Project Report

Social Capital and Public Affairs

Robert D. Putnam

In 1992 the Academy undertook the planning phase of a study on "Social Capital and Public Affairs," chaired by Robert D. Putnam (Harvard University). Social capital, as Mr. Putnam explains in the following article (originally published in the American Prospect, *Spring 1993), refers to features of social organization, such as networks, norms, and trust, that facilitate coordination and cooperation for mutual benefit. In the planning phase of this study, a multidisciplinary group of scholars refined the conceptual issues underlying the theme, developed the framework for a large-scale study, and recommended several areas of practical application. Mr. Putnam wrote the article after two planning meetings for the project had been held at the Academy.*

Since Mr. Putnam's article first appeared, two workshops have taken place at the Academy—one on social capital and economic development, and the other on social capital and urban problems. A proposal for funding for a three-year study has been prepared and submitted to several foundations. Substantial funding has already been obtained, and the project is now under way. The planning phase of the study was funded by the Carnegie Corporation, the Ford Foundation, the Rockefeller Foundation, and the Academy's Committee on Studies.

THE PROSPEROUS COMMUNITY: SOCIAL CAPITAL AND PUBLIC LIFE

Your corn is ripe today; mine will be so tomorrow. 'Tis profitable for us both, that I should labour with you today, and that you should aid me tomorrow. I have no kindness for you, and know you have as little for me. I will not, therefore, take any pains upon your account; and should I labour with you upon my own account, in expectation of a return, I know I should be disappointed, and

> that I should in vain depend upon your gratitude. Here then I leave you to labour alone; you treat me in the same manner. The seasons change; and both of us lose our harvests for want of mutual confidence and security.
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> —*David Hume*

The predicament of the farmers in Hume's parable is all too familiar in communities and nations around the world:

• Parents in communities everywhere want better educational opportunities for their children, but collaborative efforts to improve public schools falter.

• Residents of American ghettos share an interest in safer streets, but collective action to control crime fails.

• Poor farmers in the Third World need more effective irrigation and marketing schemes, but cooperation to these ends proves fragile.

• Global warming threatens livelihoods from Manhattan to Mauritius, but joint action to forestall this shared risk founders.

Failure to cooperate for mutual benefit does not necessarily signal ignorance or irrationality or even malevolence, as philosophers since Hobbes have underscored. Hume's farmers were not dumb, or crazy, or evil; they were trapped. Social scientists have lately analyzed this fundamental predicament in a variety of guises: the tragedy of the commons; the logic of collective action; public goods; the prisoners' dilemma. In all these situations, as in Hume's rustic anecdote, everyone would be better off if everyone could cooperate. In the absence of coordination and credible mutual commitment, however, everyone defects, ruefully but rationally, confirming one another's melancholy expectations.

How can such dilemmas of collective action be overcome, short of creating some Hobbesian Leviathan? Social scientists in several disciplines have recently suggested a novel diagnosis of this problem, a diagnosis resting on the concept of *social capital.* By analogy with notions of physical capital and human capital—tools and training that enhance individual productivity—"social capital" refers to features of social organization, such as networks, norms, and trust, that facilitate coordination and cooperation for mutual benefit. Social capital enhances the benefits of investment in physical and human capital.

Working together is easier in a community blessed with a substantial stock of social capital. This insight turns out to have powerful practical implications for many issues on the American national agenda—for how we might overcome the poverty and violence of South Central Los Angeles, or revitalize industry in the Rust Belt, or nurture the fledgling democracies of the former Soviet empire and the erstwhile Third World. Before spelling out these implications, however, let me illustrate the importance of social capital by recounting an investigation that several colleagues and I have conducted over the last two decades on the seemingly arcane subject of regional government in Italy.

Lessons from an Italian Experiment

Beginning in 1970, Italians established a nationwide set of potentially powerful regional governments. These 20 new institutions were virtually identical in form, but the social, economic, political, and cultural contexts in which they were implanted differed dramatically, ranging from the preindustrial to the postindustrial, from the devoutly Catholic to the ardently Communist, from the inertly feudal to the frenetically modern. Just as a botanist might investigate plant development by measuring the growth of genetically identical seeds sown in different plots, we sought to understand government performance by studying how these new institutions evolved in their diverse settings.

As we expected, some of the new governments proved to be dismal failures—inefficient, lethargic, and corrupt. Others have been remarkably successful, however, creating innovative day care programs and job-training centers, promoting investment and economic development, pioneering environmental standards and family clinics—managing the public's business efficiently and satisfying their constituents.

What could account for these stark differences in quality of government? Some seemingly obvious answers turned out to be irrelevant. Government organization is too similar from region to region for that to explain the contrasts in performance. Party politics or ideology makes little difference. Affluence and prosperity have no direct effect. Social stability or political harmony or population movements are not the key. None of these factors is correlated with good government as we had anticipated. Instead, the best predictor is one that Alexis de Tocqueville might have expected. Strong traditions of civic engagement—voter turnout, newspaper readership, membership in choral societies and literary circles, Lions Clubs, and soccer clubs—are the hallmarks of a successful region.

Some regions of Italy, such as Emilia-Romagna and Tuscany, have many active community organizations. Citizens in these regions are engaged by public issues, not by patronage. They trust one another to act fairly and obey the law. Leaders in these communities are relatively honest and committed to equality. Social and political networks are organized horizontally, not hierarchically. These "civic communities" value solidarity, civic participation, and integrity. And here democracy works.

At the other pole are "uncivic" regions, like Calabria and Sicily, aptly characterized by the French term *incivisme*. The very concept of citizenship is stunted there. Engagement in social and cultural associations is meager. From the point of view of the inhabitants, public affairs is somebody else's business—*i notabili,* "the bosses," "the politicians"—but not theirs. Laws, almost everyone agrees, are made to be broken, but fearing others' lawlessness, everyone demands sterner discipline. Trapped in these interlocking vicious circles, nearly everyone feels powerless, exploited, and unhappy. It is hardly surprising that representative government here is less effective than in more civic communities.

The historical roots of the civic community are astonishingly deep. Enduring traditions of civic involvement and social solidarity can be traced back nearly a millennium to the eleventh century, when communal republics were established in places like Florence, Bologna, and Genoa, exactly the communities that today enjoy civic engagement and successful government. At the core of this civic heritage are rich networks of organized reciprocity and civic solidarity—guilds, religious fraternities, and tower societies for self-defense in the medieval communes; cooperatives, mutual aid societies, neighborhood associations, and choral societies in the twentieth century.

These communities did not become civic simply because they were rich. The historical record strongly suggests precisely the opposite: They have become rich because they were civic. The social capital embodied in norms and networks of civic engagement seems to be a precondition for economic development, as well as for effective government. Development economists take note: Civics matters.

How does social capital undergird good government and economic progress? First, networks of civic engagement foster sturdy norms of generalized reciprocity: I'll do this for you now, in the expectation that down the road you or someone else will return the favor. "Social capital is akin to what Tom Wolfe called the 'favor bank' in his novel, *The Bonfire of the Vanities*," notes economist Robert Frank. A society that relies on generalized reciprocity is more efficient than a distrustful society, for the same reason that money is more efficient than barter. Trust lubricates social life.

Networks of civic engagement also facilitate coordination and communication and amplify information about the trustworthiness of other individuals. Students of prisoners' dilemmas and related games report that cooperation is most easily sustained through repeat play. When economic and political dealing is embedded in dense networks of social interaction, incentives for opportunism and malfeasance are reduced. This is why the diamond trade, with its extreme possibilities for fraud, is concentrated within close-knit ethnic enclaves. Dense social ties facilitate gossip and other valuable ways of cultivating reputation—an essential foundation for trust in a complex society.

Finally, networks of civic engagement embody past success at collaboration, which can serve as a cultural template for future collaboration. The civic traditions of north-central Italy provide a historical repertoire of forms of cooperation that, having proved their worth in the past, are available to citizens for addressing new problems of collective action.

Sociologist James Coleman concludes, "Like other forms of capital, social capital is productive, making possible the achievement of certain ends that would not be attainable in its absence. . . . In a farming community . . . where one farmer got his hay baled by another and where farm tools are extensively borrowed and lent, the social capital allows each farmer to get his work done with less physical capital in the form of tools and equipment." Social capital, in short, enables Hume's farmers to surmount their dilemma of collective action.

Stocks of social capital, such as trust, norms, and networks, tend to be self-reinforcing and cumulative. Successful collaboration in one endeavor builds connections and trust—social assets that facilitate future collaboration in other, unrelated tasks. As with conventional capital, those who have social capital tend to accumulate more—them as has, gets. Social capital is what the social philosopher Albert O. Hirschman calls a "moral resource," that is, a resource whose supply increases rather than decreases through use and which (unlike physical capital) becomes depleted if *not* used.

Unlike conventional capital, social capital is a "public good," that is, it is not the private property of those who benefit from it. Like other public goods, from clean air to safe streets, social capital tends to be underprovided by private agents. This means that social capital must often be a by-product of other social activities. Social capital typically consists in ties, norms, and trust transferable from one social setting to another. Members of Florentine choral societies participate because they like to sing, not because their participation strengthens the Tuscan social fabric. But it does.

Social Capital and Economic Development

Social capital is coming to be seen as a vital ingredient in economic development around the world. Scores of studies of rural development have shown that a vigorous network of indigenous grassroots associations can be as essential to growth as physical investment, appropriate technology, or (that nostrum of neoclassical economists) "getting prices right." Political scientist Elinor Ostrom has explored why some cooperative efforts to manage common pool resources, like grazing grounds and water supplies, succeed, while others fail. Existing stocks of social capital are an important part of the story. Conversely, government interventions that neglect or undermine this social infrastructure can go seriously awry.

Studies of the rapidly growing economies of East Asia almost always emphasize the importance of dense social networks, so that these economies are sometimes said to represent a new brand of "network capitalism." These networks, often based on the extended family or on close-knit ethnic communities like the overseas Chinese, foster trust, lower transaction costs, and speed information and innovation. Social capital can be transmuted, so to speak, into financial capital: In novelist Amy Tan's *Joy Luck Club,* a group of mah-jong-playing friends evolves into a joint investment association. China's extraordinary economic growth over the last decade has depended less on formal institutions than on *guanxi* (personal connections) to underpin contracts and to channel savings and investment.

Social capital, we are discovering, is also important in the development of advanced Western economies. Economic sociologist Mark Granovetter has pointed out that economic transactions like contracting or job searches are more efficient when they are embedded in social networks. It is no accident that one of the pervasive stratagems of ambitious yuppies is "networking." Studies of highly efficient, highly flexible "industrial districts" (a term coined by Alfred Marshall, one of the founders of modern economics) emphasize networks of collaboration among workers and small entrepreneurs. Such concentrations of social capital, far from being paleo-industrial anachronisms, fuel ultra-modern industries, from the high tech of Silicon Valley to the high fashion of Benetton. Even in mainstream economics the so-called "new growth theory" pays more attention to social structure (the "externalities of human capital") than do conventional neoclassical models. Robert Lucas, a founder of "rational expectations" economics, acknowledges that "human capital accumulation is a fundamentally *social* activity, involving *groups* of people in a way that has no counterpart in the accumulation of physical capital."

The social capital approach can help us formulate new strategies for development. For example, current proposals for strengthening market economies and democratic institutions in the formerly Communist lands of Eurasia center almost exclusively on deficiencies in financial and human capital (thus calling for loans and technical assistance). However, the deficiencies in social capital in these countries are at least as alarming. Where are the efforts to encourage "social capital formation"? Exporting PTAs or Kiwanis clubs may seem a bit farfetched, but how about patiently reconstructing those shards of indigenous civic associations that have survived decades of totalitarian rule?

Historian S. Frederick Starr, for example, has drawn attention to important fragments of civil society—from philanthropic agencies to chess clubs—that persist from Russia's "usable past." (Such community associations provide especially valuable social capital when they cross ethnic or other cleavage lines.)

Closer to home, Bill Clinton's proposals for job-training schemes and industrial extension agencies invite attention to social capital. The objective should not be merely an assembly-line injection of booster shots of technical expertise and work-related skills into individual firms and workers. Rather, such programs could provide a matchless opportunity to create productive new linkages among community groups, schools, employers, and workers, without creating costly new bureaucracies. Why not experiment with modest subsidies for training programs that bring together firms, educational institutions, and community associations in innovative local partnerships? The latent effects of such programs on social capital accumulation could prove even more powerful than the direct effects on technical productivity.

Conversely, when considering the effects of economic reconversion on communities, we must weigh the risks of destroying social capital. Precisely because social capital is a public good, the costs of closing factories and destroying communities go beyond the personal trauma borne by individuals. Worse yet, some government programs themselves, such as urban renewal and public housing projects, have heedlessly ravaged existing social networks. The fact that these collective costs are not well measured by our current accounting schemes does not mean that they are not real. Shred enough of the social fabric and we all pay.

Social Capital and America's Ills

Fifty-one deaths and $1 billion dollars in property damage in Los Angeles last year put urban decay back on the American agenda. Yet if the ills are clear, the prescription is not. Even those most sympathetic to the plight of America's ghettos are not persuaded that simply reviving the social programs dismantled in the last decade or so will solve the problems. The erosion of social capital is an essential and underappreciated part of the diagnosis.

Although most poor Americans do not reside in the inner city, there is something qualitatively different about the social and economic isolation experienced by the chronically poor blacks and Latinos who do. Joblessness, inadequate education, and poor health clearly truncate the opportunities of ghetto residents. Yet so do profound deficiencies in social capital.

Part of the problem facing blacks and Latinos in the inner city is that they lack "connections" in the most literal sense. Job-seekers in the ghetto have little access, for example, to conventional job referral networks. Labor economists Anne Case and Lawrence Katz have shown that, regardless of race, inner-city youth living in neighborhoods blessed with high levels of civic engagement are more likely to finish school, have a job, and avoid drugs and crime, controlling for the individual characteristics of the youth. That is, of two identical youths, the one unfortunate enough to live in a neighborhood whose social capital has eroded is more likely to end up hooked, booked, or dead. Several researchers seem to have found similar neighborhood effects on the incidence of teen pregnancy, among both blacks and whites, again controlling for personal characteristics. Where you live and whom you know—the social capital you can draw on—helps to define who you are and thus to determine your fate.

Racial and class inequalities in access to social capital, if properly measured, may be as great as inequalities in financial and human capital, and no less portentous. Economist Glenn Loury has used the term "social capital" to capture the fundamental fact that racial segregation, coupled with socially inherited differences in community networks and norms, means that individually targeted "equal opportunity" policies may not eliminate racial inequality, even in the long run. Research suggests that the life chances of today's generation depend not only on their parents' social resources, but also on the social resources of their parents' ethnic group. Even workplace integration and upward mobility by successful members of minority groups cannot overcome these persistent effects of inequalities in social capital. William Julius Wilson has described in tragic detail how the exodus of middle-class and working-class families from the ghetto has eroded the social capital available to those left behind. The settlement houses that nurtured sewing clubs and civic activism a century ago, embodying community as much as charity, are now mostly derelict.

It would be a dreadful mistake, of course, to overlook the repositories of social capital within America's minority communities. The neighborhood restaurant eponymously portrayed in Mitchell Duneier's recent *Slim's Table,* for example, nurtures fellowship and intercourse that enable blacks (and whites) in Chicago's South Side to sustain a modicum of collective life. Historically, the black church has been the most bounteous treasure-house of social capital for African Americans. The church provided the organizational infrastructure for political mobilization in the civil rights movement. Recent work on American political participation by political scientist Sidney Verba and his colleagues shows that the church is a uniquely powerful resource for political engagement among blacks—an arena in which to learn about public affairs and hone political skills and make connections.

In tackling the ills of America's cities, investments in physical capital, financial capital, human capital, and social capital are complementary, not competing alternatives. Investments in jobs and education, for example, will be more effective if they are coupled with reinvigoration of community associations.

Some churches provide job banks and serve as informal credit bureaus, for example, using their reputational capital to vouch for members who may be ex-convicts, former drug addicts, or high school dropouts. In such cases the church does not merely provide referral networks. More fundamentally, wary employers and financial institutions bank on the church's ability to identify parishioners whose formal credentials understate their reliability. At the same time, because these parishioners value their standing in the church, and because the church has put its own reputation on the line, they have an additional incentive to perform. Like conventional capital for conventional borrowers, social capital serves as a kind of collateral for men and women who are excluded from ordinary credit or labor markets. In effect, the participants pledge their social connections, leveraging social capital to improve the efficiency with which markets operate.

The importance of social capital for America's domestic agenda is not limited to minority communities. Take public education, for instance. The success of private schools is attributable, according to James Coleman's massive research, not so much to what happens in the classroom or to the endowments of individual students, but rather to the greater engagement of parents and community members in private school activities. Educational reformers like child psychologist James Comer seek to improve schooling not merely by "treating" individual children but by deliberately involving parents and others in the educational process. Educational policy makers need to move beyond debates about curriculum and governance to consider the effects of social capital. Indeed, most commonly discussed proposals for "choice" are deeply flawed by their profoundly individualist conception of education. If states and localities are to experiment with voucher systems for education or child care, why not encourage vouchers to be spent in ways that strengthen community organization, not weaken it? Once we recognize the importance of social capital, we ought to be able to design programs that creatively combine individual choice with collective engagement.

Many people today are concerned about revitalizing American democracy. Although discussion of political reform in the United States focuses nowadays on such procedural issues as term limits and campaign financing, some of the ills that afflict the American polity reflect deeper, largely unnoticed social changes.

"Some people say that you usually can trust people. Others say that you must be wary in relations with people. Which is your view?" Responses to this question, posed repeatedly in national surveys for several decades, suggest that social trust in the United States has declined for more than a quarter century. By contrast, American politics benefited from plentiful stocks of social capital in earlier times. Recent historical work on the Progressive Era, for example, has uncovered evidence of the powerful role played by nominally nonpolitical associations (such as women's literary societies) precisely because they provided a dense social network. Is our current predicament the result of a long-term erosion of social capital, such as community engagement and social trust?

Economist Juliet Schorr's discovery of "the unexpected decline of leisure" in America suggests that our generation is less engaged with one another outside the marketplace and thus less prepared to cooperate for shared goals. Mobile, two-career (or one-parent) families often must use the market for child care and other services formerly provided through family and neighborhood networks. Even if market-based services, considered individually, are of high quality, this deeper social trend is eroding social capital. There are more empty seats at the PTA and in church pews these days. While celebrating the productive, liberating effects of fuller equality in the workplace, we must replace the social capital that this movement has depleted.

Our political parties, once intimately coupled to the capillaries of community life, have become evanescent confections of pollsters and media consultants and independent political entrepreneurs—the very antithesis of social capital. We have too easily accepted a conception of democracy in which public policy is not the outcome of a collective deliberation about the public interest, but rather a residue of campaign strategy. The social capital approach, focusing on the indirect effects of civic norms and networks, is a much-needed corrective to an exclusive emphasis on the formal institutions of government as an explanation for our collective discontents. If we are to make our political system more responsive, especially to those who lack connections at the top, we must nourish grassroots organization.

Classic liberal social policy is designed to enhance the opportunities of *individuals,* but if social capital is important, this emphasis is partially misplaced. Instead we must focus on community development, allowing space for religious organizations and choral societies and Little Leagues that may seem to have little to do with politics or economics. Government policies, whatever their intended effects, should be vetted for their indirect effects on social capital. If, as some suspect, social capital is fostered more by home ownership than by public or private tenancy, then we should design housing policy accordingly. Similarly, as Theda Skocpol has suggested, the direct benefits of national service programs might be dwarfed by the indirect benefits that could flow from the creation of social networks that cross class and racial lines. In any comprehensive strategy for improving the plight of America's communities, rebuilding social capital is as important as investing in human and physical capital.

Throughout the Bush administration, community self-reliance—"a thousand points of light"—too often served as an ideological fig leaf for an administration that used the thinness of our public wallet as an alibi for a lack of political will. Conservatives are right to emphasize the value of intermediary associations, but they misunderstand the potential synergy between private organization and the government. *Social capital is not a substitute for effective public policy but rather a prerequisite for it and, in part, a consequence of it.* Social capital, as our Italian study suggests, works through and with states and markets, not in place of them. The social capital approach is neither an argument for cultural determinism nor an excuse to blame the victim.

Wise policy can encourage social capital formation, and social capital itself enhances the effectiveness of government action. From agricultural extension services in the last century to tax exemptions for community organizations in this one, American government has often promoted investments in social capital, and it must renew that effort now. A new administration that is, at long last, more willing to use public power and the public purse for public purpose should not overlook the importance of social connectedness as a vital backdrop for effective policy.

Students of social capital have only begun to address some of the most important questions that this approach to public affairs suggests. What are the actual trends in different forms of civic engagement? Why do communities differ in their stocks of social capital? What *kinds* of civic engagement seem most likely to foster economic growth or community effectiveness? Must specific types of social capital be matched to different public problems? Most important of all, how is social capital created and destroyed? What strategies for building (or rebuilding) social capital are most promising? How can we balance the twin strategies of exploiting existing social capital and creating it afresh? The suggestions scattered throughout this essay are intended to challenge others to even more practical methods of encouraging new social capital formation and leveraging what we have already.

We also need to ask about the negative effects of social capital, for like human and physical capital, social capital can be put to bad purposes. Liberals have often sought to destroy some forms of social capital (from medieval guilds to neighborhood schools) in the name of individual opportunity. We have not always reckoned with the indirect social costs of our policies, but we were often right to be worried about the power of private associations. Social inequalities may be embedded in social capital. Norms and networks that serve some groups may obstruct others, particularly if the norms are discriminatory or the networks socially segregated. Recognizing the importance of social capital in sustaining community life does not exempt us from the need to worry about how that community is defined—who is inside and thus benefits from social capital, and who is outside and does not. Some forms of social capital can impair individual liberties, as critics of communitarianism warn. Many of the Founders' fears about the "mischiefs of faction" apply to social capital. Before toting up the balance sheet for social capital in its various forms, we need to weigh costs as well as benefits. This challenge still awaits.

Progress on the urgent issues facing our country and our world requires ideas that bridge outdated ideological divides. Both liberals and conservatives agree on the importance of social empowerment, as E. J. Dionne recently noted ("The Quest for Community [Again]," *American Prospect,* Summer 1992). The social capital approach provides a deeper conceptual underpinning for this nominal convergence. Real progress requires not facile verbal agreement, but hard thought and ideas with high fiber content. The social capital approach promises to uncover new ways of combining private social infrastructure with public policies that work, and, in turn, of using wise public policies to revitalize America's stocks of social capital.