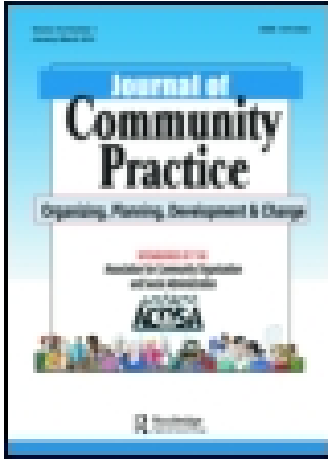


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Social Capital and Local Economic Development: Implications for Community Social Work Practice

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SUMMARY. Although the concept of social capital has direct relevance to community practice, it is not widely known in social work. This paper defines the concept, traces the development of social capital theory, and examines ways in which community social workers can promote local economic development by enhancing social capital. It contends that community social workers can make a major contribution to local economic development by implementing projects that mobilize social capital and promote the material well-being of local people. [Article copies available for a fee from *The Haworth Document Delivery Service*: 1-800-342-9678. E-mail address: getinfo@haworthpressinc.com]

The concept of social capital is widely used to connote the importance of local community networks and associations in society. Popularized

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through the writings of Robert Putnum (1993, 1995, 1996), social capital gives expression to communitarian beliefs and extols the virtues of civil society. Putnum's research into civic involvement and political behavior in Italy (1993), and his more recent claim that America's civic traditions are being undermined by excessive exposure to television (1996) have brought the concept to the attention of politicians, journalists, civic leaders, business people, and informed members of the public. His ideas have also attracted attention from social scientists and professionals concerned with economic development.

Putnum's (1993) research in Italy, undertaken with two colleagues, reveals that regions with a high degree of civic engagement recorded significantly higher rates of economic growth than those with poorly developed civic traditions. Although this finding has primarily been used to explain variations in economic performance among different localities, it also informs the normative proposition that programs designed to promote social capital formation can enhance local economic development. This proposition implies that community organizers should not only seek to enhance associational activities for desirable social and political ends but should also seek to promote economic development.

Although community social workers have not been extensively involved in economic development, there is a growing realization that they need to engage in these activities (Midgley, 1996). The problems of poverty and deprivation require interventions that improve incomes and standards of living. Social workers are instructed by the National Association of Social Worker (NASW) *Code of Ethics* to "ensure that all persons have access to the resources, services and opportunities which they require" and to "act to expand choice and opportunity for all persons, with special regard for disadvantaged or oppressed groups and persons" (1995, p. 2629).

Social workers can apply their conventional knowledge and skills as community organizers to promote local economic development by using community organization techniques to foster social capital formation. This paper discusses ways in which community social work can generate social capital specifically to promote local economic development. It urges community organizers to transcend their conventional roles and promote activities that foster economic growth.

THE THEORY OF SOCIAL CAPITAL

Although Putnum popularized the term social capital, Coleman (1988) introduced it into the vocabulary of the social sciences as a part of his

efforts to synthesize the individualist and sociological traditions. In his work, Coleman claims that these two traditions can be harmonized by focusing on the relationships formed among human beings. This synthesis accommodates both individual action and societal influences and permits social scientists to understand the complex ways people function within the context of wider societal institutions, norms, and values.

To Coleman, the term social capital connotes the social relationships, ties, and networks established among people within the context of wider social systems. He suggests that strong and enduring human relationships facilitate effective human functioning and improve the quality of societal institutions. He notes that social systems with a high degree of social capital have well-developed social networks and institutions and function more effectively than those with limited social capital.

Coleman also argues that there is a direct relationship between the volume of social capital and economic development. Like physical capital, social capital is productive. In other words, economic development is more likely to occur in social systems with strong social networks, well developed associations, and a high degree of civic engagement. Coleman argues that economic development is most likely to occur in social systems characterized by a high degree of civic trust. He also pays particular attention to the link between social and human capital. Economists such as Psacharopoulos (1973, 1992) have long argued that education is an investment in human capital and that high levels of educational attainment contribute to economic development. Developing this theme, Coleman contends that human capital formation is more likely to occur in social systems with a high degree of social capital. Reviewing empirical data, he shows that children from well-integrated families have higher educational achievements than those where relationships are weak or defective. Similarly, sectarian schools that encourage associational activities have higher educational attainments than public schools that do not emphasize these activities. In these situations, a high degree of social capital is conducive to high educational attainment, human capital formation, and higher economic performance.

Coleman's work draws on a well-established body of sociological writing that emphasizes the importance of relationships, associational activities, and institutions for societal well-being. These ideas have been applied at different levels of sociological analysis including studies of the quality of relationships among individuals, community level analyses and large-scale investigations into the effectiveness of associations at the societal level. Examples of research that have focused on these issues include Granovetter's (1974) study of how people use social ties to find employ-

ment; Wilson's (1987) account of 'underclass' communities where isolation and poorly developed association activities correlate with a high incidence of poverty and crime; and Putnum's (1993) research, mentioned earlier, which found that regions of Italy with high levels of civic engagement have significantly higher rates of economic growth than those where associational involvement is low.

Like Coleman's own work, these studies reflect older ideas in the social sciences. Tocqueville's analysis of American political and civic activities in the 1830s is a formative influence as is the work of Durkheim, whose concern with social harmony and integration informs the belief that extensive social interaction enhances social well-being. The studies of social disorganization by the Chicago School of Urban Sociology in the 1920s provide a basis for current accounts of the negative consequences of a lack of social capital in deprived communities.

The notion of social capital is also consonant with well-established communitarian and populist themes in American culture. Although the term social capital is not widely used in communitarian literature, it reflects the communitarian belief that extensive associational engagement at the local level brings positive social benefits (Etzioni, 1993). While Putnam's early writing did not explicitly reference communitarianism, a communitarian influence has become more evident in his later work that laments the decline of community in America (Putnum, 1995, 1996).

It should be noted that there are other definitions of social capital. Midgley (1995) defines social capital as social infrastructure, suggesting that infrastructural development for social purposes not only provides the material amenities needed for community development but also creates the community-held assets that bring people together and enhance their commitment to local development. Sherraden (1991) presents a similar idea. Although he focuses primarily on individually held assets such as Individual Development Accounts, he recognizes the importance of community assets, such as revolving community loan funds, in generating economic development at the local level.

While social capital theory has important implications for local economic development, it does not clearly specify which associational activities translate into economic development. The ideas contained in the literature on social capital still need to be systematically developed into a comprehensive explanatory model. For example, Coleman's view that the social trust generated by enhanced social capital promotes economic activity also needs to be elaborated. Fukuyama's recent (1995) work is a step in this direction.

Fukuyama argues that the large-scale economic organizations can only

function effectively if their individual members establish relationships based on a shared commitment to moderating self-interest and to collaborating to foster economic progress. Banks, factories, commercial firms, and similar organizations cannot gain the confidence of their clients and staff if they are perceived as ruthless, exploitative, and exclusively committed to maximizing profits. While the profit motive does indeed motivate people, it must be moderated by trust. In the absence of trust, commercial operations invariably fail and harm economic progress. Economic life is not simply a matter of pursuing profits and economic interests but of maximizing what Fukuyama calls 'spontaneous sociability' in economic relations. Countries that promote trust in economic relations are most likely to prosper. Those that encourage a 'greed is good' philosophy will fail and decline.

In addition to more detailed elaboration, the application of social capital ideas to local economic and social development requires greater normative refinement. The proposition that extensive civic engagement results in greater economic growth needs to be accompanied by policy recommendations for promoting particular associational activities conducive to development. Analytical speculation can only result in positive policy application by showing how community social workers can enhance social capital to promote local economic development. This paper seeks to make a modest contribution to this endeavor.

SOCIAL CAPITAL, COMMUNITY SOCIAL WORK AND LOCAL ECONOMIC DEVELOPMENT

As noted earlier, local economic development has not been the primary focus of community social workers. Instead, they have been largely concerned with enhancing people's participation, coordinating and building coalitions among local organizations, and organizing people to campaign for improved services. While these empowerment activities are appropriate forms of community practice, there is increasing recognition that the profession must also engage in activities that address the need for economic development at the local level (Midgley and Simbi, 1993; Midgley, 1996). This paper argues that social workers can use their existing skills and knowledge to promote local economic development by mobilizing social capital.

Building Social Capital Through Community Organization

Social workers are already involved in creating social capital through conventional community organization techniques. These techniques typi-

cally involve defining the target community or population, identifying and analyzing community resources and problems, creating local community agencies, facilitating setting goals and objectives, selecting effective strategies for community action, implementing programs and projects, and evaluating outcomes (Cox, 1995; Netting, Kettner, and McMurtry, 1993; Rothman, 1995; Rubin and Rubin, 1992). Community organizers work with local leaders, civic groups, local businesses, libraries, neighborhood watch groups, churches, women's groups, homeowner's associations, schools, and youth organizations to form and strengthen associations, increase civic engagement, strengthen social networks, help residents develop a sense of identity, encourage effective collaboration, recruit new membership, and handle pressing social problems.

As community social workers work with these groups, they bring divergent community members together around common interests and thus enhance networks and social capital formation. By building coalitions among people and organizations with divergent interests, community social workers create new social relationships and associations and strengthen people's participation in community affairs. Social workers play a particularly important role in social capital formation by recruiting participants from all segments of the community. By building relationships among individuals from different social classes and ethnicities, they increase the density of social networks. They also encourage otherwise disenfranchised individuals to become involved in civic life by creating associations that value divergent views and address concerns that affect diverse constituencies.

The result of these activities is the creation and strengthening of associations, the promotion of civic engagement, the enhancement of personal networks, and a net increase in social capital. By creating social capital, community social workers are poised to direct social capital towards economic development.

Directing Social Capital Towards Economic Development

As Blakely (1994) shows, those concerned with local economic development use various strategies to promote economic revitalization of communities. They seek to regenerate local businesses or encourage new businesses to relocate into the community. In either case, they are concerned with marketing and identifying potential consumers. They target local consumers or seek to draw consumers to the community to purchase goods and services. They also export locally produced goods and services to consumers outside the community. These strategies are designed to gener-

ate economic production within the community, to create local employment, and to increase local standards of living.

The success of these strategies depends on both economic and social factors. A manufacturing facility that relocates into a poor community must be able to hire workers who have the skills and commitment to ensure its viability. Similarly, the revitalization of local enterprises requires that local people support these enterprises. There is little point in opening a local grocery store if people choose to shop at supermarkets located outside the community. Similarly, communities with high crime rates and marked social deterioration are unlikely to attract external investment.

Social factors such as these are relevant to the promotion of local economic development. Economic strategies alone are unlikely to succeed in communities marked by high rates of unemployment and crime, blighted schools and homes, and the emigration of educated people to the suburbs. These communities critically need social interventions designed to support local economic development. By enhancing social capital formation in these communities, social workers can help in ensure that economic strategies succeed.

Creation of social capital, however, is only a first step in promoting local economic development. Social workers must not only be able to enhance social capital but must also direct social capital specifically towards economic activities. The networks, associations, and civic activities they enhance must be directed toward this goal. This is best accomplished when social workers collaborate with urban planners, political leaders, and local community members concerned with local economic development. The community development corporation is a key vehicle for promoting effective developmental engagement. These organizations are comprised of local people, representatives of local associations, and other concerned parties; they are an important element in social capital formation for local economic development. If such an organization does not already exist, social workers can make an important contribution by helping to establish one. If an organization of this kind does exist, social workers can become actively involved in supporting and strengthening its activities.

While urban planners are well qualified to identify strategies for promoting local economic development, social workers can mobilize support for these activities and use their networks with local associations, churches, and other groups to create a wider awareness of the need for local economic projects. They can facilitate community meetings and discussions at church, youth, women's and other local groups. In this way,

social workers can foster an awareness of the need for development and begin to suggest ways in which local people can actively engage in economic renewal.

In addition to increasing support for and participation in local economic development, social workers can use social capital to stimulate greater local involvement in small business development. By working with other professionals, social workers can help to create new enterprises and strengthen existing businesses (Livermore, 1996). Third World social workers already have extensive experience in this field and their activities are now emulated by social workers in the industrial nations (Balkin, 1989; Else and Raheim, 1992). They can play a particularly important role in encouraging low-income women to start micro-enterprises (Dignard and Havet, 1995). Also, their knowledge and skills with groups give them special skills in fostering cooperative ventures. The use of peer lending, for instance, has proven an effective mechanism for involving people in these enterprises.

Social workers have a similar role to play in strengthening existing businesses in the community. Despite the frequency of economic stagnation in the poorest communities, existing small businesses can be sustained and expanded. However, local enterprises need the support of the community. When local consumers use supermarkets and other large retail outlets outside the community, local businesses decline. To counter this trend, social workers can assist local businesses to form a local business association that can collaborate with the community economic development agency to formulate strategies for business revitalization. This form of social capital creation has a direct impact on economic development. Social workers can also assist in developing and implementing a community marketing strategy that encourages local people to support local businesses. This strategy involves community awareness and participation campaigns as well as meetings with local associations, churches, and other forums.

Social workers can also use their skills to attract greater external investment. Their abilities to network and lobby should be used to persuade firms to relocate or invest in the community and to persuade political leaders and financial institutions to support local economic activities. Social workers should be actively involved in securing resources for local economic development in terms of the Community Reinvestment Act of 1977. This act requires banks and trusts to loan money to qualified applicants and end the practice of redlining, whereby discrimination prevents investment in certain geographic areas (Thomas, 1994).

Social workers have an important contribution to make in using social

capital for job training and placement. Although the need for job training has long been recognized, a great deal still needs to be done to create effective opportunities for local people from deprived communities to upgrade their skills. Many are reluctant to admit that they are poorly educated and many are intimidated by formal educational institutions. Social workers can encourage local associations to create educational programs suited to the needs of local people. Local associations may provide more effective job training than is currently provided by formal educational institutions.

Social workers can also foster links between employers and job seekers through social networks and associations. They can encourage local groups to engage more effectively in job referral activities. Granovetter's (1974) research has shown that most people use personal network ties to find employment. Although they peruse advertisements as well, networks are the most effective means of finding a job. By creating employment referral networks through local churches, civic associations, and youth and women's groups, social workers can effectively use social capital to link people with jobs.

As noted earlier, social capital involves more than the creation of personal networks and civic associations. Midgley (1995) and Sherraden (1991) discuss ways in which social workers can direct social capital towards economic development goals. As Midgley notes, social workers in Third World countries have extensive experience in developing social infrastructure in local communities. He and Simbi (1993) argue that community social workers in the United States have much to learn from the experiences of these colleagues. Similarly, Sherraden's proposals for asset accumulation have direct relevance to social work involvement in local economic development. The creation of individual development accounts (IDAs) at the local level and the promotion of community assets also foster local economic development.

Social capital can also make an indirect contribution to local economic development. For example, the ameliorative impact of social capital formation on local community problems such as substance abuse and crime will improve local business development. In many communities, small business growth is retarded by high levels of crime and other social problems. Economic development is more likely to succeed in areas where these problems are controlled. The existence of well-developed associations, clubs, and other amenities is also likely to attract external investment and residents into communities experiencing revitalization. Increased social capital also enhances meaningful social relations and trust among people. As noted earlier, the creation of trust is a vital component

of social capital formation that has a powerful although indirect impact on community economic development (Fukuyama, 1995).

LIMITATIONS OF THE SOCIAL CAPITAL APPROACH

As this paper has shown, social capital theory provides a useful framework for social work's efforts to contribute to local economic development. This involves the re-direction of conventional community organization techniques to create social capital specifically to enhance local economic development. However, social capital theory has limitations that social workers need to recognize. These limitations are not only found in the technical challenges of implementing social capital ideas, but also in wider social, political, and economic issues. These issues affect social work's commitment to eradicate poverty and promote social justice.

For example, there is a danger that local economic development will fail to include the majority of the population in the development process. As is well known, economic development does not automatically 'trickle down' to the poor (Fields, 1980). For this reason, community social workers must ensure that economic activities do not focus only on the best educated and most organized groups. In addition, social workers must guard against local leaders expropriating development activities for themselves. As Fisher (1994) points out, many Community Development Corporations in the 1970s were more concerned with creating profits than with alleviating poverty. As a result, they promoted minority middle class interests rather than revitalizing poor neighborhoods.

Local efforts to create social capital and promote development may endorse the belief that solutions to community decline can only be found locally. This idea can leave poor communities with no external resources to deal with their problems. For instance, retrenchments in government assistance for community development over the past 15 years have created enormous problems for low-income neighborhoods. The idea that creating social capital at the local level can solve local problems may legitimize further inaction. In the light of current anti-tax sentiments and the prevalence of racist attitudes towards inner-city poor, indifference to impoverished communities is widespread. Social workers need to redouble their efforts to campaign for investments to revitalize these communities.

A related problem is that the concept of social capital can be expropriated by the political right for ideological ends. In a vigorous critique of Putnam's work, Skocpol (1996) shows how right-wing groups have cynically exploited communitarian ideas to gain electoral advantage. As the crass individualism that characterized the Reagan era loses popular appeal,

these groups increasingly use communitarianism to package right wing ideology. Right-wing think tanks and magazines now make frequent reference to social capital theory to claim that the revitalization of America's civic traditions offers an alternative to the 'failed' statism of the New Deal. They also use these ideas to argue that government intervention is not needed to find solutions to the country's social ills. It must be made clear that social capital is a supplement, not an alternative, to organized efforts at the national level to address urban poverty and deprivation.

Social workers must keep these limitations in mind as they use social capital theory to promote local economic development. For this reason, they should not abandon their commitment to empowering and enhancing the political strengths of poor communities. However, the materialist perspective used in this article emphasizes the need to focus on economic development. This perspective is consistent with social work's commitment to serving the poor and oppressed. Indeed, improvements in the material welfare of the poor will increase their participation in civic associations, political action, and other forms of social capital that give them greater control over their lives.

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