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Social Capital: Why We Need It and How We Can Create More of It

Isabel V. Sawhill
Brookings Institution

Introduction

Formal institutions, such as government and markets, require an underpinning of more informal relationships that enable them to function. Without a certain degree of social trust, without norms of appropriate vs. inappropriate behavior, without strong institutions that uphold unifying and transcendent values, neither democracy nor the economy will flourish. Social capital, in short, is the glue that makes a society work. But it is not the panacea that some suggest. It is only in concert with good government, and a more inclusive prosperity, that it can address what ails America.

Social capital is a somewhat amorphous and academic term, but the literature suggests that the decline in trust in others, in strong relationships, and in community ties is one reason that Trump was elected, one reason that our health and longevity have been deteriorating, and one reason that economic growth has slowed.

What has gone wrong? The formation of character and the creation of prosocial norms depend on how families raise their children, how schools educate them, and how local institutions work to build a sense of community. All three of these institutions are now faltering.

Rebuilding the kind of social trust and norms that make for a strong society is extremely difficult. Trust, norms, and institutions are easier to destroy than to revive. I end by suggesting a few ways in which we might create more social capital: universal national service, an enhanced subsidy for charitable giving, and additional resources and flexibility for local communities so that they can innovate and rebuild in ways that fit their own values and circumstances. Leadership that is at once moral and effective at every level from the neighborhood to the White House will be critical to that revival.

What is Social Capital?

Robert Putnam, the intellectual father of the concept, simply defines it as “social networks and the norms of reciprocity associated with them”¹ To unpack this a bit, social capital involves relationships that are embedded within a group. Those relationships can have intrinsic value for the individual members, creating a sense of belonging or being connected to others. But it can also have value for the larger society for three reasons: first, because one can draw on it as a resource for accomplishing some objective, such as partnering with other parents to improve the local school; second, because it establishes or sustains certain values or norms of behavior such as being honest, tolerant, caring, and trusting of others; and third, because one’s network may be a source of information, such as where the best jobs are.

Social capital leads to neighbors helping neighbors with everything from minor repairs, to dog walking or watching out for each other’s children. It creates the kind of trust that enables people to leave their doors unlocked and businesses to invoice for services rendered with the confidence that payment will be forthcoming. It enables individuals to join with others around a common

interest, whether it's a bowling league or cleaning up the neighborhood. These everyday interactions create ties that can then be relied on when natural disasters, school shootings, personal setbacks, or pandemics strike. People often come together in greater solidarity at such times but only if existing institutions and relationships already exist.² At its core, social capital is about trust in others and trust in institutions.

Putnam's work has catalyzed a huge volume of research on the topic, some of it supportive of his thesis and some of it more critical. Among the criticisms, including issues raised by Putnam himself, are the amoeba-like definition of social capital, the difficulty of finding suitable metrics for the concept, questions about what's cause and what's effect, mixed empirical findings on trends, and the fear among progressives that advocates for more social capital see it as a substitute for government policy.³

Good and Bad Social Capital

Social capital or group relationships may be inclusive or exclusive. We are all tribal to one degree or another. We bond more easily with those who are like us on multiple dimensions. Too much of this kind of in-group bonding can be socially harmful. At the same time, efforts to completely suppress that instinct are both unrealistic and counterproductive. The challenge is to find the right balance between in-group loyalty and out-group respect. There will always be an "other," because we are human and want to preserve our special identities and traditions. But there must also be a "we" that transcends these differences.

Without shared norms, values, and rules embedded in networks or communities, it's more difficult for people to cooperate with one another in ways that facilitate exchange or collective action. At one extreme, a lack of social capital can produce social alienation which may lead to dysfunctional behaviors such as school shootings, opioid addiction, police brutality, and racial strife. It can exacerbate the "deaths of despair" associated with depressed communities. It can impede the ability to regenerate a local community via local cooperation.⁴

At the same time, too many binding rules or norms in small communities can be stultifying and become barriers to opportunity. As Putnam says, "we must not romanticize small-town, middle-class civic life in the America of the 1950s."⁵

Moreover, the norms must be positive. There is a darker side to social capital. The mafia or the Klu Klux Klan each possess a lot of social capital but most of it is used for nefarious purposes. As Tim Carney notes, Nazism caught on most rapidly in closely-knit German towns.⁶ Beware social solidarity turning into authoritarian rule.

Less egregious examples of forged communities include country clubs, fraternities, church groups, or other associations that may have good and bad effects, creating useful and validating affiliations but simultaneously excluding those who don't belong.

Finally, even positive forms of social capital can become a barrier to democratic governance if they lead to a form of identity politics in which various groups actively demonize each other. Not all immigrants are rapists; not all Blacks are poor and live in the inner city; not all white men are racists and misogynists. It is only in the thick of daily living that these stereotypes can be laid to rest.

Putnam distinguishes between bonding social capital (ties to people who are like you in some important way) and bridging social capital (ties to people who are unlike you in some important way).⁷ Writing in 2007, he worried that as immigration and demographic change created an increasingly diverse society this would lead to lower levels of trust, more hunkering down, and more tribalism. He cites the many benefits of diversity, including more creativity, higher growth, and the generation of new ideas, but finds (empirically) that immigration and ethnic diversity lead to an erosion of trust in others and more social isolation. As he says, “diversity, at least in the short-run, seems to bring out the turtle in all of us.”⁸

In that way, Putnam was prescient. There was little question among those analyzing the 2016 election that the threat of a multiracial society was a big reason for Trump’s electoral success and that by 2020 his bigoted comments swelled the protesting crowds in the wake of George Floyd’s death.⁹

Trends in Social Capital

In his seminal book, *Bowling Alone*, written in 2000, Putnam argued that social capital in the U.S. was declining, based on membership in various kinds of associations including unions and churches, voter turnout and political engagement, trust in government, and volunteering. His bottom line: “American social capital ... has significantly eroded over the last generation”¹⁰ He attributed the decline to such factors as rising female employment, more time spent watching television, family break down, and changes in the economy, such as the replacement of the corner grocery store by super markets and electronic shopping.

A recent study from the Joint Economic Committee (JEC) finds a decline in social capital as well. The JEC concludes, “The connective tissue that facilitates cooperation has eroded, leaving us less equipped to solve problems together within our communities.”¹¹ The JEC has created indices that capture the geographic variation of social capital at the county and state level.¹² Their indices include family unity, community health, institutional health, collective efficacy, and others. They find that two sections of the country have high levels of social capital: the “Mid-Continent North,” which stretches from Utah and Wyoming across to Wisconsin and Minnesota, and “Northern New England,” which is comprised of Vermont, New Hampshire, and Maine. The areas of the country with the worst social capital scores include the “Far South,” which stretches from Nevada through Texas to Georgia and Florida, and New York. The 20 percent of counties with the highest social capital scores are home to just eight percent of the

population. Nearly 40 percent of Americans live in the 20 percent of counties who have the lowest levels of social capital.

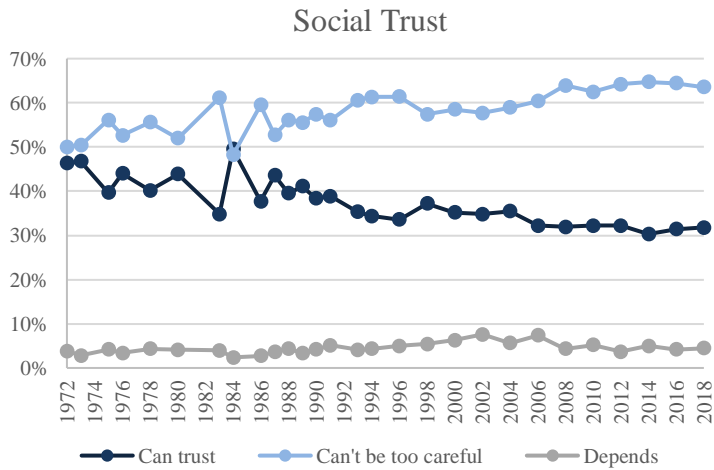
From their analyses,¹³ the Joint Economic Committee is developing a policy agenda centered around five goals: making it more affordable to raise a family, increasing how many children are raised by happily married parents, connecting more people to work, improving the effectiveness of investments in youth and young adults, and rebuilding civil society.¹⁴

The broadest and most widely used measure of trust comes from the General Social Survey. It asks “Generally speaking, would you say that most people can be trusted or that you can’t be too careful in life?” It has declined markedly since the early 1970s. Almost half of respondents said they could trust others in the early 1970s. Now that figure is less than a third.

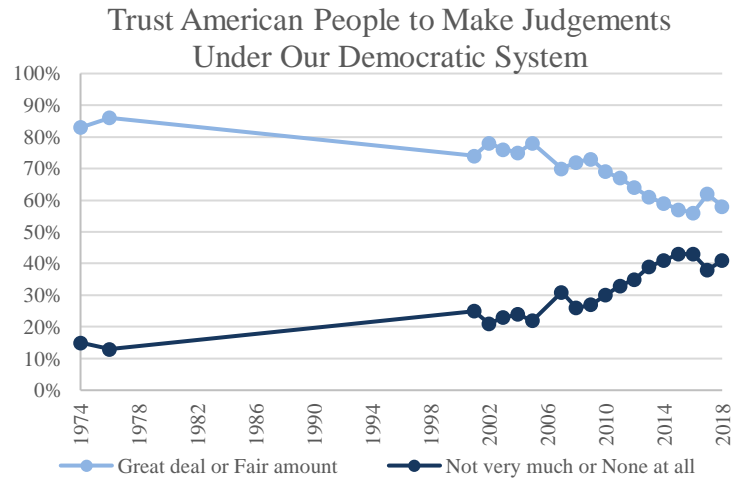
Declining trust in other people is matched by declining confidence in representative democracy. In 1974, only 15 percent did not trust the American people to make “judgments under our democratic system about the issues facing our country.” Now, 4 in 10 have lost confidence in the ability of people to make those choices. We may disagree about the right set of policies for the country but now it seems that we don’t even respect the ability of the public to assess what’s in their own or others best interests.

The decline in social capital is not limited to big picture concerns about trust in one’s fellow citizens. People now interact less with their neighbors and communities. In 2008, 7 in 10 reported talking with their neighbor a few times a month or more. That number has declined to just half in 2017. Religious attendance is down too. In 1972, nearly 60 percent reported attending religious services at least once a month – now just a little more than 40 percent do. Conversely, the share of the public who never attend religious services is up from just 10 percent in 1972 to almost 30 percent in 2018. We see a similar pattern across a range of organizations. For whatever reasons, participation rates have declined substantially. Some of this may be a simple “time squeeze” which I have written about elsewhere;¹⁵ some of it may be due to advances in home-based and entertaining technology (social media, videogames, streaming, online shopping); and some of it may be a new emphasis on personal performance that leaves little time to interact with or help others.

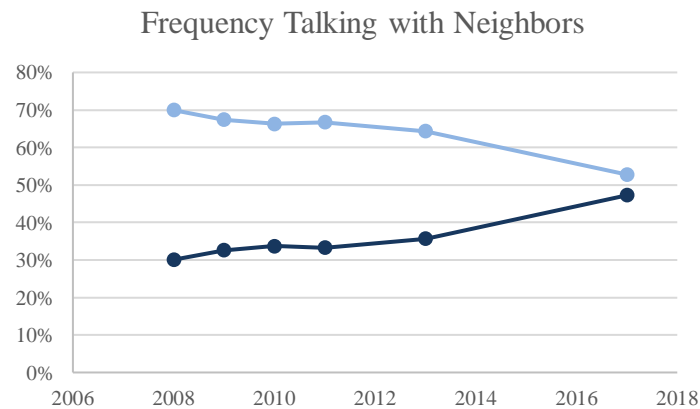
To be clear, social capital is difficult to measure and has many facets. These five elements are by no means exhaustive but illustrate a disturbing trend in the level of social capital in the United States.



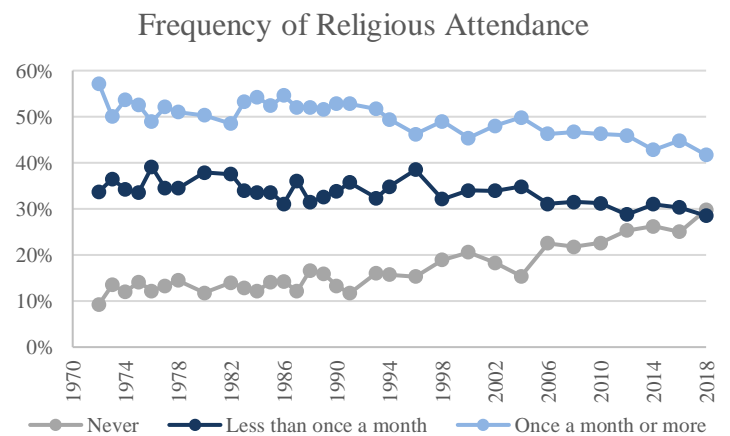
Source: General Social Survey accessed through SDA



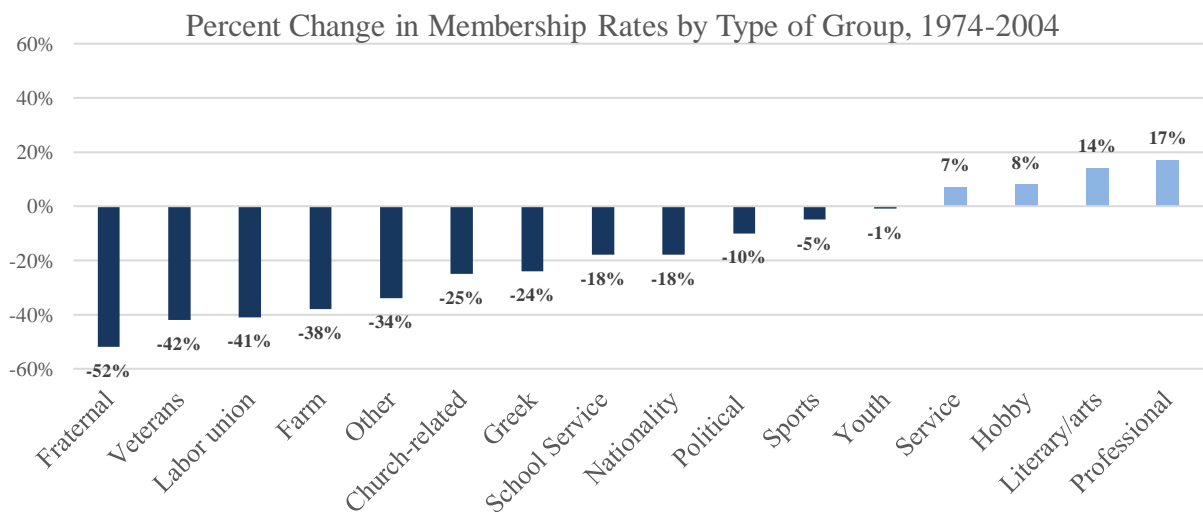
Source: Gallup



Source: Current Population Survey Civic Engagement Supplement accessed through IPUMS



Source: Gallup. Adapted from the Joint Economic Committee, "The Space Between: Renewing the American Tradition of Civil Society"



Note: Displays percent change in the share of adults in a given organization type

Source: General Social Survey. Adapted from the Joint Economic Committee, "The Space Between: Renewing the American Tradition of Civil Society."

Does Social Capital Matter?

Assuming the trends reported in the last section are accurate, should we be worried about them? And if so, why?

Raj Chetty and his colleagues¹⁶ have found that certain neighborhood characteristics, including the proportion of families in the neighborhood with two parents, and a very rough measure of social capital involving whether or not people return a Census form, predict rates of upward mobility for children.¹⁷

In addition to its effects on upward mobility, many researchers have found that social capital is associated with higher economic growth rates, better health outcomes, and more stable democracies.¹⁸ One study finds that social capital, as measured by trust, is about 20 percent of national wealth.¹⁹ Another study, based on 68,000 observations from more than 100 countries, finds that social capital is the single most important variable explaining differences in life satisfaction among individuals and has the same value as a five-fold increase in household income.²⁰

Of course, causality goes in both directions here. Much of the literature on these issues is correlational. Sorting out cause and effect is difficult. But the view that social capital is cause as well as consequence is based, in part, on experimental evidence. Games in which the players are strangers and believe they will never see each other again lead to self-interested strategies. But in those where relationships are more personal and more on-going, cooperation and altruism emerge.

Social capital, or lack thereof, has also been strongly implicated in the rise of populism and the election of Donald Trump. Tim Carney argues that Trump's supporters were people who may have been doing quite well themselves but whose neighbors weren't and who, as a result, had lost hope.²¹ These correlations between a lack of social capital and support for populism show up in multiple data sources, including in the JEC's social capital index. Of the 10 lowest-ranking counties on their index, Trump won eight.²²

Political scientists, such as Sides et al., have also found that cultural factors, including resentment against immigrants and minorities, and not just economics played a strong role in Trump's electoral win in 2016, especially among white working-class voters.²³ When people feel threatened by developments that they cannot control, such as globalization and technological change, they look for scapegoats. In a more recent study, Fabian, Breunig, and De Neve find that such scapegoating in the form of racial resentment is attenuated when people have strong ties to other people within their own communities.²⁴ This supports the thesis that radical politics grows out of a failure to forge strong relationships with other people and perhaps to develop the ability to compromise that such relationships inevitably entail.

Forging New Identities

Findings about the negative effects of growing diversity on trust and on social capital need not hold for the longer-run. The key to a better future is, as Putnam argues, the redefinition of social identities. “Identity itself is socially constructed and can be socially de-constructed and re-constructed.”²⁵ This can be facilitated by making such markers as being foreign-born or a member of a particular ethnic or racial group both respected, but also less salient, and other markers more salient.

One way to accomplish this is by fostering greater exposure to, or contact with, another group. For example, serving in the military or belonging to a megachurch or marrying into a different subgroup have all served to break down intergroup barriers. Surveys have shown that the average American soldier has many closer inter-racial friendships than the average American civilian of the same age and social class.²⁶ When people from an in-group spend time with those from an out-group, prejudice declines. As Thomas F. Pettigrew and Linda R. Tropp find in their landmark survey, based on 515 empirical studies, the evidence “definitively established that prejudice is typically reduced when groups meet.”²⁷ They note that the most rigorous research produces the largest effects and that those effects cannot be explained away by participant selection or other factors. The mechanisms for reduced prejudice include reduced anxiety about, and greater empathy toward, the out-group, as well as reduced stereotyping. In short, both affective and cognitive processes are involved. Importantly, the direct effects on the attitudes of those who experience greater contact with another group are enhanced by indirect effects on those who did not experience the contact but who are influenced by the changed attitudes and experiences of those who did. There is a social multiplier at work.

The role of greater contact also shows up in the attitudes of younger vs. older generations. The younger generation, raised in a more integrated and progressive environments, is less likely to think of themselves as members of a particular ethnic, racial, or gender subgroup and more as members of some other group forged around their school, work, or neighborhood. They may have a more capacious sense of “we” than those in older generations and as they replace the older generation, their attitudes will increasingly prevail. Indeed, in an analysis of trends in attitudes toward such things as interracial marriage and women’s roles, the majority of the liberalizing trend in cultural attitudes since 1970 is explained not by a shift in the views of particular individuals but by a shift in the composition of the population to include younger generations of Americans.²⁸

Intermarriage is an especially strong and growing route to the “reconstruction of identity.”²⁹ In 1967, only 3 percent of people in the U.S. were married to someone of a different race or ethnicity. By 2015, that had climbed to 17 percent. The biggest change occurred among blacks whose intermarriage rate climbed from 5 to 18 percent – with intermarriage being more common among black men (24 percent) than among black women (12 percent). Although it hasn’t increased as rapidly, intermarriage is even more prevalent among Hispanics and Asians than

among blacks, especially if they were born in the U.S. For example, almost half of American-born Asians are married to someone of a different race or ethnicity. As these marriage patterns have changed, attitudes have shifted as well. For example, in 1990, most nonblack adults were opposed to a close relative marrying a black person but by 2015, that figure had dropped to 14 percent. Attitudes toward same-sex marriage have also liberalized. Now, what far more parents fear is their adult child marrying someone from a different political party.

In an age of increasing tribalism it may be more important than ever to redefine what it means to be an American and to find proactive ways to rebuild a sense of community around shared values and activities and more encompassing identities that go beyond race, gender, age, or religion. It means a credible social contract not just between individuals and their government but between different groups of individuals. It means a more optimistic set of attitudes about what we can accomplish together rather than as individuals. Habits of the heart, a phrase Tocqueville used to describe the cooperation found in small groups, are, as he argued, the well springs of democratic governance. At the end of this essay, I suggest some small but concrete steps in this direction.

The Seedbeds of Social Trust

Social trust and norms are not created in a vacuum. The most important seedbeds of norm transmission are families, schools, and faith-based organizations. All have become weaker or fallen down on the job in recent decades. Families are more fragmented, more overwhelmed, and perhaps less willing to express their own values or guide their children's behavior than in the past.

As Greg Lukianoff and Jonathan Haidt argue in *The Coddling of the American Mind*, members of the youngest generation (born after 1995) had well-intentioned parents who, in the interest of protecting their children from harm, may have inadvertently made them less resilient and more prone to anxiety and depression. Drawing on the work of a variety of experts on parenting, including Jean Twenge and Annette Lareau, these authors argue that parenting practices and norms are class-based but that middle class and affluent children are losing out on the skills acquired from unsupervised play and from being allowed to experience a variety of bumps in the road, interpersonal conflicts, and injustices that they will have to confront as adults.³⁰ Their argument is that sheltering children from the realities of life while they are young leads to fragility in the face of challenges later on.³¹

Faith-based organizations have also declined in influence. They are less well-respected and well-attended than in the past (see chart above). Like other major institutions (with the exception of the military) they are no longer as trusted and the youngest generation, in particular, is more secular and less connected to faith-based organizations than their elders.

Schools might be expected to help fill some of the gaps left by parents and religious organizations but as public institutions, they have been proscribed, or inhibited, from teaching most values, are limited in the amount of discipline they can provide and are under pressure to

focus instead on improving math and reading scores or other academic skills. One of the appeals of private and charter schools, and of homeschooling, is the freedom to teach private and civic virtues, to help form the character of a child, to inculcate moral values in addition to academic ones.

These three character-forming institutions, families, churches, and schools have left a void that may put undue burdens on public policy. Conservatives, such as Yuval Levin, believe that only by strengthening social institutions such as families, universities, the media, religion, and communities can we rebuild America. He believes that these institutions and their leaders have let us down in recent decades, that they have become platforms for showcasing individual performance instead of structures that mold character.³² He believes that each of us, as family members, students, workers, citizens, or members of a religious congregation, has a role to play in rebuilding the key institutions that provide structure and guidance to people's lives. Like many thoughtful conservatives, he believes we are flawed and weak-willed creatures who need these formative structures to constrain and guide our behavior and mold our characters and our habits. His analysis is descriptive not prescriptive and exactly how we strengthen existing institutions beyond rededicating ourselves to their importance is unclear.

What is clear, I think, is that “habits of the heart” matter, that character and individual responsibility count. As Richard Reeves has written:

The development of character strengths, along with knowledge, cognitive skills, and social capabilities, is part and parcel of building self-efficacy. Our goal should be to create strong individuals able to chart their own course through life, rather than individuals reliant on the benign institutional paternalism of others. Character strengths are hard to cultivate through policy. But in the end, character strengths are an important part of what each of us needs, in order to need policy a little less.³³

In the end, social capital can be thought of as the network of institutions that form and sustain the character strengths needed to flourish in contemporary society.

Can We Create More Social Capital and A More Inclusive Society?

Most of the research I have read focuses on the effects of social capital. Less is known about how to create it in the first place. As Putnam rightly asks, “what types of organizations and networks most effectively embody – or generate – social capital, in the sense of mutual reciprocity, the resolution of dilemmas of collective action, and the broadening of social identities?”³⁴

Indeed.

Those conservatives who have argued most strenuously for strengthening social capital seem to be relying more on hope than experience on how to do so. I feel similarly constrained but offer three ideas that might help: expand national service to make it a normative expectation for every

young American; encourage people to support faith-based and nonprofit institutions via an expanded charitable deduction and devolve more resources and decision-making to local communities. I would add that leadership at every level matters. The bully pulpit can be weaponized for good or for ill.

National Service

One promising idea is universal national service. It can build bridges instead of walls; limiting tribalism and social division. Why not ask every young American to give a year of service to their country – either military or civilian. In return they would be given a very modest living stipend and some assistance with attending college.

National service has three clear benefits: it changes the lives of the young people who participate, giving them new skills and a path to college or career; it helps the communities where they serve, providing extra hands for dealing with natural disasters, tutoring kids, or cleaning up the environment. But perhaps its greatest benefit is strengthening social bonds, substituting a beneficial form of tribalism for the less worthy versions that are corroding our politics and civic life.

Military service is the classic example. Those who have fought side by side on the battlefield typically form strong bonds of friendship and loyalty to one another even when they have little else in common. Similarly, the anti-immigrant attitudes that gave rise to Trump in America and to Brexit in the UK are found mostly in communities with few immigrants. When you don't know "the other," stereotypes flourish. As noted earlier, in their seminal book, *When Groups Meet*, Thomas Pettigrew and Linda Tropp, have documented that when people get to know one another, prejudice and misunderstanding are greatly attenuated. The effects, they found, were surprisingly strong.

Right now, we have some very small and underfunded programs of national service, such as AmeriCorps, Vista, and the Peace Corps. Surprisingly, the number of young people applying for these programs far exceeds currently available opportunities.

But is there any evidence that a more robust program of national service would work and be affordable? And would it really bring people together to bridge our cultural divisions?

An earlier review of 139 studies of national service found mostly positive results.³⁵ To be sure, not every evaluation has produced all of the promised benefits and the costs for modest stipends and for the educational benefits provided to those who complete their service are substantial. Still, a detailed study by Clive Belfield shows that the benefits outweigh costs to taxpayers by two to one and to society by nearly four to one.³⁶

Moving toward universal national service will take time. It will also require special efforts to normalize the expectation; for example, by linking later employment or college admission partially to the experience. We might first expand opportunities to at least accommodate those

who currently want to serve. Although there would need to be a small centralized agency to organize the effort, most of the funds would flow to states and then to nonprofit or community-serving organizations, strengthening civil society in the process. The cost of an expansion to 1 million participants a year would be about \$25 billion.³⁷

One way to both reduce these costs and extend the social benefits is to create an American Exchange Program analogous to existing foreign exchange programs.³⁸ Under the program, American families would voluntarily host a young person during their year of service. In San Diego, for example, young volunteers are living with the elderly, both of whom benefit from sharing one household and from learning about each other's aspirations and challenges.

As for the effects of service on our current tribalism, a recent analysis of one program, Teach for America (TFA), showed that the participating teachers became more empathetic, less prejudiced, and more understanding of the challenges faced by the children they taught.³⁹ The estimated causal effects on Americorps volunteers in the program were large. This study is the latest and most convincing effort to show that the problem of "us-vs-them" can be greatly ameliorated by expanded opportunities for people from different backgrounds to work together. A more general lesson is that integrating schools, work places, and other institutions is the best way to reduce current divisions around race and class.

Although current public policy towards national service focuses on young people, there is no reason why retired Americans, veterans trying to reintegrate into civilian life, or anyone looking to do more for their community should not be provided the opportunity to do so.⁴⁰

A distinguished group of Americans, including General Stan McChrystal, Robert Gates, Condoleezza Rice, and others associated with Service Year Alliance has now launched a campaign to expand national service and created a template for legislation. The National Commission on Military, National and Public Service has also called for an updated national service system. The idea of voluntary national service remains very popular among voters with about four out of five supporting it.⁴¹ Many of the current Democratic candidates for President have also endorsed the idea and some bipartisan legislation has been introduced. Meanwhile focus groups with voters suggest that the one thing on which they are agreed is the need to end our sharp divisions. When I field tested the idea of an American Exchange Program with ordinary citizens in three cities in 2018,⁴² the idea was more enthusiastically received than any other including raising the minimum wage, retraining workers, providing new benefits, or taxing the wealthy to pay for these benefits.

Reform the Tax Code to Democratize and Increase Giving

Social capital often operates through institutions, such as churches and community organizations. According to the Joint Economic Committee, the volunteer rate and the share of adults who contribute to charity are among the strongest correlates of social capital at the state level.⁴³

Expanding charitable tax incentives for the middle class and encouraging more giving will increase engagement with nonprofits and, in turn, may foster social capital formation.

One way to increase charitable incentives among middle class filers is to reform the charitable deduction to make it “above-the-line.”⁴⁴ This reform would make the charitable deduction available to all tax filers, itemizers and non-itemizers alike. While there are many ways to formulate this reform, a minimum threshold on the gift as a proportion of one’s income would help to ensure that the marginal dollar of giving is incentivized, without subsidizing dollars that would be donated regardless of the tax incentive. Further, according to the Tax Policy Center, this kind of floor would raise revenue *and* increase charitable contributions—a win-win for the government and nonprofits.⁴⁵

Currently, the charitable deduction largely benefits the affluent. In 2017, over half of tax filers who claimed the charitable deduction made over \$100,000. Those who made over \$250,000 received 43 percent of the benefit.⁴⁶ The recent tax law, known as the Tax Cuts and Jobs Act, made matters worse. By increasing the standard deduction, fewer taxpayers itemize, reducing their giving incentive to zero. For calendar year 2020, the top quintile will receive over 90 percent of the total tax benefit, according to the Tax Policy Center.⁴⁷ Total giving suffers as well. Brill and Choe model the new tax law’s effect on charitable giving and predict a four percent decline in charitable giving, equivalent to over \$17 billion dollars per year.⁴⁸

In addition to an above-the-line reform, consideration should be given to shifting from a tax-based benefit to a matching benefit. Currently, taxpayers who give to charity and claim it on their tax forms receive a deduction. There are several studies that show that taxpayers are more responsive to a matching system—where instead of receiving a deduction, the government matches a certain percentage and gives it directly to the charity of choice.⁴⁹ This effect holds even when the incentive to give, what economists call the tax price of giving, is equivalent across these two systems. The United Kingdom and Ireland have used this approach.⁵⁰

While certainly not a panacea for social capital formation, better incentivizing a broad group of Americans to engage with the nonprofits of their choice is a step in the right direction.

Fund and Encourage Local Leadership and Initiative

In a country as large and diverse as the United States, finding common ground is difficult. Some things must be done at the federal level; national defense and foreign affairs are the classic examples. Social insurance, funded by nationally uniform payroll taxes and benefits that follow the individual regardless of location, have worked well, too. That system should arguably be expanded to include universal health care with states relieved of paying for a portion of Medicaid. But many other governmental functions, from investments in infrastructure to education and job training, housing, transportation, and community development, might better be left to state and local governments for three reasons. First, policymaking at the federal level has been stymied by political polarization and paralysis, and public confidence in the federal

government is at an all-time low. Second, the U.S. is a very large and diverse nation. One size won't fit every community and the solutions should be chosen by those they will most affect. Third, in recent decades states and localities have been the incubators and leaders on many issues. Both welfare reform and health care reform began at the state level and then, with a few modifications, became national policy a few years later.

What states and localities lack is not imagination, but resources. If we want to rebuild social capital, one way to do so is to provide local institutions with the wherewithal to do so. The right way to get bipartisan support for doing so is to eliminate many, typically small and overly prescriptive, federal programs but combine this with a bigger investment in those same general activities at the state and local level, paid for by general revenue sharing from the federal government. Between 1972 and 1986, the U.S. had such a system of state and local assistance or general revenue sharing. It provided one third of the money to the states and two thirds to the localities (counties). It can be supplemented with a countercyclical element to address the fact that lower levels of government must balance their budgets and lack the borrowing power of the federal government during economic downturns. Importantly, it can be designed to produce an allocation of resources that produces compensatory benefits for poorer communities, requirements that lower levels of government involve community residents in the policy-making process and that local jurisdictions maintain their tax effort. In her book, *Reviving the American Dream*, Alice Rivlin proposed just this kind of devolution. She suggested paying for it in a variety of ways, one of which would be a national sales tax or VAT. With the growth of internet sales, there is a growing proportion of sales that will be difficult to tax unless the system is simplified.⁵¹ As she argues, this would reduce interstate competition, greatly simplify taxes for most individuals and businesses, free the federal government to focus on an increasingly fraught set of global challenges, catalyze bottom-up reform, and increase public transparency and accountability.

Even without this kind of fiscal federalism, local communities can become the drivers of change, exemplars of what can be achieved when people work together, and the innovators of new policies that effectively address some of the country's greatest challenges. Networks of institutions, drawing on but also strengthening social capital at the local level, can form cross-sectoral collaborations that make things happen and improve lives in the process. These organic collaborations can never be a complete substitute for national action, but they can accomplish a lot.

Here's just one example: When New York City closed more than 20 large high schools starting in 2002 and replaced them with over 100 smaller schools serving a disadvantaged and mostly minority population, the results were impressive. Graduation rates soared by 10 percentage points, more students enrolled in postsecondary education or were employed, and gaps between minority and white students narrowed substantially. Schooling costs did not rise because more students graduated within four years. What accounts for this success? In these smaller schools of about 400 students, the principals and teachers know the students, the students know one

another, and the kind of relationships that support effective learning bloomed.⁵² Interviews with teachers and administrators showed that they believed these more personal relationships were a key ingredient in the program's achievements.

Another example is a collaboration between a regional group of manufacturing companies and community colleges to offer technical training and professional skills to a selected group of applicants, such as recent high school graduates. Called the Federation for Advanced Manufacturing Education (or FAME) it trains advanced manufacturing technicians who can then earn \$40,000 to \$65,000 a year. It was formed to address a shortage of workers with both the technical and problem-solving or analytical skills called for by today's more advanced manufacturing. Started by Toyota, there are now 27 such collaboratives, mostly in southeastern states. It is an employer-led and driven program with minimal government support and based on early evidence has proven to be a triple win: for employers, for students, and for community colleges.⁵³

Another good example of how social capital can help people flourish is Alcoholics Anonymous. It depends on fellowship and mutual aid that will enable its members to "stay sober and help other alcoholics achieve sobriety." It is nonprofessional, self-supporting, and apolitical.⁵⁴ It has a spiritual philosophy at its core. Its effectiveness has been debated but among the most rigorous studies, two have shown positive results (one was negative, and one proved inconclusive).⁵⁵

The city of Santa Monica, California was one of five cities selected by Bloomberg Philanthropies in 2015 to showcase ways of improving the quality of life for its citizens. The initiative makes microgrants to engage and support residents who have good ideas about how to improve the community. One example: providing grants to enable lower-income families to eat healthy foods. The initiative is tracking 6 dimensions of well-being: what citizens say about their lives in surveys or on social media, how involved citizens are in their community, the physical and social environment, education and other learning opportunities, health, and economic opportunity. Santa Monica's record on improving well-being in the community is mixed but it made an impressive jump in a short period on the proportion of residents who said that their neighbors could be trusted and counted on in times of need and the proportion who said the community had improved in ways that made them want to stay.

There are a huge number of other examples of community-based or nongovernmental initiatives that could be cited, but in the end, this is about local leadership and networked institutions solving problems. When Deborah and James Fallows travelled around the country from 2012 to 2017 they found cities that worked and those that did not and developed a check list of the traits that distinguished one from the other. Those traits included people working together on practical problems, undistracted by partisan politics; strong local leadership; public-private partnerships; an historical narrative about their town; a centralized downtown; ties to a local university or community college; innovation in the public-school system; and openness to outsiders. One surprise: many of these cities had developed a successful craft brewery and the Fallows' believe

this stands out as a symbol of civic energy.⁵⁶ But I can't resist adding that it also illustrates how capacious and fizzy the concept of social capital has become.

Conclusion

In the end, we should ask if all the fuss about social capital is an attempt to avoid the challenges that only government can solve? Or is it the missing ingredient that will “fix” what ails America? It need not be one or the other. Institutions and associational life matter. Leadership and character count. In this context, I think efforts to encourage national service, to fund and lift up nonprofits, to provide more resources to lower levels of government, to celebrate local leadership and innovation are all warranted.

In the end, the goal is clear: to recognize individual and group differences but simultaneously to create one out of many. We each have a personal identity and a community identity, but we cannot forget that we are all Americans who, for some purposes, can only flourish if we act together. The stronger our social ties, the more likely we will be able to find common ground, respect one another, and have sufficient trust to address the challenges that transcend our differences. It is in this context, that discussions of social capital have resonance. But it is only one factor among many that determine the quality of our lives and it is hard to know how to create more of it. Ironically, those who tout its benefits often believe that government programs and assistance have crowded out voluntary efforts but then must turn to those same programs to find ways to address it. What's legitimate and most useful in this endeavor is the idea of marrying government support to the kind of individual and community initiatives that build social capital at the same time that they provide practical help to local residents.

Author

Isabel V. Sawhill is a senior fellow in Economic Studies at the Brookings Institution, working in the Center on Children and Families and on the Future of the Middle Class Initiative. Dr. Sawhill's research spans a wide array of economic and social issues, including fiscal policy, economic growth, poverty, social mobility, and inequality. Her latest book is *The Forgotten Americans: An Economic Agenda for a Divided Nation*, published by Yale University Press in 2018.

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Notes

¹ Putnam (2002), p. 3, and see Durlauf and Fafchamps (2004) for other definitions.

² Helliwell, et al. (2017), p. 12.

³ For a critical view, see Durlauf, Steven N. and Marcel Fafchamps (2004).

⁴ Carney (2019).

⁵ Putnam (1995), p. 75.

⁶ Carney (2019), p. 117.

⁷ Putnam (2007), p. 143.

⁸ Putnam (2007), p. 151. For an opposing view, see Langella and Manning (2019).

⁹ See, for example, John Sides, Michael Tesler, and Lynn Vavreck (2018).

¹⁰ Putnam (2000), p. 7.

¹¹ Joint Economic Committee (2017).

¹² Joint Economic Committee (2018).

¹³ Joint Economic Committee (2019, b).

¹⁴ See, for example, Joint Economic Committee (2019, c) and Joint Economic Committee (2019, d).

¹⁵ Isabel Sawhill and Katherine Guyot, “The Time Squeeze,” Brookings, forthcoming 2020.

¹⁶ Chetty, et al. (2020).

¹⁷ Here, social capital is measured by the share of households in a given Census tract who returned a Census form—an element used in Rupasingha and Goetz’s social capital index. While an imperfect proxy, the correlation suggests that social capital plays a role in children’s outcomes. Rupasingha and Goetz (2008).

¹⁸ See Helliwell, et al. (2017); Durlauf, and Fafchamps (2004) also includes a nice review of the literature.

¹⁹ Because social trust raises GDP, some researchers have estimated its wealth-equivalent value.

- ²⁰ Helliwell, et al. (2009).
- ²¹ Carney (2019), p. 13.
- ²² Carney (2019), p. 113.
- ²³ Sides et al. (2018).
- ²⁴ Mark Fabian, Robert Breunig, and Jan-Emmanuel De Neve, “Bowling with Trump,” Brookings, May 13, 2020.
- ²⁵ Putman (2007), p. 159.
- ²⁶ Putnam (2007), p. 161.
- ²⁷ Thomas F. Pettigrew and Linda R. Tropp, *When Groups Meet: The Dynamics of Intergroup Contact*, Psychology Press, 2011, p. 201.
- ²⁸ *The Economist* (2019), p. 81.
- ²⁹ Livingston and Brown (2017).
- ³⁰ They argue that class-based differences are more important than race-based ones. Others may disagree. One need not enter the debate about the strength of their arguments about parenting styles and their effects or how this varies across subgroups, to agree that parenting and families are critical to the formation of social capital.
- ³¹ Lukianoff and Haidt (2018), p. 163-181.
- ³² Levin (2019), p. 7.
- ³³ Reeves (2014).
- ³⁴ Putnam (1995), p. 10.
- ³⁵ Perry and Thomson (2004).
- ³⁶ Belfield (2013).
- ³⁷ Belfield (2013).
- ³⁸ See Sawhill (2018).
- ³⁹ Mo and Conn (2018).

⁴⁰ See, for example, Third Way’s “Boomer Corps.”

⁴¹ See <http://voicesforservice.org/wp-content/uploads/2015/10/Voices-TP-One-Pager.pdf>

⁴² Sawhill (2018).

⁴³ Joint Economic Committee (2018).

⁴⁴ Joint Economic Committee (2019, a) has considered an above-the-line reform as well as converting the charitable deduction to a flat credit. Also, see Brill, Alex and Derrick Choe (2018) on these proposals.

⁴⁵ McClelland, et al. (2019).

⁴⁶ IRS, Statistics of Income Division, Individual Income Tax Returns, Preliminary Data, February 2019. Table 1. Individual Income Tax Returns. Available from <https://www.irs.gov/statistics/soi-tax-stats-individual-income-tax-returns>.

⁴⁷ McClelland, et al. (2019).

⁴⁸ Brill and Choe (2018).

⁴⁹ Eckel and Grossman (2003); Eckel and Grossman (2008); Scharf and Smith (2015); and Gandullia and Lezzi (2018).

⁵⁰ See <https://www.gov.uk/donating-to-charity/gift-aid> and <https://www.revenue.ie/en/companies-and-charities/charities-and-sports-bodies/charitable-donation-scheme/index.aspx>

⁵¹ The Supreme Court ruled in 2018, that internet sales could be taxed, catalyzing a bevy of state laws on which sales should be taxed and how much, but the complexity is mind-boggling, and further change is likely.

⁵² Hall (2012), p. 269; Unterman and Haider (2019).

⁵³ Jacoby (2019).

⁵⁴ See <https://www.aa.org/>

⁵⁵ Kaskutas (2009).

⁵⁶ Fallows and Fallows (2019).

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