Community Capital

Community capital, frequently called "social capital," is defined as the "banked good will that helps build trust between various groups within a community." An important component of a strong civil society, community capital is built in the third sector by nonprofits and voluntary associations. Originally coined in 1916 by L.J. Hanifan, "social capital" resurfaced after the publication of Robert Putnam's successful articles and book Bowling Alone.

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Definition

Community capital has been defined as the "banked good will that helps build trust between various groups within a community." 1 Community capital is also frequently called "social capital." Social capital is also commonly referred to as "the networks, norms and trust that facilitate coordination and cooperation for mutual benefit" (Putnam 2000, 19). It is an important component of a strong civil society. "Where social capital exists, people can come together to understand what needs to be done and work to accomplish needed tasks" (Van Til 2000, 5). Community capital is, then, a public good, a good that private markets alone can not provide. Therefore, it is in the third sector, made up of nonprofits and voluntary associations, where social capital is built.

Historic Roots

L.J. Hanifan made the first documented use of the term social capital in 1916. Hanifan, a reformer during the Progressive Era, defined social capital as "good will, fellowship, sympathy and social intercourse" (Putnam 2000, 19). Hanifan believed that social capital benefited the community as a whole as well as the individual who received "help, sympathy, and the fellowship of his neighbors" (Ibid.). Though the term was coined by Hanifan, it seemed destined to be lost to history.

However, in the 1960s, 1970s and 1980s the term re-emerged. People in a variety of different professions found the term compelling. Social capital found its way into the writings of urbanist Jane Jacobs, economists Glen Lowery and Ekkehart Schlicht, social theorist Pierre Bourdieu, and renowned sociologist James Coleman. Yet, it was Robert Putnam, a political scientist and Harvard professor, who has done the most to focus modern-day attention on it.

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1 As defined in the curriculum of the Council of Michigan Foundations’ Learning to Give Project

Importance

In Making Democracy Work (1993), Robert Putnam and his colleagues studied Italy and compared the development of their regional governments. In the 1970s, Italy had established twenty regional governments, virtually identical in form. Putnam found wide variations based on the social, economic, political and cultural contexts of the region. He discovered that some of the regional governments were "dismal failures... inefficient, lethargic and corrupt" (Putnam "The Prosperous Community" 1993). Yet other governments were highly successful, able to manage the public’s business efficiently and satisfy their constituents.

Regions with successful governments, Putnam found, were the ones with strong traditions of civic engagement. Putnam noted that it was the level of "voter turnout, newspaper readership, membership in choral societies and literacy circles, Lions clubs, and soccer clubs" were indicators of whether a region was successful "a place where democracy worked" (Ibid.).

According to Putnam, "working together is easier in a community blessed with a substantial stock of social capital" (Ibid.). Putnam lists a number of reasons why this is so.

1 In the first place, networks of civic engagement foster sturdy norms of generalized reciprocity and encourage the emergence of social trust. Such networks facilitate coordination and communication, amplify reputations, and thus allow dilemmas of collective action to be resolved. When economic and political negotiation is embedded in dense networks of social interaction, incentives for opportunism are reduced. At the same time, networks of civic engagement embody past success at collaboration, which can serve as a cultural template for future collaboration. Finally, dense networks of interaction probably broaden the participants’ sense of self, developing the "I" into the "we," or (in the language of the
rational-choice theorists) enhancing the participants "taste" for collective benefits. (Putnam 1995)

Ties to the Philanthropic Sector

The core question of Making Democracy Work "why do some regions of the world thrive and others lag behind" is a central concern of international development organizations like the World Bank as well. This shared concern has led many international development organizations and foundations in the United States, concerned about development and chronic social ills (like poverty), to take a close look at the concept of social capital. The World Bank notes there is increasing evidence that social capital is "critical for poverty alleviation and sustainable human and economic development" (The World Bank Group 2003).

Among foundations there has been an increased interest in finding ways to build social capital and support the development of civic leadership and engagement through "civil investment." An article written by Kathryn Merchant, president and chief executive officer of The Greater Cincinnati Foundation, described the strategies she felt foundations could undertake to build social capital. They included grant making, supporting community foundations, creating strategic initiatives, serving as liaisons between diverse groups of people, and addressing public policy.

Recently, thirty-six community foundations around the United States participated in a nationwide survey of social capital. Four of these were Michigan community foundations, including the Fremont Area Community Foundation, the Community Foundation for Southeastern Michigan, the Kalamazoo Community Foundation, and the Grand Rapids Community Foundation. Community foundations were considered natural partners for the project because of their work bringing together different community groups to try to identify and solve local issues which, in turn, builds social capital.

Among nonprofit organizations interested in increasing the opportunities for citizen participation in civic life, a new community-building paradigm is being built which views people as "assets rather than problems, and results are measured by increases in capacity for collective action rather than program outcomes" (Merchant 1998).

Key Related Ideas

Civil Society Most often associated with the third sector, civil society is a term whose "meaning and implications remain difficult to grasp" (Van Til 2000, 14). Former Senator Bill Bradley described civil society as the "third leg" of a societal stool where government and the marketplace are seen as the other two legs. Policy analyst Don Eberly (2000) defines civil society as something beyond simply associational (not created only by participation) but it must include shared values and beliefs. Civil society can probably best be understood by what it contains within it: "the most vital and intimate institutions that socialize infants into adults and transform private individuals into public-spirited citizens" (Ibid., 4). Civil society is "public in nature, though not governmental" and provides the public space "where people learn through practice such essential democratic habits as trust, collaboration, and compromise" (Ibid.).

Communitarianism "Exhibiting a link between the two concepts," Eberly reflects, "while civil society theorists focus more generally on the vast non-governmental sector consisting predominately of voluntary associations and such social institutions as the family and neighborhood, the communitarians are interested in the idea of the community" (2000, 16). The definition of community is similar to the definition of civil society, but linked more to its geography. Community members are tied together by ethnicity, religion, or simply by residency. Communitarians seek to encourage greater social cohesion and develop a greater balance between rights and responsibilities. Sociologist Amitai Etzioni has been the key proponent of communitarianism through his advocacy, numerous writings, and annual convening of scholars and practitioners from the three sectors.

Third Sector Also called the nonprofit sector or philanthropic sector, this is that vast network of persons and groups engaged in service, philanthropy and participation. In this sector, social capital is created.

Important People Related to the Topic

James Coleman A University of Chicago sociologist who wrote the seminal work Foundations of Social Theory. Coleman studied the reasons for the comparatively low dropout rates in area Catholic high schools versus area public schools. He hypothesized that the school’s success was based on the social structure of the school that included multi-stranded relationships between parents, school, students and the church.

Amitai Etzioni - A sociologist and founder of communitarianism. In 1993, Etzioni developed the Responsive Communitarian Platform which includes these three key components:

- A communitarian perspective recognizes both individual human dignity and the social dimension of human existence.
- A communitarian perspective recognizes that the preservation of individual liberty depends on the active maintenance of
the institutions of civil society.

A communitarian perspective recognizes that communities and polities, too, have obligations, including the duty to be responsive to their members and to foster participation and deliberation in social and political life.

(Van Til 2000, 8)

Francis Fukuyama The author of *Trust: The Social Virtues and the Creation of Prosperity*, Fukuyama examined the role that trust and collaboration play in enabling individuals to compete in a rapidly changing and interconnected global marketplace. According to Fukuyama, economic life is maintained by "moral bonds of social trust, an unspoken, unwritten bond between fellow citizens that facilitates transactions, empowers individual creativity, and justifies collective action" (Eberly 2000, 18).

Alexis de Tocqueville "Described as the forefather of civil society, Alexis de Tocqueville was a French political theorist who visited the United States to study the American prison system in the early 1800s. During his visit, Tocqueville became fascinated with America’s voluntary associations. In his book *Democracy in America*, published in 1835, he noted "nothing was more deserving of attention than these associations that dotted the United States’ unique civic landscape. They were indispensable to the functioning of American democracy" (Ibid., 7).

Important Related Nonprofit Organizations

The Saguaro Seminar of the John F. Kennedy School of Government at Harvard University, with the help of three dozen community foundations and a number of funders, conducted the largest survey of social capital in America.

The World Bank Group is an international development organization that provided more than $19.5 billion in loans to developing countries in 2002. Poverty Net, located on the World Bank´s Web site, contains an extensive library of online articles and abstracts on social capital.

Related Web Sites

Better Together Web site, at [http://www.bettertogether.org](http://www.bettertogether.org), is the initiative of the Saguaro Seminar on Civic Engagement initiative (of Harvard’s Kennedy School of Government) to provide information on how to increase the social capital in communities. Since June 2000, visitors to the site have been able to read stories of how people are getting together to create social capital in communities; visitors can also add their own stories via the site. A final report of the Saguaro Seminar contains the initiative’s findings, with lessons from existing initiatives (topics include social capital related to youth, arts, religion, and politics and government); download at no charge from http://www.bettertogether.org/report.php3.

Civics Practices Network Web site, at [http://www.cpn.org](http://www.cpn.org), offers information on related topics (such as community, the environment and religion) and a variety of tools (including a bibliography, definitions list, manuals and guides for civic work, samples of course syllabi on democracy). CPN is a collaborative and nonpartisan project that brings together a diverse array of organizations and perspectives within the civic renewal movement.

The Foundation Center Web site, at [http://fdncenter.org](http://fdncenter.org), provides an online foundation directory and access to foundation grant information for individuals. The site also contains information on training programs and research related to philanthropy.

PovertyNet, located on the World Bank Group’s Web site, provides information on social capital, including its sources, a questionnaire that serves as a community’s measurement tool, related topics, and reading lists. Visit the social capital section of the site at [http://www1.worldbank.org/prem/poverty/scapital/home.htm](http://www1.worldbank.org/prem/poverty/scapital/home.htm).

The Saguaro Seminar: Civic Engagement in America initiative on the John F. Kennedy School of Government Web site, at [http://www.ksg.harvard.edu/saguaro/](http://www.ksg.harvard.edu/saguaro/), provides information on its history, meetings, participants, and the findings of its work. The site contains links to a resource list of related topics and the continuation of the initiative’s work through Better Together (see previous description).

Bibliography


Community Sourced Capital in the News. Do Interest-Free Loans Make Sense? No, But They Do Make a Difference. NPR Morning Edition highlights our story of community finance with a small business in Virginia. Forbes Online. 'Locavesting' Meets Crowdfunding Meets Social Entrepreneurship, in an article on Forbes about the CSC model of community lending. Read More. Fund the World You Want to Live In. We hope you'll join our revolution in community finance and help put the love in lending! Center for Community Capital. Providing transformative research on how mortgage markets and financial services can better promote financial security and economic opportunity for low-income and working American households. Affordable Housing. Economic Mobility. Financial Inclusion. The UNC Center for Community Capital is the leading center for research and policy analysis on the transformative power of financial capital on households and communities in the United States. Learn More. Community Capital provides flexible business financing to people interested in starting or growing small businesses in Vermont. We work with diverse partners to strengthen downtowns and our rural economy by providing loans and business support to women, people with limited credit or collateral, and low-to-moderate income entrepreneurs. Community Capital offers no-cost pre- and post-loan support to help you navigate business challenges. From the time our borrowers anticipate receiving a loan, until