levels of trust and credit services within Chinese society (trust deficit) and the recognition of the urgent need to expand internal demand and competition through better access to credit and improved reliability within society. China is, in fact, described as being "in the assault phase of deepening economic structural reform and perfecting the Socialist market economy system." The central point of the government´s analysis highlights how "[t]he modern market economy is a credit economy, establishing and completing a social credit system is an important step in rectifying and standardizing the market economy order, improving the market's credit environment, reducing transaction costs and preventing economic risk, and is an urgent requirement to reduce administrative governmental interference in the economy and perfecting the Socialist market economy system." (Chinese State Council, 2014).

The SCS is therefore seen as a tool to transform the country´s development strategy in terms of perfecting both a "socialist market economy" and strengthening and innovating social governance. In the words of Botsman (2017), it is a "marriage between communist oversight and capitalist can-do." The construction of a self-enforcing system for promise-keeping, rewarding, and trust-breaking punishment is thought to represent a fundamental tool converging the Chinese market with the standards of a capitalist market economy. According to the vision of the authorities, in fact, the SCS should:

- help in reducing government interference in economic affairs, foster competition and an efficient allocation of resources. The construction of an SCS "(…) is an important precondition for stimulating optimized resource allocation, broadening internal demand and stimulating the structural optimization and improvement of industrial structures" (Chinese State Council, 2014);

- allow greater social and economic pluralism: "Our country is in a crucial period of economic and social transformation. Interest subjects are becoming more pluralized". Moving forward the construction of an SCS "is an effective method to strengthen social sincerity, stimulate mutual trust in society, and reducing social contradictions, and is an urgent requirement for (…) building a Socialist harmonious society" (Ibid).

- and promote market openness together with further international cooperation: "Economic globalization has enabled an incessant increase of our country's openness towards the world, and economic and social interaction with other countries and regions is becoming ever closer. Perfecting the social credit system is a necessary condition to deepen international cooperation and exchange, establishing international brands and reputations, reducing foreign-related transaction costs, and improving the country's soft power and international influence" (Ibid).

The SCS is clearly modelled on financial and credit scoring systems that have been in place in the US and Europe for decades. At the same time, it also presents peculiar features whose potential outcomes are massive and could transform China´s social and economic environment altogether, not necessarily in a positive way. The SCS surpasses any credit scoring systems working in other countries in at least three fundamental ways.

Firstly, the entire project has a strong top-down design and manifests a strong diffidence towards traditional actors having developed credit services and trust-keeping mechanisms. In this regard, while the Planning Outline recognised how there have been different credit rating providers that have been rapidly emerging and growing within China during recent years, it cuts the issue short by describing them as "fragmented", "immature", and "mismatching" in relation to the current development needs of the country (Chinese State Council, 2014). It follows that state intervention is required in order to provide the public good of “trust” and, thus to govern the ongoing processes of socio-economic transformation.

Secondly, the project expands the use of credit ratings far beyond economic purposes to the social, environmental, and political realms. Although the system is primarily designed for economic reasons as an instrument for shaping tailored business regulation and industrial policies, it will monitor and assess a much larger spectrum of criteria than any other existing financial and credit scoring system. By integrating traditional sources of data (such as criminal, financial, and other government records) with big data analysis and digital sensors and devices, it could potentially reach into almost any aspect of everyday life, which, moreover, will be monitored and assessed continuously and in real time.

Thirdly, it resolutely extends the range of incentives associated with reading systems. While any rating system is clearly linked to positive and negative incentives, in as far as it affects conditions for the provision of certain services, the SCS goes much further by openly constructing a system of punishments and restrictions imposed on trust-breakers and by stimulating a thick social environment inducing the stigmatisation of people who do not comply.

When looking exclusively at the market-related implications of the system or, as we have preferred to say, to the bridging dimension of social capital, the objectives are quite straightforward. The SCS is thought to increase trust and trustworthiness among potential competitors and, at the same time, to negatively sanction deviant behaviour. It intends to: encourage business “associations and chambers of commerce to perfect credit evaluation mechanisms for member enterprises” (State Council, 2016, p. II.3); to “issue comprehensive credit commitments or special commitments concerning product and service quality” (Ibid); to develop preferential treatment “for attracting investment and raising funds” (Ibid, p. II.5); to “reduce costs for market trading (…); guide financial bodies, commercial sales bodies, and other such market bodies to consult and use market subjects’ credit information, credit scores and credit evaluation reports, to grant preferences and conveniences to market subjects, ensuring that promise-keepers obtain ever more opportunities and tangible benefits in the market" (Ibid, p. II.7); and to "give priority to recommending sincere enterprises during activities such as trade fairs, bank-enterprise linking, etc., to let credit become an important reference factor in the market allocation of resources" (Ibid, p. II.8).

Concerning the consolidation of laws of the market, the system seems fully justified. It is likely to considerably help curbing all forms of distrust, cheating, and corruption. From the point of view of democratic theory and the rule of law, however, this is clearly different. This becomes obvious when looking at bonding social capital as present in what we have called communities of fate, i.e., families, villages, and neighbourhoods. Skipping through the State Council's document, the degree to which the difference between legal persons and natural persons is neglected is remarkable. The mechanisms envisaged by the SCS with respect to rewards and punishments indiscriminately hold for both types of actors, individuals, and corporate actors. Individuals are treated as if their motives could be reduced to the type of utility maximising and rationally calculating interests of entrepreneurs, with little regard for more encompassing values like belonging, solidarity, friendship, and esteem. Let us describe that more in detail.

Just as in the case of corporate actors, the ranking of individuals is based on a specific amount of social credit points (SCPs). In some pilot projects already underway, citizens are assigned a total amount of 1,000 points. Relative to their behaviour, that amount is amended either upwards (rewards) or downwards (negative sanctions). The sum total accumulated after a specific period of time – SCPs are frequently updated each month and can be accessed online by everybody – is then grouped into different classes, ranging from a high performing 'triple A' down to a low performing 'D'. Everybody whose account drops below the critical threshold of 600 SCPs is automatically assigned to class D.

Among the manifold instances where individual behaviour is subject to SCP deductions are the following: jumping a red traffic light; involvement in a fight; cheating at exams; plagiarism; unpaid tuition fees; downloading private software; fare dodging; living in a flat exceeding one's personal needs; driving to work using a big imported vehicle; participation in demonstrations; false accusations on the web; littering; jaywalking; and evasion of queuing at supermarket checkouts. Such misbehaviour is monitored, both online and offline, by facial recognition devices, by reports submitted by fellow citizens, and by other web-based control mechanisms.

Forms of punishment are wide-ranging. People with low scores: may be excluded from job promotion; may have restricted access to fast trains and flights abroad; may not be allowed to ask for bank credit; will have slower internet speeds; or will be deprived of permission to visit restaurants, nightclubs, or golf courses. They will also be restricted when it comes to enrolling their children in high-paying private schools or when in need of day care facilities.

Some control mechanisms are particularly discomforting. Local pilots, such as in Sanmen County (Zhejiang) and in Dengfeng County (Henan), have been experimenting with new methods of cooperation between local courts and telecommunication companies. Individuals who have not complied with local court orders, including the refusal to repay small sums of money, are immediately blacklisted. Telecommunication companies are then charged with changing the individuals' dial tones and automatically sending 'shaming' messages to anybody trying to contact them. Everyone in that person's vicinity immediately gets an impression of whom they are dealing with. Even more disconcerting is when someone receives a call and a message is sent back to the caller informing them that the person they are trying to reach has been blacklisted and that, accordingly, they should persuade the person they have called to honour the court order or otherwise change their behaviour.

Instances such as these do not only concern isolated individuals or individual SCP accounts. They are much more far-reaching, being targeted at changing the relations between any two or more actors and not necessarily in a way which would contribute to trust-building. This becomes obvious when considering yet another truly troubling implication of the SCS. Surrounding yourself with one or more untrustworthy individual immediately affects one’s own credit score. Hanging out or intermingling with a person not regarded as trustworthy – as defined by the system – leads to the deduction of SCPs. Untrustworthiness as detected by anonymous algorithms turns into a contagious disease. The more such characters are gathering in your immediate surroundings, the more you face the risk of social death and marginalisation. As a result, friends are chosen by their degree of trustworthiness, as reported by the algorithm. Since personal SCP accounts can be accessed by everyone, parents are likely to choose their future sons and daughters-in-law only after having checked their status – a procedure quite similar to dating portal operations known in other parts of the world.

Discussion: Making or breaking social capital?

We have tried to discuss China’s Social Credit System in a broader theoretical context informed by the social capital debate in sociology and political science. Proceeding that way seemed to be more promising than merely lamenting the partly disastrous implications of certain aspects of the system, as do many Western critics elsewhere. Considering all of what has been argued above, it seems to us that there are at least two ways of looking at the SCS:

A benevolent reading would acknowledge the country’s problems in the field of non-economic development factors, i.e., a trust deficit, corruption, bribery, and other disgraceful behaviour. The rationale behind the establishment of the SCS would then be to overcome and correct these deficiencies by activating all means technically possible, including widescale monitoring of individual or entrepreneur conduct *vis-à-vis* others, government institutions included. Hence, an attempt to develop bridging social capital in exchange for depressing bonding social capital, on the grounds of the conviction that the latter is negatively influencing development anyway, at all territorial and administrative levels across the entire country. Only by way of such a galactic endeavour aimed at breaking ties of negative social capital will the country manage to compete with other leading world economies. The SCS, then, could be understood in terms of organised assistance in trust-building provided by government to society.

A more unpleasant, but also more realistic interpretation that takes account of the fundamentals of the rule of law, would be quite opposed to the first reading. The Chinese government may be right with its initiative as far as legal persons are concerned. Trust and trustworthiness among enterprises, banks, and public institutions, just as much as the fight against bribery and corruption, are tantamount to development and should therefore be promoted. Yet, the government has clearly embarked on an exercise of administrative overkill in as far as it does not distinguish between natural and legal persons. Both individual and corporate actors are consistently mentioned as if they were one and the same in the official document. While the envisaged rewards and the negative sanctions may be justified with respect to corporate actors, when applied to individuals and to interpersonal forms of exchange, the SCS turns into a nightmare assault on privacy going far beyond even the most inconceivable Orwellian fantasies. In particular, it tends to undermine, rather than to build and sustain, social capital.

This is because of the transformation of the entire system of interpersonal relations. While the building of trusting relations with others has always been and still is a rather complicated and painstaking exercise, it is now simply a question of a couple of clicks on a computer or a smartphone to check the degree of trustworthiness of everyone in real time. Citizen are now relived of that tricky task of trust-building. This is now externalised to a series of internet checks ('without balances') being swift, cheap, and apparently more reliable. Since the system does not distinguish between rationally calculating entrepreneurs and individuals who may select their acquaintances by following other more encompassing motives, a citizen is treated as if they were a *homo oeconomicus* primarily interested in utility maximisation and the minimising of transaction costs. The requisites for bonding social capital thereby fall by the wayside without necessarily improving those for bridging and linking which, as we have seen, are ultimately anchored in the former.

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