



“Summary of article by Robert Putnam: The Prosperous Community: Social Capital and Public Life” in Frontier Issues in Economic Thought, Volume 3: Human Well-Being and Economic Goals. Island Press: Washington DC, 1997. pp. 211-213

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The importance of social cohesiveness to both economic prosperity and personal flourishing has long been ignored by mainstream economic theorists. Other social scientists have begun to analyze the problems of collective action using the analytic rubric of social capital, which are those features of social organizations that facilitate coordination and cooperation for mutual benefit, such as social networks, norms and trust. Social capital has proven to be a scarce and fragile resource that is difficult to cultivate in some communities. This paper examines the relationship between social capital and economic growth in a variety of contexts, and calls attention to the idea that civic engagement is central to economic progress.

LESSONS FROM ITALY

In 1970, similarly structured government institutions were established in regions all over Italy. The author and a number of other researchers examined quality differences among these regional institutions as they developed in diverse social, economic, political and culture contexts. As expected, some proved to be dismal failures -- inefficient, lethargic, and corrupt; while others were remarkably successful -- efficient, creative and productive. For example, the latter institutions helped produce innovative day care programs and job training centers, while promoting investment and economic development. Surprisingly, differences in institutional quality cannot be accounted for by political ideology, political harmony, levels of affluence, or social stability. Rather, the hallmark of a successful regional government is civic engagement.

Successful institutions are led by relatively trustworthy individuals committed to equality. Citizens in these communities (e.g., Tuscany and Emilia Romagna) actively participate in public issues and trust one another to act fairly and lawfully. Social and political networks are arranged horizontally, rather than hierarchically. History suggests that these regions have a long tradition of civic involvement that can be traced back to the eleventh century when civic solidarity was important to the self-defense of medieval communes. In the twentieth century, this tradition can be seen in neighborhood associations and choral societies.

The upshot of the Italian study is that prosperous communities did not become civic because they were rich, rather they became rich because they were civic. Social capital is instrumental to economic prosperity on many levels. First, civic engagement fosters strong norms of generalized reciprocity, which lead to greater efficiency. A classic example involves farmers who help each other bale hay. Each can get more work done with less physical capital. Second, civic

engagement can facilitate the coordination and communication of trust information about individuals. For instance, in dense networks of social interaction, reputation and trust information are crucial to economic exchanges such as diamond trades, where the possibilities for fraud are extreme. Finally, a tradition of civic engagement provides a cultural template for solutions to novel problems of collective action. Stocks of social capital tend to be self-reinforcing and cumulative. As noted by Albert Hirschman, they are a "moral resource" whose supply increases rather than decreases with use.

SOCIAL CAPITAL AND ECONOMIC DEVELOPMENT

"Scores of studies of rural development have shown that a vigorous network of indigenous grassroots associations can be as essential to growth as physical investment, appropriate technology, or (that nostrum of neoclassical economists) 'getting prices right.'"(38) Studies of rapid economic growth among countries in East Asia indicate the important role of dense social networks based on extended families or close-knit ethnic communities. In advanced Western economies, network collaborations among workers and entrepreneurs have led to highly efficient industrial districts within such diverse environments as high-tech Silicon Valley and high fashion Benetton.

Current development strategies for the formerly Communist economies of Eurasia tend to focus exclusively on strengthening market economies and democratic institutions through loans and technical assistance. These strategies will probably fail in the long run because they do nothing to improve social capital. Similarly, economic reconversion programs, such as factory closings, that ignore the possible effects of destroying social capital can lead to the shredding of communities. "Worse yet, some government programs themselves, such as urban renewal and public housing projects, have needlessly ravaged existing social networks...Shred enough of the social fabric and we all pay."(39)

SOCIAL CAPITAL IN THE UNITED STATES

Inequality with respect to social capital can be as portentous as income inequality. In poor ghettos across the United States, an exodus by the middle and working classes leaves those who remain even further behind, with fewer opportunities to access social networks that lead to jobs. Socially inherited differences in community networks and norms can render individually-targeted "equal opportunity" programs ineffective.

Education is another arena in which social capital can be decisive in determining opportunity. For instance, improving parental involvement and civic engagement in the schooling of children greatly increases a child's academic success and future potential. Many proposals for increased school "choice" are deeply flawed by their individualist conception of education. School vouchers can only aid education if they are spent in ways that strengthen community organization, not merely enhance individual choice.

Efforts to revitalize American democracy need to recognize that political dissatisfaction reflects an erosion of social capital. This can be observed in national surveys that show a multi-decade decline in trust and the tendency of socially mobile two career families to use market services,

such as child care services, that were formerly available from family and neighborhood networks. "Our political parties, once intimately coupled to the capillaries of community life, have become evanescent confections of pollsters and media consultants and independent political entrepreneurs -- the very antithesis of social capital. We have too easily accepted a conception of democracy in which public policy is not the outcome of a collective deliberation about the public interest, but rather a residue of campaign strategy. The social capital approach, focusing on the indirect effects of civic norms and networks, is a much-needed corrective to an exclusive emphasis on the formal institutions of government as an explanation for our collective discontents."(41)