Editors’ Introduction

What Is Social Capital and Why Is It Important to Public Policy?

Robert E. Lang and Steven P. Hornburg
Fannie Mae Foundation

Abstract

This article applies Robert Putnam’s concept of social capital to housing and urban policy. We review the social capital literature that informs public policy and offer a new paradigmatic approach to solving social problems. We also introduce and summarize six articles that examine how social capital affects housing and community development.

The work we summarize finds that social capital remains a relatively underdeveloped policy resource. The authors see the enhancement of social capital as key to improving the quality of life in low-income neighborhoods. The idea of social capital, as developed in the articles presented here, structures the complex and often conflicting facts that characterize poverty into a set of strategic options that point to new, more subtle housing and urban policies.

Keywords: Social capital; Policy; Community

The nation’s policy debate on housing and poverty is at a major crossroads. This was underscored recently by the passage of welfare reform legislation that ends the federal government’s 60-year guarantee of aid to the poor. Now that the era of big government is officially over and devolution has become a reality, the question remains: What will replace it?

The answer for most policy makers involves some blend of more control by states and localities with more individual accountability using less federal money with fewer strings attached. Yet even in an era of government devolution, a consensus on how to structure locally based assistance remains elusive. The nation is embarking on a bold policy experiment—in many ways reversing the New Deal—with little sense of how it will affect families and neighborhoods.

Municipalities will not experience the impact of devolution and welfare reform equally. Some have the fiscal resources to weather the
storm of federal disinvestment; most are less fortunate. But assessing financial wealth is only one way to address the issue of resources, for wealth may take many forms. For example, places that are close-knit share an asset that may help them offset the loss of federal aid in ways that we do not yet fully understand.

This issue of *Housing Policy Debate* seeks to fill this knowledge void by exploring ways to assist localities that strengthen the bonds between individuals and their communities rather than weakening them. Much of the criticism directed at federal welfare and housing programs—fair or not—centers on how they unintentionally disrupt the structure of families and neighborhoods. Simply devolving this responsibility does not ensure that the practice will stop. Rather, a new way of giving, and perhaps new measures of success, should be considered.

The articles that follow explore the new public policy landscape. Our authors consider innovative strategies for how housing policy may respond to recent changes in federal programs. Foremost among these is the idea that housing policy should promote the formation of social capital, or the “glue” of civic networks that binds people to their communities. Welfare reform and devolution challenge those who shape public policy to find new solutions to long-standing problems. Thus, we take a fresh look at the environments in which most policy decisions will ultimately play out: the cities and towns throughout the nation. With that in mind, we hope to flesh out the policy implications of the new thinking centered on the concept of social capital.

There is a growing consensus that social capital constitutes an important new dimension of community development. In 1995 the Committee for Economic Development (CED), with funds mainly from the Ford Foundation, published *Rebuilding Inner-City Communities: A New Approach to the Nation's Urban Crisis*. The report urged public officials and private business to support policies that build social capital in distressed neighborhoods. Following CED’s work, social capital–themed reports streamed from think tanks and foundations, including The Brookings Institution (1997) and The Pew Research Center (1997).

The late sociologist James Coleman (1988, 1990) developed much of the original thought behind social capital.\(^1\) He intended the concept

\(^1\) Social capital as a theory partly originates from sociology’s “functionalist” tradition. French sociologist Emile Durkheim’s ([1893] 1964, [1895] 1964, [1897] 1951) “social integration” concept, which Durkheim developed to describe and measure the link between the individual and the group, is an intellectual predecessor of social capital. Sociologist Talcott Parsons (1937, 1951) introduced Durkheim’s think-
as an analytic tool to stand alongside more commonly understood types of capital such as financial and human.²

Political scientist Robert Putnam expanded and ultimately popularized the concept of social capital. Putnam (1993a, 1993b) originally applied the idea to a study of Italian regional governments. He showed that the key element underlying the difference between Tuscany’s successful regional government and Sicily’s failed one was the degree of “civic engagement.” Civic engagement does not refer simply to politics but applies to all types of voluntary group participation, such as clubs and sports leagues. Putnam also argued that social capital is connected to economic development. Tuscany’s high level of social capital elevates its standard of living. It provides the region a social environment in which productive cooperation in all spheres of civic life is possible. Thus, social capital promotes economic growth (Fukuyama 1995; Knack and Keefer 1997).

Putnam (1995a, 1995b) popularized the notion of social capital in a follow-up essay titled Bowling Alone.³ The image of a solitary bowler, as opposed to one bowling in a league, served as a metaphor for America’s disengagement from group life. Putnam (1995a, 1996) offered a series of statistics to show that participation has been dropping in all kinds of organized activities, from the League of Women Voters to the Boy Scouts—this in a nation where, in an earlier century, French philosopher Alexis de Tocqueville described the defining American cultural practice as voluntary association.

Putnam’s polemic clearly struck a nerve, and his essay provoked reaction from all quarters. It recently has emerged in the public political debate over values. This is where we focus, as we explore the use of social capital in informing public policy. The concept has great potential to clear away some of the partisan brush surrounding the current housing and urban policy discussion. This issue of

² The term social capital was first applied to urban life in 1961 by social critic Jane Jacobs.

³ For a critique of Putnam’s methods and conclusions see Ladd (1996), Lemann (1996), and Samuelson (1995).
Housing Policy Debate takes a preliminary step toward more rigorously connecting social capital to social policy.⁴

We start with definitions. Social capital commonly refers to the stocks of social trust, norms, and networks that people can draw upon in order to solve common problems. Social scientists emphasize two main dimensions of social capital: social glue and social bridges.

Social glue refers to the degree to which people take part in group life. It also concerns the amount of trust or the comfort level that people feel when participating in these groups. Social trust and group participation form a recursive relationship. The level of trust influences one’s willingness to join a group. Likewise, group participation helps build trust.

Social bridges are the links between groups. These links are vital because they not only connect groups to one another but also give members in any one group access to the larger world outside their social circle through a chain of affiliations.

In many popular discussions, the concept of social capital takes on a fuzzy quality—it seems applicable to almost any social condition. Yet most social scientists use a very focused and measurable definition of social capital in their research. Social capital is typically gauged by looking at rates of civic participation, such as how many people vote or join groups, or even how committed they are to these groups. Places high in social capital have active volunteer and civic networks. These networks will play a critical role in organizing the community response to devolution and welfare reform. The concern among many social scientists and policy makers is that many communities lack such networks.

The amount and nature of social capital varies tremendously by location. Some places have plenty of financial capital and very little social capital, including many affluent suburbs (Baumgartner 1988).⁵ Other areas are high in social capital and low in financial capital. These include many low-income neighborhoods that upon first inspection appear distressed. In fact, knowing people and being connected through a social network may be more critical for those who are less well off. For a person at the edge of homelessness, it

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⁴ Lewis Spence (1993) wrote an exploratory article connecting social capital to public housing policy that appeared in Housing Policy Debate.

⁵ For a discussion of social alienation in affluent, gated suburban communities see Guterson (1992), Lang and Danielsen (1997), and McKenzie (1994).
could mean the difference between sleeping at a friend’s or neighbor’s home during hard times or winding up in a shelter.

For policy makers, the implication of such a difference is clear: utilizing and building social capital may give people and communities the connectedness they need to face the new realities of devolution. Decent and affordable housing forms the core of this connectedness: a secure home (as measured, for instance, by homeownership) gives people roots and stabilizes communities (Rohe and Stewart 1996). Because housing is a major foundation for building social capital, the role of government housing policy is even more critical as power and spending devolve to communities. If cities and towns assume a larger role in managing social spending because they supposedly are better connected to the needs of their citizens, then it is vital that their citizens actually feel connected to them.

Observers of the urban scene have long noted the widely divergent impact that the same level of federal spending has on different communities. In some places you can spend a dime and local governments can leverage it into a million. In other places you can spend a million and it does not amount to a dime’s worth of difference in the lives of most citizens. Given that much of the urban policy debate in Washington is driven by anecdote, parties from across the ideological spectrum cite these different outcomes to validate their political views. We hope to overcome the polarizing political debate surrounding urban and poverty issues by establishing a theory and method that predict where and how aid will be well spent. A well-developed understanding of social capital may be one of the most valuable tools to help governments and philanthropies better target their efforts.

The nation also needs to provide assistance in a way that builds and sustains bridges between civic organizations. Such bridges form civic infrastructure. Civic infrastructure refers to the network that exists among local groups such as community development corporations (CDCs), foundations, other nonprofits, local governments, public housing authorities, businesses, and voluntary associations. The links between these various civic-oriented groups can form an effective coalition to manage the devolution of federal aid (Keyes et al. 1996). Even a single well-placed individual within a bridge-building organization can make a difference in the life of a community.

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6 The extent to which population turnover occurs determines a host of neighborhood characteristics. For example, places low in residential stability experience relatively higher crime rates, all else being equal. Given that homeownership contributes to residential stability, it can positively influence neighborhood quality.
Civic infrastructure is the social equivalent of physical infrastructure. The web of affiliations among community groups is less tangible than a physical bridge but may prove no less important to the life of a city. Civic infrastructure can be gauged by understanding the links between community groups such as CDCs. Social network analysis can also reveal which are the likely bridge-building organizations within a given community and who inside these organizations may serve in the role of intermediary.

Varied expressions of social capital are found throughout America. For example, consider the bonds that unite people in urban ethnic enclaves. Ethnic communities often sustain high homeownership rates and stable neighborhoods through multigenerational residency and strong extended families (Gans 1962). Recently arrived immigrants often achieve the same level of connectedness in both cities and suburbs as they create the institutions that help those who choose to maintain their original national identities (Gotttdiener 1994). Residents in many long-standing African-American communities—urban, suburban, and rural—also share a deep social bond born of the black experience in America (Anderson 1978). A better understanding of these cases, and numerous others not cited here, will improve policy makers’ capacities to identify the social networks that can be mobilized to respond to devolution and welfare reform.

Most of America’s population growth in the next century will be among immigrant and minority groups (Megbolugbe and Simmons 1995). Linking these individuals to the larger American community constitutes a major policy challenge. The first step in accessing America’s opportunities involves the simple act of knowing a diversity of people (Jarret 1995). For example, a study of social networks in Los Angeles shows that “being embedded in a racially diverse network has a significant positive effect on the incomes of both black and Hispanic men and women. . . . Diverse networks are especially beneficial to black women. . . . There was a $24,213 difference in incomes of those with a racial bridge and those who did not have the benefit of such network ties” (Johnson and Farrell 1997). That is why living in environments that provide these contacts is so critical. Investing in institutions that facilitate such contacts may be the best venture this nation can undertake to ensure that future generations of Americans are not cut off from the richness of life that comes from diverse social networks.

Given America’s cultural diversity, we also need to understand the institutional bridges that facilitate communication and joint action across many close-knit groups. Social capital, in and of itself, does not always correlate with healthy, democratic, and economically vital communities. In fact, there are instances where too much social
capital may prove destructive to local networks and to the larger society. For example, Bosnia maintains a good deal of social glue within ethnic groups but almost no bridges between them. Although Bosnia is clearly a worst-case scenario, it still provides a valuable lesson: communities must build the bridges that link the nation’s social mosaic. The social capital found in white neighborhoods of America’s cities, such as the Bensonhurst section of Brooklyn, NY, or Howard Beach in Queens, NY, has helped make such places unfriendly, and at times deadly, for some outsiders, especially minorities.

Social capital may also serve as the glue that maintains political machines and old-boy civic networks. Gangs and other criminal enterprises likewise make extensive use of local networks and are often rich in social capital (Witte 1996). Organized crime in America is social capital incarnate. Social capital may additionally prove an effective tool for enforcing society’s conventions. Sinclair Lewis’s character Babbitt, for example, used the social networks present in the fictional midwestern town of Zenith to alienate those he deemed outside middle-class society (Lewis [1922] 1989). Even in cases where social capital benefits a community, it may do so without promoting democracy. Keyes et al. (1996) raised the issue of how funders and regulators of affordable housing could develop close ties with local organizations without at the same time promoting cronyism. They found that, all too often, the process for improving such relations offered a Faustian bargain—the networks were efficient, but they often distributed resources inequitably.

We raise these concerns to highlight some of the subtle and complicated issues that must be addressed when applying the concept of social capital to public policy. Knowing how social capital functions should help policy makers better understand the powerful forces that shape the relationship between self and society. Much public policy is based on theories of personal motivation that lack any mechanism to determine the group dynamic surrounding social action. Using the concept of social capital to inform policy in part addresses this deficiency, for it places individual action in a group context. Much of the challenge for policy makers will be to find creative ways to plug strong local networks found in many low-income areas into the larger network of opportunity that exists beyond their world. Community building in such places will have little effect on the life chances of residents if the social networks established terminate mostly in dead ends.

Social capital provides a policy language for what community organizers have known intuitively for years: It is far easier to promote grassroots action in neighborhoods that are already close-knit than in places where widespread alienation exists (Wilson 1997).
The issue remains as to whether this knowledge can be formalized into a set of working principles that improves the quality of life in communities throughout America.

We may gain a fuller picture of the challenges and opportunities for using social capital as the basis for public policy by doing the following:

1. Standardize ways to define and measure social capital
2. Establish the different forms social capital can take
3. Assess where the social glue is working and where it is lacking
4. Determine how civic infrastructure can bridge community groups
5. Evaluate the practicality of building social capital and civic infrastructure
6. Identify key actors for promoting and building social capital

Understanding social capital requires exploring the link between people and places. Thus, we have organized the articles in this issue around these two central themes.

We start with three articles that focus on the role of place. The articles connect social capital to place and argue that it constitutes one of the defining elements of community. Based on this analysis, measuring the amount of social capital communities possess is a good proxy for gauging their health. Future research will expand the number and types of communities studied and predict which ones will most suffer from the impact of shifting federal policy based on the amount of social capital present.

In our first article, Susan Saegert and Gary Winkel examine the role social capital plays in improving the viability of tenant ownership in New York City’s in rem buildings. New York’s in rem program reprivatizes buildings that the city acquired through tax default. Saegert and Winkel argue that social capital is a key variable in determining the success of locally sponsored low-income housing programs. They find that a high level of social capital contributes to housing quality and lower crime rates for in rem buildings.

In rem is Latin for “against the thing.” Here it refers to the legal action under which New York City forecloses on buildings because their owners have defaulted on property taxes. The buildings are thus labeled “in rem.”
Saegert and Winkel note an important distinction between buildings reprivatized as co-ops and those that are taken over by CDCs: co-ops succeeded in producing much higher levels of social capital than CDC buildings. They argue that the structure of a co-op organization facilitates the accumulation of social capital. They also find that the benefits of social capital in these buildings go well beyond an improved living environment: “In almost every co-op we have studied closely, residents also provide encouragement and practical assistance to each other in pursuing higher education and employment opportunities. It is also common for some co-op residents to use the skills they learn by running a building to advance both their education and employment status.”

Kenneth Temkin and William Rohe focus on the role social capital plays in shaping community change. They use neighborhoods in Pittsburgh to model this change and provide an empirical baseline against which social capital can be measured. Temkin and Rohe take major strides in operationalizing Putnam’s concept of social capital so that their methods can be replicated in subsequent studies.

When social capital is combined with neighborhood variables such as crime rate, mortgage credit availability, and housing conditions, Temkin and Rohe find that it is a key determinant in predicting neighborhood stability. Homes in neighborhoods that scored high in social capital held their value better than homes in neighborhoods with low measures of social capital. In fact, their study shows that social capital is more important to strong neighborhoods than conventional measures of community health such as residential stability, vacancy rates, and the age of housing stock.

Temkin and Rohe (1997, 30) conclude that community counts: “Community is not an empty phrase, but a vital link in promoting healthy and supportive neighborhoods.” They argue that the recent shift in focus of many community organizations away from activism and civic engagement and toward housing production may in some ways be counterproductive. Although Temkin and Rohe see housing as important, they argue that “an overemphasis on improving the physical characteristics of neighborhood may not have favorable long-term effects.” They argue for incorporating a concern for social capital directly into urban revitalization and warn that “generating feelings of neighborhood pride and a strong sense of place are not ‘soft’ variables to be neglected by policy makers.” The energy generated from active civic engagement—in and of itself—benefits communities as it strengthens civic bonds; this action also may be tapped for the varied challenges that lie ahead for many urban neighborhoods.
Patterns of housing development and the design of buildings also shape the nature of personal interaction and social networks. They may promote the type of exchanges that help form social capital. Conversely, they may isolate individuals, as has been shown to be the case in many of the nation’s high-rise public housing projects. Stephanie Bothwell, Raymond Gindroz, and Robert Lang examine how the built environment affects the formation of social capital. They argue that New Urbanist design methods promote community bonds by restoring traditional neighborhood form.8 Bothwell, Gindroz, and Lang use a case study of Diggs Town, a redeveloped public housing project in Norfolk, VA, to demonstrate their point.

In their redesign of public housing projects, New Urbanists attempt to create intimate, human-scale environments, or “urban villages,” even in the heart of cities. Public housing superblocks are broken up by streets that reintegrate the area physically into the urban grid. High-rise buildings are converted into town houses, each with a street entrance. Porches are added to establish a private space in the public realm, thus creating a secure venue for social interaction. Most important, public housing is made to resemble local market housing. Residents gain confidence to engage the world outside, as the stigma of living in bunkerlike projects is replaced by the pride of living in respectable looking homes. Bothwell, Gindroz, and Lang refer to this new design method as an “architecture of engagement,” which builds on the now-common practice of establishing “defensible space” in public housing. They argue that physical design goes beyond providing defense and can be used to build social capital.

The second set of articles focuses on the relationship between the individual and community. They show that, through a complicated interplay of networks, social capital is a major element in shaping a person’s social mobility. Excessive connection to an insular community with limited access to outside contacts and opportunity may trap individuals in a narrow social world. Yet this same connectivity could also provide the nurturance and encouragement needed to transcend one’s circumstances. For some, a link to a strong community support network is the only reason they survive from one day to the next.

Lisa Servon looks at how community-building activities among micro-enterprise programs build social capital. The programs create the social networks that support social capital. Servon identifies two types of networks—those with programs that typically involve borrowers, and networks between programs and other institutions. She

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details the workings of two organizations that help establish and expand small businesses. Servon notes that “microenterprise programs are typically thought of as economic development strategies” but argues that “although the economic development component of what these programs do (e.g., job creation and income generation) is important, the community development element—which involves connecting people to each other and to critical organizations, training residents, and helping them access resources—is often overlooked, perhaps because this aspect is more difficult to see and evaluate.”

Similarly, Esmail Baku and Marc Smith investigate the role community mortgage lenders play in building the social glue in a neighborhood. They analyze baseline quantitative loan portfolio performance data against qualitative data gathered through interviewing the leaders and staff of community lending organizations and studying their loan servicing procedures. Based on this analysis, Baku and Smith suggest that active participation of local lenders in mutually interactive processes between the banks, nonprofits, and public funding agencies may reduce loan delinquency rates.

In both Servon’s and Baku and Smith’s research, lenders who know their communities through personal networks are better able to assess the likely outcome of loans. They are the bridges that link low-income communities to the outside world, and thus they build civic infrastructure. Like George Bailey in It’s a Wonderful Life, a few well-placed individuals who are networked locally can help transform an entire community. Servon’s and Baku and Smith’s work suggests that policy makers need to identify the George Baileys of the world and encourage them to form close ties to communities rich with social capital.

Xavier de Souza Briggs shows how social capital helps individuals gain upward mobility. His study considers housing mobility as a strategy for enhancing the prospects of poor youth in Yonkers, NY. The article compares the social support network for two groups of public housing residents. One group lives in middle-income, racially integrated suburban neighborhoods and the other in a largely African-American, low-income urban area. Briggs weighs whether living in more affluent and diverse areas provides more benefits to young people than remaining in more ethnically similar enclaves. He finds that the type of neighborhood matters less to the mobility of poor youth than the social networks they establish.

Briggs distinguishes between two types of social capital: social support and leveraged social capital. The former refers to relying on others for help to “get by,” in the form of everything from small loans to informal child caregiving (see also Wellman 1988). Such aid
helps poor or near-poor households survive from day to day. Leveraged social capital is used to “get ahead,” or improve one’s life chances by gaining access to such information as job openings. The first type of social capital is tied closely to the local community, whereas the second broadly and loosely links individuals to the outside world.

Ironically, the social networks for much of the nation’s middle class are quite loose—that is, middle-class individuals typically know many people rather superficially through, for example, business contacts. These loose contacts are vital to upward mobility because they are cast widely and often provide valuable information on opportunities. Upwardly mobile poor people are challenged to maintain enough social support to get by while extending their social relations wide enough to leverage opportunity.

Collectively, the six articles in this issue address the complicated relationship between people and place. Briggs shows that there is a limit to the “community effect” that so many assume is the main benefit of housing mobility programs. He instead points to the importance of personal relationships, which in many cases outweighs the impact of community in facilitating a person’s upward mobility. Bothwell, Gindroz, and Lang, meanwhile, see personal contacts as at least partly determined by place when they argue that good design makes good neighbors.

Temkin and Rohe identify an interactive relationship between people and place. They find the amount of social capital within an urban neighborhood a more important indicator of social and economic stability than such conventional measures as homeownership rates. And yet the quantity of social capital remains tied to homeownership, for owning a home often gives one a deep stake in community.

Saegert and Winkel, Baku and Smith, and Servon show that social organization—of building management or lending networks—plays a key role in building social capital. They also document how the benefits derived from building social capital extend beyond the world of housing and economic development to improve the human capital of those in social networks.

The ideas developed by our authors point to new housing and urban policies. They help resolve the long-standing policy debate over whether it is more effective to help whole communities or individuals—the people versus place dilemma. Briggs’s distinction between leveraged and support social capital, for instance, shows that both views may be correct.
Housing policy should reflect the divide between social capital types. To maximize leveraged social capital, antidiscrimination laws such as fair housing and fair lending laws—or people-based policies—must be enforced meaningfully. Such laws are the tools by which individuals with expanding contacts and opportunities integrate themselves into the larger society. By contrast, support social capital, which is embedded in community, relies on place-based policies. Although not necessarily stated in these terms, the new generation of more flexible place-based policies—including enterprise zones, empowerment communities, and the HOPE VI program—seeks to more directly tap into community assets and leverage the existing civic infrastructure.

Applying the concept of social capital to public policy moves us beyond many artificial distinctions and demonstrates that both place- and people-based strategies are needed to improve the lives of the poor. Using the concept to frame issues also helps us predict in which cases a people- or place-based policy, or some combination, is likely to work best. Understanding how social capital works helps policy makers evaluate the hierarchy of needs among the populations they seek to assist. Some communities may be so bad off that policies utilizing place-based support social capital, such as the HOPE VI program, may be the most viable option. In other instances, individuals may have sufficient social and economic foundations to make full use of the leveraged opportunities that come with people-based solutions, such as the Moving to Opportunity program (Rosenbaum 1991, 1995).

On a national level, we should help places use and develop the support social capital that ultimately will provide the baseline for people to leverage their opportunities. The idea of social capital, as developed here, structures the complex and often conflicting facts that characterize poverty into a set of strategic options that point to new, more subtle, housing and urban policies.

Authors

Robert E. Lang is Senior Editor of Housing Policy Debate and a Senior Research Fellow at the Fannie Mae Foundation. Steven P. Hornburg is Senior Director of Policy at the Fannie Mae Foundation.

The authors extend a special thanks to Karen Danielsen for developing much of the thinking that appears in this article. We also thank Xavier Briggs, James Carr, William Rohe, and Avis Vidal for their useful comments and suggestions. Finally, we thank Robert Putnam for his support and encouragement in developing this social capital issue of Housing Policy Debate.
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