

# Briefs

MARCH  
2006

Linking research and practice to change lives, neighborhoods, and communities

The J. McDonald Williams Institute, research arm of the Foundation for Community Empowerment, is dedicated to conducting non-partisan outcomes research and public policy evaluation related to comprehensive community revitalization of low-income urban areas.

## Social Capital, Community, and Economic Development

JO ANNE SCHNEIDER, PhD

### ACKNOWLEDGEMENTS

*Dr. Schneider is part of FCE's 2005-2006 Community Scholars Program. The program is designed to serve as a link between academic researchers and the community, where academic scholars are encouraged to focus their research and expertise on real-world issues that have a significant impact on urban communities. Jackson is a graduate student at the University of North Texas Health Science Center in the School of Public Health.*

*This research brief was originally distributed as a white paper at the First Annual Conference of the J. McDonald Williams Institute in Dallas, Texas, in October 2005.*



**Social Capital, Community, and Economic Development  
White Paper Produced for  
The Foundation for Community Empowerment  
September 2005  
Jo Anne Schneider**

***Editor's note: The opinions expressed in this paper are the author's and do not necessarily reflect the opinions nor have the endorsement of the Foundation for Community Empowerment.***

## **Table of Contents**

Introduction _____	3
Defining Social Capital _____	6
Aspects of Social Capital _____	6
Three Kinds of Social Capital _____	10
Closed or bonding social capital _____	10
Bridging social capital _____	12
Linking social capital _____	13
Different kinds of social capital working together _____	14
Civic Engagement and Social Capital _____	16
Social Capital and Cultural Capital _____	17
Economic Development and Social Capital _____	20
Business Development Strategies _____	21
Employment Development and Human Capital Enhancement Initiatives _____	27
Community Development and Social Capital _____	33
Catalyzing Organizations and Community Development _____	35
Suggestion for Action _____	40
Queries for Local Community Development Initiatives _____	41
References _____	43
Notes _____	45

## **Introduction**

Successful community development is a complex process involving many elements, ranging from securing economic capital necessary to build infrastructure, to engaging community residents around asset-based initiatives to improve education, skills, or to foster a sense of community. Community development consists of *place-based initiatives aimed at general asset creation that improve the quality of life in low to moderate income neighborhoods*. In addition to economic development, community development enhances neighborhood social and cultural systems; improves physical structures such as housing, parks, and street systems; promotes education for all residents; encourages organizational development to support recreation, social, health, and other supports for community residents; and fosters civic engagement and political empowerment.<sup>1</sup>

Community and economic development strategies have always involved tension among top-down programs, like the urban renewal program that cleared low-income neighborhoods for redevelopment, bottom-up strategies, like Kretzmann and McKnight's asset identification and community engagement approach, and mezzo-level strategies like the Community Development Corporation (CDC) movement. Efforts to improve low-income communities have existed in the United States since the late 19<sup>th</sup> century. The settlement house movement was the earliest bottom-up strategy, with reformers moving into targeted neighborhoods to work with community residents to improve family and neighborhood conditions. Settlement houses continue to function today, with most either evolving into community-based comprehensive social service organizations or generalized social service programs serving anyone throughout a city.

Initially, CDCs worked with Neighborhood Action Councils (NACs), which served as forums for community-based planning, while CDCs drew on resources provided by government and private sources to engage in community development activities. Today, many NACs have either evolved into independent community organizations or have been subsumed under CDCs. While CDCs are best known for housing development, they engage in a range of community

development activities. In more recent years, initiatives have combined bottom-up and top-down strategies, such as the *Empowerment Zones* of the Clinton era, which brought significant federal dollars to targeted communities while expecting community institutions to play a central role in planning and running empowerment zones.

Results from each type of community development initiative have been uneven. Top-down strategies have displaced low-income families, while sometimes improving the physical and economic character of targeted neighborhoods. CDCs range greatly in their ability to foster neighborhood change. Results from the empowerment zones have been mixed, as are early reports from HOPE VI, an initiative with similar strategies aimed at replacing blighted public housing sites with mixed-income housing.

Organizations like the **Foundation for Community Empowerment** recognize that comprehensive community building is essential to community development. Community building focuses on building relationships as an integral element in a comprehensive community development strategy. This comprehensive strategy also includes, among other things:

- Marshalling economic capital;
- Identifying community assets and needs by working closely with community-based institutions and residents;
- Implementing comprehensive programs to educate and foster skills for residents of all ages;
- Developing infrastructure through building projects, attracting businesses, and fostering business development; and
- Supporting or creating additional social, health, environmental, and recreational programs to meet the self-defined needs of community residents.

Creating relationships among community members and institutions becomes an important element in community development for low-income neighborhoods. It is equally important to foster relationships between local communities and: 1) various city, state, regional, and national governments, 2) funders, 3) businesses, and 4) nonprofit organizations or systems that have additional resources neighborhoods need to thrive. Given the complexity and diversity within cities, community development strategies must also help neighborhood residents and institutions move comfortably throughout their specific city and region. This acceptance of the community is essential in the process of finding family-supporting work and fulfilling other needs and can be achieved through fostering multicultural behaviors, relationships, and trust in people from different backgrounds.

*Social capital* is the social science term for building relationships that help people and community-based organizations access the resources they need to meet their goals. Social capital refers to "the social relationships and patterns of reciprocal, enforceable trust that enable people and institutions to gain access to resources like social services, jobs, or government contracts."<sup>2</sup> Building social capital, like building communities, is a slow process that involves several steps and is a vital ingredient in a comprehensive community and economic development strategy. The strategy must also include building economic capital, human capital (skills and education), cultural capital (appropriate behaviors for a given setting), civic engagement, and political empowerment for local residents.

Social capital became an increasingly visible concept in research and policy circles after the publication of *Bowling Alone*, Robert Putnam's influential treatise asserting that U.S. communities were in decline because people no longer built social capital through participation in voluntary associations. Along the way, the initial meaning for social capital has been expanded and the term is now used to refer to a host of issues, including civic engagement, cultural capital, and human capital. Additionally, some policymakers claim that social capital is the *only* ingredient necessary for successful community development and social programs. In

order to clarify this concept and identify its appropriate uses in economic and community development, this paper provides a succinct overview of the concept of social capital and describes ways in which social capital can play a role in economic and community development. Examples illustrating these concepts are drawn from more than 20 years of research in urban communities, as well as from case studies produced by others involved with community development.<sup>3</sup> The paper addresses the following questions:

- 1) *What is social capital, and how do the various kinds of social capital play out in the ways that community needs are met?*
- 2) *What kinds of social capital building strategies are useful in economic and community development?*

### **Defining Social Capital**

While most community development professionals recognize the importance of economic capital for economic and community development, economists and social scientists identify several other forms of capital that provide essential assets individuals, organizations, and communities need to sustain and improve their communities. All types of capital are intertwined. *Human capital* refers to the education and skills needed to fulfill a goal. For individuals, *cultural capital* refers to knowing how to act, dress, talk, and otherwise present themselves in order to fit in. For organizations, cultural capital also refers to institutional habits essential to gain access to funding and other resources, such as grant writing, ability to manage accounts according to funders' expectations, and organizational communication skills necessary to generate members and support.

### **Aspects of Social Capital**

Social capital provides the means to get access to other types of capital. It refers to social networks that help people and organizations obtain their goals. However, social capital is much more complicated than simply knowing whom to contact to develop funding sources,

obtain skills, or foster partnerships with service providers necessary for community development. It involves several ingredients, *as well as reciprocal, enforceable trust*. For this reason, simply helping individuals or organizations develop connections does not necessarily yield effective social capital.

A connection is defined as social capital only if it includes three elements: 1) networks, 2) trust specific to that network, and 3) access to resources enabled by that network. The kind of trust typical of social capital involves specific trust among network members, not generalized trust in the community or city as a whole. People can distrust people they don't know or people from other groups in their city, but still have strong, trusting relationships among friends and institutions that help them find the resources they need.

A connection represents social capital only if it helps individuals or organizations access resources they need to achieve their goals. Social capital does not depend on the number of people or institutions known; organizations or individuals may know only a few people or institutions, but these connections prove sufficient to improve the quality of life in their communities. Others may have many connections, but the people and institutions in their networks do not have the resources they need to achieve particular goals. Those people or organizations also have social capital, but the connections may not work in all circumstances. In other instances, one may know many people or institutions, but not have trusting ties with them. These weak ties do not necessarily represent social capital because an individual or organization may not be able to depend on them to get access to resources.<sup>4</sup>

Two examples illustrate the differences between *weak ties* (social capital that meets basic needs but is unproductive for community development) and *effective ties* (social capital that leads to resources necessary to build community). In Kenosha, Wisconsin, a small city on the Illinois/Wisconsin border, Pastor Rice<sup>5</sup>, a well-known minister, wanted to build a school and several community-based organizations for his low-income constituency. Most of the major players in the city government, local colleges, foundation community, and area churches knew

this pastor well because of his leadership in various community initiatives and his involvement in a local civil rights organization. Rice, however, had weak ties with the community's elite and middle classes and was not trusted by these power brokers due to his combative communication style and because of the assumption that he interacted with the city elite only when he wanted something. As a result, he never developed the reciprocal, enforceable trust necessary to gain funding and other resources needed to create the institutions he envisioned would support his community.

While this pastor had no functional social capital with the city elite, he had significant social capital among the low-income and working-class community. Families knew that Pastor Rice would help if they were short of food, needed housing, or in trouble with the law. As a social capital resource for members of his church and others in need, he had a steady stream of people seeking his assistance. The low-income community that was the core of his social network also provided the goods necessary to meet the needs of members who were in trouble.

As with all social capital networks, reciprocal ties within the community allowed members of this closed network to support each other. The pastor served as the center of the social capital network, gathering resources from those in his community who were able to contribute and distributing the resources to others in need. His social capital resources may have been unproductive in securing capital resources from elite structures, but his class and race-based networks were able to meet the most basic needs. As such, his networks represented a functional social capital network, but one which was limited for securing significant resources for community development.

Chinese Social Services, a social service organization in Washington, DC, founded by an established Chinese American church to help new immigrants from China and Chinese Americans, provides an example of an organization that has helped the people it serves move into the mainstream economy and has promoted community development in a marginalized community. The organization was founded through the social welfare committee of the church

and is still under the auspices of the congregation today. The active members in this initiative migrated to the United States shortly after World War II and became well established in this country in government and private sector jobs. As such, these individuals had developed social capital networks both within the Chinese immigrant community and among the multicultural, multi-class institutions where they and their families went to school, worked, and participated in civic institutions. They had strong, reciprocal ties with government officials and funders in several parts of the city and national government. In addition, the church was an ethnic affiliate of a mainline Protestant denomination, providing organizational social capital ties to other churches in the denomination and throughout the greater Washington, DC, metropolitan area. The church also provided free space for the social service organization.

The organization has used these social capital links to create a variety of programs to serve both established and new Chinese immigrants in one Washington, DC, neighborhood. Services have been provided in the languages spoken by most Chinese immigrants and in culturally appropriate ways. Using social capital ties to established Chinese professionals, college students interested in Asians, and others, the organization has provided courses in small business development, computers, youth development, English as a Second Language (ESL), and other topics relevant to their community. Drawing on resources both from within the community and grants from government and national private foundations, the agency uses state-of-the-art equipment in the computer courses to ensure that low-income people and new immigrants have the same quality training as people in elite universities and technical training programs.

Partnering with Laotian and Vietnamese organizations, it has facilitated city contracts to provide services to crime victims for the Asian population in Washington, DC. Funding for this government program and others has enabled the organization to hire several community residents to provide services. Through its package of programs, this organization has not only maintained assistance to the most at-risk members of its community, but has also ensured that

new Chinese immigrants are able to move into lucrative occupations regardless of their current economic circumstances, and has provided for community safety, health, and welfare in numerous ways. As such, it has contributed to community development in historic Chinatown. This organization, as these examples illustrate, was effective in developing social capital that contributes to community development.

### ***Three Kinds of Social Capital***

The previous examples demonstrate that several kinds of social capital exist and that various social capital networks have different strengths and weaknesses. This section delineates differences between three kinds of social capital: 1) closed or bonding, 2) bridging, and 3) linking social capital.

#### **Closed or bonding social capital**

The term *closed social capital* is used to indicate social capital networks among homogenous groups of individuals or institutions such as race and class-based groups, as in Pastor Rice's low-income and working-class congregation or the Chinese immigrants who attend a particular church. Closed social capital refers to networks that include people or institutions that participate in exclusive sharing relationships.

Closed social capital comes from social networks within communities. The term *community* is used here to refer to groups sharing similar cultural, class, or geographic characteristics that form the basis for social capital networks.<sup>6</sup> A geographic area or a racial, ethnic, or national group may include several communities and many different closed social capital networks. For instance, groups may be of the same race but have different values and behaviors, which may or may not lead them to form separate communities based on class. A changing neighborhood may include several different communities based on class, race, nationality, or sexual orientation.

Closed social capital involves strong ties within communities, such as a cohesive neighborhood or ethnic group. Closed social capital can also develop among institutions. For

example, relationships may be formed among all of the churches of a certain race or ethnic group or CDCs serving a particular type of community in order to identify resources. In a neighborhood, all of the organizations with similar philosophies serving that neighborhood may work together to achieve their goals.

Most of the social capital literature uses the term *bonding social capital* instead of closed social capital. The use of closed social capital here differs in two ways. *First*, the term as defined here stresses that closed networks are homogenous groups that share some critical characteristic—race, class, gender, sexual orientation, political philosophy, common religious values, or focus on a particular population or social problem. Bonding social capital, as it is usually defined, makes no such cultural distinction about the nature of these networks.

Putnam and others also describe bonding social capital as strong ties within insular communities like family networks or those specific to separatist communities. While Putnam recognizes that bonding social capital may have positive uses, many scholars, policymakers, and practitioners think that bonding social capital also be negative. For example, bonding social capital is associated with poor families who do not have access to the resources they need to succeed.

Instead, I argue that closed social capital is an essential ingredient that all families, communities, and institutions use to meet their needs. As with Pastor Rice's constituency, low-income residents of this community have trusted this pastor when they have been in need much more than they have trusted government or outside agencies. Both the Chinese organization and Pastor Rice, through the messages he has given in church and his other programs, have socialized community members to values common among most people in the United States.

In fact, most individuals develop human capital and cultural capital initially through these closed networks. They are important stepping stones in developing the social capital links to others outside of their homogenous communities that they also need to thrive.

## **Bridging social capital**

Scholars and practitioners use *bridging social capital* to refer to relationships that cross boundaries of race, class, culture, or philosophy, regardless of power relations. The partnerships that the Chinese organization has developed with the Laotian and Vietnamese organizations that provide similar services are one example of bridging social capital. Links that this organization has with universities that supply volunteers and citywide businesses that donate funds, goods, and labor would constitute bridging social capital because most people in these institutions belong to distinct networks, and the institutions themselves have different goals, orientations, and homogenous affiliations. In many cases, bridging relationships develop through ties among people from various homogenous networks. For example, the Chinese organization developed relationships with university students because a student at one of the universities came to the organization to volunteer as a result of his interest in studying Chinese immigrants. This student, in turn, drew on his own university networks for ESL tutor volunteers, which eventually led to a long-term relationship between the university and the organization. Likewise, Chinese church members who work for private industries have drawn on their employment networks to develop social capital for the Chinese-serving organization.

In contrast to some others, I stress that bridging social capital relies on long-term trust-based relationships. Weak ties across groups or institutions offer the potential to develop bridging social capital, but networking with those outside one's home community in and of itself does not necessarily garner resources. For example, Pastor Rice has had plenty of weak ties with the middle class community as well as the elite of Kenosha. While the middle class has provided some support for his initiatives—for example, donating food and clothing—they have lacked the confidence in him to assist him with more ambitious projects due to his limited ability to maintain standard record keeping and organizational management practices in his current initiatives. At best, he has had tenuous and ambivalent ties with the more successful members of his community, leading to limited trust and support. His weak ties with the city elite, which

controls funding, government contracts, and other citywide resources needed for large-scale community development initiatives, have not involved enough reciprocity or trust to yield resources.

### **Linking social capital**

Scholars at the World Bank have recently added the concept of *linking social capital* to describe relationships among people or institutions at different parts of the power hierarchy of a locality.<sup>7</sup> Linking social capital differs from bridging social capital because in a linking relationship, the power differences between partners remain a conscious element of the relationship. While bridging social capital develops horizontal trust among unlike groups, linking social capital involves classic patron/client or mentor/mentee relationships.

This kind of relationship refers to connections between an organization or government office and the people it serves. Linking social capital can also refer to relationships between community-based organizations and government or other funders. The Chinese organization has had several kinds of linking social capital—ties with the government through its contracts, ties with the national church denomination, and relationships with a variety of elites throughout the business community and government that can help its immigrant, elderly, and low-income program participants meet their long-term goals. The linking ties that the organization has had with national and citywide power brokers have also enabled it to play a role in planning and community development initiatives for its neighborhood.

Linking ties enable a community-based organization to meet its own goals as well as goals for the people it serves, and also enable citywide, state, or national initiatives to reach into communities that may be marginalized due to income, language barriers, immigrant status, race, or other reasons.

### **Different kinds of social capital working together**

In many cases, staff at organizations with functional linking ties have bridging relationships with those in power through their other networks. For instance, government workers who volunteer for the Chinese Social Services agency may have social ties to people in other government entities that could help this organization. The same is true for educational and business organizations that work with this community-based social service agency. The staff has used bridging ties to develop linking ties for program participants and the organization as a whole.

Closed and bridging social capital depend on each other, particularly in marginalized communities. For example, the Chinese social service organization has relied on social capital both within the Chinese community and throughout the city in order to achieve its goals. It has used three kinds of social capital to achieve its goals. Another Kenosha example shows the importance of this link. In the mid 1980s, another Kenosha church, initially very similar to the congregation served by Pastor Rice, hired Pastor Carter, a dynamic educator from a nearby Illinois suburb, to be its pastor.<sup>8</sup> This minister understood the needs of the closed social capital community he was called to serve, but also envisioned an empowering ministry that would gradually transform these “passive, take anything people,” as he remembered his initial congregation, into a dynamic, multi-class congregation at the center of changing intergroup relations, improving schools, and developing human capital in this small city. Over a 20-year period, he slowly fostered stronger closed social capital within his constituency while simultaneously building effective bridging and linking social capital with other churches and power elites in his small city. Pastor Carter initially started by focusing inward, building “contact ministries” that fostered closed social capital within the congregation. He used the various interest groups such as Boys-to-Men, Afrocentricity, and the more traditional men’s and women’s ministries to empower and educate the congregation.

The dynamism of the growing congregation attracted middle class people who were newcomers to Kenosha, widening the class distribution of the congregation. These new middle class members not only brought bridging ties to government and city business elite, which were developed through their work, into the social capital mix of the congregation, but also participated in the sharing and socialization networks within the church. Closed social capital within the church eventually fostered the skills and trust necessary to foster bridging ties across race and class. Closed social capital development served as the essential first step to creating effective bridging social capital.

In approximately five years, these relationships evolved to the point that the interfaith group invited the Gamaliel Foundation, a national community-organizing initiative drawing from the teachings of Saul Alinsky, to form a Kenosha chapter.<sup>9</sup> Pastor Carter's church was at the center of this initiative, and through both educational initiatives from the congregation and one-on-ones (educational conversations among participants), the mixed-income church educated the affluent members of the other congregations in its bridging social capital network about the dynamics of poverty and race. Together, these groups sought to change Kenosha social and economic systems. They started by electing Pastor Carter and a well-known Latina to the Kenosha school board—the first non-White members in its history. The initiative has also planned to address other community development issues related to poverty in the future. Bridging ties are being used through empowerment tactics to reach the power elite. The initiative has carefully reserved using its linking ties to government, but these connections remain available should they be necessary to meet community goals.

These examples show that the three kinds of social capital are mutually exclusive, but can work together to achieve community change. All three are necessary for community development. As is typical of bridging social capital, these leaders developed reciprocal relationships benefiting both marginalized communities and the city as a whole.

### ***Civic Engagement and Social Capital***

The second Kenosha example illustrates links between social capital and civic engagement. Social capital, however, does not necessarily lead to civic engagement, nor are the two terms interchangeable. *Civic engagement* is defined here as *citizens working together for the common good, often in activities that foster engagement in the political process*. In contrast to the reciprocal, enforceable trust of social capital, civic engagement depends on generalized trust in the community as a whole. People involved in civic engagement activities may not necessarily have long-term, trust-based ties to the organization through which they provide service or the political issue that they address through a rally or voting. For example, the White ESL tutors at the Chinese social service agency have often expressed interest in serving others, but have had limited relationships with the Chinese immigrants they tutor. While the churches involved in the interfaith Gamaliel initiative in Kenosha have had bridging social capital ties to each other, the members who participate in a citywide rally may feel an affinity to the cause and come to the event through the closed social capital networks of their church, but they may have no connections to the members of the other participating churches. The total number of members of the various congregations who attend the mass rallies is far larger than the small cadre of active volunteers who keep the organization going. While those active participants may develop social capital ties among themselves, civic engagement of the larger constituency requires much less social contact, much lower commitment, and limited network-specific trust. It does require generalized trust in the initiative and its founders to continue to draw large groups to its activities.

These examples suggest that social capital and civic engagement may or may not be linked, depending on the activity. As with the Kenosha Gamaliel coalition or the White tutors at the Chinese organization, social capital networks may provide opportunities for civic engagement. However, these kinds of ties are not necessary for civic engagement. For example, political campaigns depend on diffuse messages, and some citywide organizations

draw support from many people who do nothing more than donate food and gifts at holidays. For example, one Washington, DC, organization that is highly regarded throughout the community reported that it had to turn away the flood of people who wanted to volunteer to serve meals to the homeless on Thanksgiving. Instead, it created another fundraising event—a run to support the organization—as an outlet for all of the civic engagement engendered by the symbolism of Thanksgiving. Giving to the less fortunate on holidays drew on widely-held cultural beliefs about providing for those in need. Each of the various forms of social capital also depended on culture, another element linked to social capital.

### ***Social Capital and Cultural Capital***

Developing reciprocal, enforceable trust for bridging, linking, and closed social capital requires slightly different cultural skills, but the ability to display the right cultural cues is an essential element to accessing any kind of social capital. Functional social capital has two ingredients: 1) trust-based relationships with people or organizations who have access to resources and 2) knowledge of cultural capital cues,<sup>10</sup> which indicate that an individual or organization is a member of a group and should be given access to those relationships. This definition links social capital to community culture. People and organizations that have the right kinds of context-specific relationships and know the cultural-specific cues required to access resources achieve their goals. Because local communities depend on the social capital of their members and institutions, the kinds of social capital available to community members shape outcomes for the entire community.

Behaving in ways considered appropriate by the people who are part of social capital networks is as important as having the right contacts. This knowledge about education, employment, or organizational development systems and the correct ways to behave and speak in order to succeed is called cultural capital. People need to know how to use the right cultural capital for a given goal, such as getting an education in order to access the trusting relationships of a social capital network. Anthropologists define *culture* as the whole way of life

of a people, including the economic system, government, social service organizations, religious institutions, values, beliefs, and ways of behaving. People who study organizations or poverty often use the term culture to mean values or habits particular to one organization or group of people. In this document, the second definition of culture is generally used when talking about cultural capital. However, specific behaviors and beliefs come out of the whole way of life of a people and are influenced by economic structures and other systems in a community.

All of the examples used so far demonstrate the importance of cultural capital to access various kinds of social capital. Pastor Rice had trouble gaining resources from the city elite because he had violated their norms of friendliness and reciprocity by appearing at community functions only when he wanted something. The middle class in his community refused to assist him with his community development initiatives because they knew from experience that he could not account for funds donated to the organization or run a program in a manner fitting their expectations for appropriate nonprofit management. At the same time, the low-income members of his community trusted him above any other individual or institution to seek help when they were in need because of shared cultural values and attributes.

Bridging and linking social capital require multicultural abilities as well as openness to different approaches. For example, the leaders of Faith Temple (the Kenosha church led by Pastor Carter that served as a bridging institution); the active members of the interfaith, multicultural Gamaliel coalition; and the staff and active Chinese volunteers at the Chinese social service organization all know the appropriate cultural cues, dialect, or language to speak, and behavioral patterns for both their race and nationality-based<sup>11</sup> communities and multicultural middle class environments. As organizations and individuals, the leaders of these initiatives have also learned the management techniques, proposal presentation styles, and other cultural attributes necessary to successfully garner resources from foundations, government, and businesses. They also know when it is appropriate to switch between closed community cultural style and citywide community style. In each case, people who develop

bridging and linking social capital must be able to move both into the world of the people they serve as well as into the world of the elite that offer resources. Organizations also develop trust with the people they serve through similar cultural signals. As with the frequent cases of well-meaning outsiders unsuccessfully assisting low-income communities, people or institutions that try to impose their values on local communities fail to develop the social capital trust to succeed in their endeavors. Culture in bridging and linking instances truly involves mutual learning based on mutual respect and developing multicultural styles. This does not necessarily mean that people from different groups become like each other, but rather that they develop understanding of each other and some common cues that become essential elements to reciprocal trust that can be reinforced.

Many successful programs that work with communities that are marginalized due to low income, race, immigrant status, or other reasons rely on encouraging the development of multicultural understanding as part of programs that also build relationships in a first step for expanding social capital. For example, a Milwaukee, Wisconsin, program working with Hmong refugees to combat domestic violence brought together predominantly White social service providers and key actors in the Hmong community in a program of mutual education on domestic violence. The initiative allowed the Hmong community and the predominantly White social service community to understand each other's culturally-developed approaches to domestic violence in order to create programs that met the needs of all members of the Hmong community. Relationships developed through this program provided the first step in bridging social capital development between the Hmong community and the local service providers and advocates for survivors of domestic violence.<sup>12</sup>

Another study of community development in a mixed-class neighborhood in Philadelphia indicated "multi-class" residents. These were people who had attained middle class status and values, but felt a commitment to improve low-income neighborhoods, and who served as key bridging actors in community redevelopment in this at-risk neighborhood. Multi-class residents

maintained cultural attributes appropriate for both middle and lower-income individuals. Practices such as locking a community garden to keep out neighborhood vandals, however, were easily misinterpreted by low-income residents as signs that these multi-class people meant to gentrify the neighborhood rather than improve the quality of life for all residents.<sup>13</sup> This example shows that even those who practice multicultural behaviors need also to work hard to maintain relationships with everyone in the community if they are to avoid these kinds of misunderstandings. Otherwise, these initiatives fail to build trust-based, bridging social capital among community residents.

Both social capital and appropriate cultural cues can be taught, although successful programs often rely on long-term modeling or technical assistance rather than on one-time workshops. The kinds of technical assistance, community building, and coalition development sponsored by the Foundation for Community Empowerment and other catalyst organizations such as Living Cities, Enterprise Foundation, and Neighborhood Reinvestment offer opportunities to develop social capital through various networking opportunities and foster cultural capital that organizations need through training and technical assistance.<sup>14</sup> These kinds of initiatives use social and cultural capital to initiate economic and community development. These organizations also serve as important bridging and linking institutions that help bring together citywide resources and marginalized groups or neighborhoods seeking to improve economic conditions or more generally develop their communities. The remainder of this paper explores the roles of various kinds of social capital in successful development. I also highlight how a lack of social capital can hinder economic and social capital initiatives.

### **Economic Development and Social Capital**

The concept of economic development has been used to refer to several related strategies to improve economic conditions in a targeted locality:

- 1) *Improving the employment status and quality of jobs held by community residents*
- 2) *Expanding economic opportunities for business and simultaneously increasing the local tax base*
- 3) *Increasing outside investment to improve the range and quality of services available in a locality, as well as enhance community infrastructure*
- 4) *Bringing a wider range of service-oriented businesses into a community to improve available goods and services as well as expand employment.*

Economic development strategies either focus on an entire city or region, or on specific neighborhoods within a larger geographic area. Economic development strategies targeted toward low-income or transitional neighborhoods within a larger locality that has a strong economy generally take two forms: 1) place-based techniques and 2) bridging strategies to connect residents or local businesses to the wider economy. While many economic development strategies concentrate on bringing businesses into communities, educational initiatives to improve the human capital of community residents and better connect them to employers also constitute a form of economic development. More comprehensive economic development strategies like the empowerment zones combine business development and strategies to improve the human, social, and cultural capital of local residents. This section of the paper looks at some of the current strategies for economic development, noting the role of social capital in each kind of initiative.<sup>15</sup>

### ***Business Development Strategies***

Place-based strategies bring employers into a targeted locality or encourage employers already located in the community to hire more people from that neighborhood, or both. As with general community development initiatives, economic development techniques have moved back and forth over the years between top-down and bottom-up strategies, more recently combining the two forms. For example, local governments may use a variety of incentives to

encourage businesses to locate in targeted communities, such as marketing strategies to attract businesses, tax breaks or credits, favorable zoning, and improvements of locality infrastructure (i.e. lighting, transportation, building quality, and safety issues). These kinds of strategies often involve external initiatives, when city planners, local investment firms, foundations, and banks work with businesses to encourage them to locate in particular communities. While these initiatives have succeeded in developing some marginalized localities, the literature on economic development is rife with examples of economic development strategies that failed to improve neighborhood conditions and ignored local indigenous businesses. Given the global nature of modern business, some cities spend already scarce government funds to attract businesses, only to find themselves struggling in a bidding war with other communities, discovering that businesses fail to hire community residents, or realizing that employers might leave for more favorable locations despite government-provided incentives. In many cases, failure to build appropriate bridging and linking social capital between local communities and wider economic systems causes problems for external initiatives. For example, analysis of the failed Los Angeles Community Development Bank reveals that many problems with this initiative came from lack of true partnerships among the various government and private entities involved in the project.<sup>16</sup>

As part of the *Changing Relations Project: Newcomers and Established Residents in Philadelphia*, Cynthia Ninivaggi studied the activities of a business association in a mixed Latino, White, and African American neighborhood designated as an enterprise zone, the precursor of the concept of the empowerment zone. Businesses in an enterprise zone were given tax credits to locate in the targeted neighborhood, with the expectation that they would hire community residents. As the lead agency for this government initiative, this particular business association was charged with providing a variety of services to local businesses, including enrolling them in the enterprise zone initiative. Ninivaggi found instead that the predominantly White business association focused only on providing support to manufacturing

enterprises located in one section of the neighborhood, ignoring the burgeoning but undercapitalized Latino business and manufacturing sector that was also part of the catchment area for the empowerment zone. Ironically, these Latino businesses were the businesses most likely to hire neighborhood residents, particularly the Puerto Ricans considered the primary target for economic development initiatives. In addition, Ninivaggi discovered that the businesses that received enterprise zone tax credits failed to increase their hiring and chose most of their employees from across the river in New Jersey rather than hiring local neighborhood residents equally qualified for these positions.<sup>17</sup>

The findings of this Philadelphia economic development experiment reveal two failures due to missing, closed, or misplaced social and cultural capital. In a classic example of closed social and cultural capital, the business association focused on a small cadre of business owners like themselves—established White manufacturers. The few new businesses it brought into the neighborhood fit a similar profile, indicating that founders reached out to people that shared the same cultural capital, and possibly knew each other previously through wider Philadelphia business circles. In other words, they relied only on their pre-existing social and cultural capital to determine whom to invite into the empowerment zone initiative.

Business owners who were different from the business association members or belonged to other closed social capital systems were left out of the initiative. The Latino businesses differed from these owners and employees both in race as well as in the type of products they produced. Unlike the manufacturers, most of the Latino businesses were car repair shops, retail trade, and other service industries. As such, they had few potential social capital connections with the White manufacturers because they belonged to different associations that supported their specific retail and service industries. Furthermore, the Latino business district had its own unique business association and other affiliations with the wider Hispanic and Latino community throughout the city. Finally, the cultural capital of these two business communities was very different. While the White business association that hosted the

enterprise zone initiative was not openly bigoted toward the Latino community, initiative staff did not think to reach beyond their culturally-defined understanding of appropriate businesses to build employment in other areas of the neighborhood.

The Latino business district and other small businesses in the area sometimes benefited from another kind of economic development strategy—business development and incubator initiatives. These programs involve assisting potential business owners by helping in developing business plans, aiding in locating start-up capital, providing technical support for new business owners, and sometimes supplying infrastructure support by offering space for small businesses or common bookkeeping and payroll services. Business development strategies of this nature are sometimes considered bottom-up initiatives because local communities or the business owners themselves elect to participate in these programs. These can either serve anyone interested in a program or be place-based initiatives. For example, a business incubator program may either provide space for new enterprises or foster development in one specific locality.

Successful business development strategies also require a social and cultural capital match between potential business owners and agencies providing funds and technical assistance. A negative example is that of the Philadelphia private industry council that funded several programs to help low-income residents develop their own businesses. While some of these programs ran without support from national or regional business development organizations, others connected with federal government initiatives like the Small Business Administration (SBA) and national nonprofit entities like the Association of Retired Business Executives, which has helped new business people develop business plans. Staff at the well-intentioned nonprofit organizations that managed these initiatives had never operated for-profit enterprises themselves and were unable to provide experience-based advice to the people in their programs or social capital connections to funders. In all cases, few of the potential business owners in these programs moved beyond developing initial plans because they lacked

the cultural know-how to develop realistic business plans, sufficient economic capital to succeed, and social capital to gain access to sufficient capital. The federal regulators who administered most of the programs offering small business loans required start-up resources far beyond those available to these low-income applicants and judged business plans using culturally-coded standards. Few of the business development programs providing technical support offered additional help. They did not have sufficient confidence in the potential low-income business owners because of their inability to display appropriate cultural capital through personal presentation styles and to present business plans in the expected format. Lack of cultural capital created a "catch-22," preventing potential business owners from gaining access to social and economic capital necessary to start their businesses.

Instead, a steady stream of small business association loans went to former Asian refugees and established Asian immigrants. They had been business owners in their countries of origin or had help developing business plans through their countrymen or refugee resettlement initiatives that provided appropriate social and cultural capital to develop successful small business loan applications. Newcomer Asian businessmen could also rely on capital they brought from their home countries and informal loan programs that have regularly developed in Asian communities. All these initiatives relied on the social capital of the immigrant community to provide economic capital, information about available resources or businesses to buy, and a labor pool made up of a steady supply of family members of new immigrants eager to learn businesses practices by working in existing businesses run by people from their country of origin. Established business people taught newcomers, providing the appropriate cultural capital needed to succeed in the U.S. business environment.

Several economic development initiatives combine top-down and bottom-up strategies in attempts to solve some of the challenges faced by earlier initiatives. Each of these economic development strategies rely on developing appropriate cultural capital, identifying assets in closed communities targeted for economic development, and building bridging social and

cultural capital. For example, the Community Reinvestment Act, an initiative that combines economic and community development, combats redlining (i.e. refusing financial services to certain areas) in urban communities by insisting that financial institutions invest in communities where they are located. In order to build support for this legislation and meet the requirements of the act after it passed, financial institutions and advocates fostered bridging social capital and cultural capital. Peter Dreier noted that the advocacy organizations behind the Community Reinvestment Act, such as National People's Action, the Center for Community Change, and the National Community Reinvestment Coalition, served as catalysts, bringing local community groups together and allowing them to learn from each other. These initiatives fostered bridging social capital among community groups and national advocates. At the same time, these initiatives expanded cultural capital by helping local groups understand financial institutions, develop advocacy skills, and learn how to use newly available financial data to gain access to capital through the act. Financial institutions hired people with multicultural skills and networks to work simultaneously with local community residents and financial institutions.<sup>18</sup>

Several other initiatives use similar strategies. Place-based ownership models like co-operatively owned businesses, employee-owned enterprises, community-owned enterprises, or initiatives like sustainable development, which give communities a voice in economic development initiatives, all rely on community-based social capital to succeed. Community Revolving Loan Funds—unregulated revolving loan funds that provide capital to targeted communities—also rely on social capital connections within communities to identify recipients for funds and ensure repayment. Each of these models connects business owners with the social capital systems of a given locality. In the case of co-ops, employee-owned companies, or community-owned organizations, community social and economic capital combine as local people become responsible for organization activities. Potentially, these initiatives broaden community involvement in economic development, drawing on the cultural capital and closed social capital of that locality to make decisions. Theoretically, locally focused businesses are

more likely to hire through their social capital networks, providing increased employment for that community.<sup>19</sup>

While these locally owned entities may be less susceptible to the potential that businesses may leave town for more favorable conditions, unless those with a stake in the business have sufficient economic capital and bridging or linking social capital to survive in a global market, they are unlikely to succeed. Additionally, co-ops, employee-owned businesses, and other economic development initiatives may rely on only one closed social capital system in a locality, providing jobs and business opportunities for one faction of a targeted neighborhood but not others.

Empowerment zones attempted to bring together all of these elements through competitive initiatives that required targeted community participation in planning and running programs in order to receive federal funds. Empowerment zones brought significant federal dollars into targeted communities. The Philadelphia empowerment zone combined educational, economic, and community development initiatives in an effort to improve conditions for community residents. As with many similar programs, the Philadelphia empowerment zone yielded uneven results because factions within the community controlled some resources, the initiative brought together disparate neighborhoods without completely bridging the closed social capital networks associated with each locality, and the initiative sometimes faced challenges bridging between citywide and regional government and targeted communities. As with other social capital initiatives, planners involved in creating these kinds of initiatives must pay attention to both community dynamics within the targeted locality and links to wider systems necessary for an initiative to succeed. This requires simultaneously fostering closed, bridging and linking social capital as well as appropriate cultural capital.

### ***Employment Development and Human Capital Enhancement Initiatives***

Comprehensive economic and community development initiatives frequently include an employment development component, the other strategy to improve economic conditions in

targeted communities. Employment development strategies fall into five categories: 1) strategies to encourage existing employers to hire community residents through tax credits or other mechanisms; 2) job creation strategies like public works programs, nonprofit development initiatives, or summer youth employment programs that use government funds to subsidize employment; 3) educational initiatives aimed at improving human, and sometimes cultural, capital; 4) efforts to link community residents to family-supporting job resources outside their neighborhoods, such as skills banks, job clubs, and targeted job-placement initiatives; and 5) various activities to improve transportation between low-income neighborhoods and areas offering abundant employment. Each of these strategies has had uneven success in the past, and each requires a combination of social and cultural capital to succeed.

As with the Philadelphia example of enterprise zone employers who failed to hire neighborhood residents despite tax credits, programs aimed at enhancing employment of low-income residents, particularly when the racial and class backgrounds of employers and neighborhood residents differ, have limited results. Numerous scholars have documented that hiring occurs through social networks, and low-income families seldom have the connections to get into jobs that pay family-supporting wages. As Newman's study of employees at a fast-food franchise in New York shows, even minority-owned, low-wage workplaces rely on their productive employees to refer friends and family they think would be good workers. As a result, social capital influences entry into the low-paying job market as well. Challenges finding family-supporting work become more difficult in a global economy where job markets are increasingly bifurcated between service-sector or low-skilled manufacturing positions that require limited education, but offer low wages and few benefits, and jobs requiring advanced education, teamwork, and appropriate cultural capital for professional workplaces.<sup>20</sup>

For example, research in workplaces during the *Changing Relations Project* revealed that manufacturing firms' workforces reflected the combined effects of social capital and the trajectory of affirmative action. For example, in one unionized manufacturing plant located in

Kensington, a mixed Latino, White, and African American low-income neighborhood in Philadelphia, the most senior workers were all White, hired from neighborhood networks when this changing neighborhood was predominantly White working class. The next most senior workers were African Americans, followed by Latinos. The African Americans initially found their way into jobs at this plant through affirmative action initiatives. Most lived in segregated neighborhoods adjacent to the plant, and after the first African Americans were hired, successful workers referred their friends and family to the company. Latinos moved into the neighborhood later and found their way into the company through referrals from White neighbors and affirmative action initiatives. Finally, one part of the plant offering the most dirty and dangerous work was staffed exclusively with recent Polish immigrants because none of the more established workers wanted these jobs, and the Polish newcomers, with few other options, were glad to take them. As with the other workers in this firm, the Polish immigrants found jobs in the company through social capital links in a largely Polish and Polish-American neighborhood near the plant.

In each case, social capital networks provided a steady stream of workers to the company. Despite formal personnel policies and efforts to maintain an integrated workforce, floor supervisors faced many more applications than positions available. They relied on established workers to help them decide which of the many applicants to interview. Strict union seniority rules meant that when the plant downsized because its multinational owner moved most operations to Mexico, the newer Latino workers who were the target for local economic development initiatives were the first laid off.<sup>21</sup> While social capital brought targeted populations into the workplace, seniority policies conflicted with economic development initiatives.

Ninivaggi's work in other manufacturing businesses in the enterprise zone revealed that employers were more likely to hire people from New Jersey than the poor people who lived near businesses in this distressed neighborhood. Two factors combined to lead to this result. First, employers relied on pre-existing hiring networks to find workers, and the enterprise zone

legislation offered credit for employees based on race, not neighborhood where they lived.

Employers thus had no real incentive to hire neighborhood residents.

Second, while the unemployed people living near these plants may have had the limited human capital skills needed for these manufacturing positions, many either lacked the cultural capital to succeed in these workplaces, or employers presumed that everyone living in the neighborhood followed the anti-social behaviors of the drug addicts most visible on local streets. Scholars like William Julius Wilson, Harry Holzer, Philip Moss, and Chris Tilly stress that prejudice against workers in poor communities—particularly workers of color—leads employers to favor prospective employees referred through known closed social capital networks over unknown community residents. Low-income residents following the street culture of inner-city neighborhoods also have trouble finding and keeping jobs in the service sector for similar reasons. Given limited social capital links to good jobs, employers rely on the pre-existing experience of applicants and their presentation of self. Potential employees lacking previous related work experience and who have not learned the appropriate ways to dress, talk, and behave in a given workplace find it difficult to find and keep work, particularly work paying living wages.

Lack of appropriate cultural capital for a chosen workplace can cause problems for community residents regardless of their human capital. For example, programs in Cabrini Green, the Chicago public housing project, found that some welfare recipients had trouble keeping jobs in service-sector restaurants and stores because they became combative with customers that they felt were disrespecting them. My own research showed that people with good skills and attitudes could fail to find work in white-collar, professional workplaces if they dressed inappropriately for that environment or appeared to have a different accent. Both clothing styles and speech patterns serve as common markers of cultural capital, and employers hesitated to hire anyone that did not fit their cultural expectations for reliable workers. Educational programs that developed human capital, but failed to teach appropriate cultural

capital for a given profession often experienced difficulty in placing workers in family-supporting jobs. Likewise, employment programs for refugees or unemployed workers staffed by young, inexperienced employees with limited work experience themselves or former refugees with no other U.S. work experience than working for social service agencies, and relied on the staff to develop generic resumes had limited success placing their clients because employers questioned resumes that seemed inappropriate for that field. These problems were particularly acute for people attempting to gain entry to a new field or country—such as manufacturing workers retrained to work with computers, first generation college graduates, or immigrants and refugees seeking work for the first time in the United States.<sup>22</sup>

Solving these problems requires simultaneously developing human capital, social capital, and cultural capital appropriate for a given job. The most successful workforce development strategies, such as on-the-job training (OJT), employer-targeted training programs, mentoring, apprenticeships, and internship programs include all of these factors. In each case, human capital is developed through a combination of classroom activities and on-the-job training. Mentoring and targeted placement activities through educational institutions help foster social capital that can lead to long-term employment. Mentoring, appropriate modeling during classroom activities, and experience in actual workplaces foster appropriate cultural capital. For example, the Philadelphia Jewish Federation matched Russian Jewish refugee engineers, doctors, and other professionals with established U.S. Jews in the same fields. These mentoring relationships helped newcomers develop appropriate resumes and created social capital, which led several major U.S. firms to hire numerous refugees through these channels. Travel between home neighborhoods and workplaces during training programs encourages people from segregated neighborhoods to develop comfort in moving outside their home communities.

OJT places new workers with some appropriate training in workplaces to learn employment skills firsthand and offers the possibility of developing connections with employers that will lead to permanent work. Employer-targeted jobs programs work closely with employers

to develop training programs for potential workers, usually with guaranteed employment for successful graduates. Training programs such as these have already developed social capital with employers with whom they place employees. The most successful programs also provide some on-the-job training. Internships and apprenticeships have similarly provided initial entry into lucrative work for professionals and skilled workers for generations. These programs combine classroom-based human capital development with mentoring and on-the-job training.

While most of these initiatives were developed for general populations, Felice Perlmutter shows that the same combination of techniques can work for welfare recipients seeking service-sector employment. Project Match in Cabrini Green has utilized similar strategies for first-time employees from segregated public housing projects. The Alternative Work Experience Program, a model community service welfare-to-work program that combined education with community service internships, has shown that these strategies also work well for other kinds of jobs. However, moving people into unfamiliar territory, especially when bringing potential workers into new environments very different from their familiar class and cultural background, requires slow development of appropriate behaviors and enough bridging social capital trust among trainers, employers, and trainees to work through any misunderstandings or problems that may occur.<sup>23</sup>

As discussions of successful workforce development initiatives and of problems convincing employers to locate in distressed neighborhoods or hire workers who live in these communities suggest, economic development depends on broader community development to succeed. Always conscious of the bottom line, employers are often leery of locating in changing neighborhoods where:

- Security costs may be higher than in suburban locations;
- Neighborhoods lack the quality schools and housing employees want; and
- Infrastructure to move employees and goods to and from the workplace or provide basic services are lacking.

The final section outlines more general community development strategies, discussing the role of social capital in community development.

### **Community Development and Social Capital**

Most of the economic development initiatives discussed above are part of a comprehensive community development strategy. While many community development initiatives focus on “bricks and mortar” efforts to build infrastructure, economic development, or providing services to uplift community residents, the community development strategies discussed here include comprehensive community building and community engagement strategies through fostering social capital as well as building assets. Kretzmann and McKnight (1993) criticized many community development activities sponsored by outside organizations or citywide elites as creating a culture of dependency among low-income families and neighborhoods. People have learned to behave as clients because this has been the only way to get access to needed resources. After years of outside focus on the problems in a neighborhood, residents have begun to think of themselves as lacking resources to improve their own conditions. Instead, Kretzmann and McKnight promote first identifying assets within a community, then building on those community-based assets by working with entities providing additional resources.

In many ways, the top-down or dependency-creating strategies of well-meaning programs represent one closed social capital network providing assistance to another without building bridging social capital that will enhance assets within targeted communities. One example from Milwaukee illustrates this tendency.<sup>24</sup> Neighborhood Settlement House is a one-stop-shop that provides day care, adult and youth education, youth programs, welfare-to-work assistance, emergency services, health care, a seniors program, community organizing, parenting courses, and social services to residents of one mixed class and race neighborhood in Milwaukee. The organization is located on the edge of a public housing project in the center

of the neighborhood. Since the 1980s, the housing project has become home to increasing numbers of impoverished African Americans, with a higher percentage of older and disabled residents than the surrounding blocks.

The social service agency was founded in the 1950s to serve the entire neighborhood, which then consisted of White low-income, working-class and lower middle-class families. However, by the 1980s, Neighborhood Settlement House had shifted to focus on the neediest residents of the community, particularly housing project residents. With the exception of the predominantly White seniors program and a business association, most people who used the organization were low-income African Americans. Given the racial dynamics of Milwaukee, White and Asian neighborhood residents considered its recreation and tutoring programs “unsafe” for their families. Neighborhood Settlement House, therefore, became an agency with middle-class staff serving low-income families.

While Neighborhood Settlement House did great things for this neighborhood—fostering a business association and providing a range of services to low-income residents—it failed to successfully meet its mission goal of promoting self-sufficiency for families in the targeted neighborhood. Just as in Kretzmann and McNight’s critique of these kinds of programs, key Neighborhood Settlement House staff had paternalistic attitudes toward the people they served, marshalling their citywide social capital to garner resources from outside the neighborhood to provide basic necessities, adult basic education, and low-skilled jobs to community residents, but never encouraging clients to move beyond the neighborhood or agency. While the organization relied on community input to identify areas of need, results from town meetings were translated into social programs that did little to expand opportunities for the targeted population. No effort was made to connect the low-income program participants with the businesses active in the business association sponsored by the organization. In fact, the only information that one low-income community leader had about the businesses in the area was, “They don’t hire many residents of the public housing complex.”

Similar to the client mentality described by Kretzmann and McNight, Neighborhood Settlement House had a group of active participants who lived in the public housing complex and Section 8 apartments nearby and used the agency for all of the social, recreational, and basic necessities they required. This small cadre of active participants also contributed to the organization through volunteering and employment in low-skilled, low-paying jobs, such as childcare aids. The community-based organization became a central focus for this closed social capital network. Part of the culture involved relying on this agency, church social programs for the needy, and related government services to maintain the established lifestyle. These community residents maintained their established quality of life through accessing services, but had no vision of moving beyond their current circumstances.

This example suggests that simply bringing in resources to communities can reinforce pre-existing closed social capital boundaries. This occurs even when activities are intended to empower community residents through social programs to promote self-sufficiency or when they give program participants a say in organization planning through town meetings. Instead, like Pastor Carter, the Kenosha minister described earlier, the more successful programs not only draw on the assets of closed social capital systems, also expand them by slowly introducing low-income families to new opportunities and people different from themselves.

### **Catalyzing Organizations and Community Development**

Perhaps the most well-known bottom-up community development initiative is the Community Development Corporation (CDC) movement, which started in the 1960s and has continued. Scholars of the CDC movement note that CDCs range in size and capacity, and that the most successful ones draw on outside resources to succeed. Others comment that some CDCs are challenged to maintain qualified staff given the low salaries they are paid. In my own experience, the most successful CDCs and Neighborhood Action Councils (NACs) have key staff who were either community residents who had gained advanced education and returned to

the neighborhood to improve conditions, or people who had come from outside the community with a commitment to work in partnership with community residents. In each case, these staff serve as bridging social capital agents, connecting community residents to resources outside the neighborhood through social capital links within citywide development and government circles. For example, one successful CDC in the Kensington neighborhood of Philadelphia was founded by an elite lawyer from Puerto Rico who dedicated her life to the community. This CDC provided construction skills training for community residents and ran a number of related programs while improving community housing stock. Given the founder's connections to citywide political circles, she also raised consciousness about her community throughout the city as well as used her middle class skills to garner resources for her constituency.

Most analysts of community development initiatives highlight the importance of catalyst organizations in bridging from neighborhoods targeted for community development to the resources they need to successfully improve their communities. Known as intermediaries or catalysts, these institutions serve the dual function of providing technical assistance and capacity building for community-based organizations and serving as a link between community-based entities and citywide, regional, state, and national resources such as government, foundations, and for-profit financial institutions. *FCE is an example of a catalyst organization in Dallas.* National organizations include the Neighborhood Reinvestment Corporation, Local Initiatives Support Corporation (LISC), Enterprise Foundation, Living Cities, and the Annie E. Casey Foundation's *Making Connections* program. The various Alinsky-inspired faith-based organizing systems run by the Industrial Areas Foundation (IAF), Gamaliel, and PICO can also serve as intermediaries, although their empowerment tactics sometimes involve less bridging social capital creation between low-income communities and elite power brokers. Sometimes, intermediary forums are created to encourage specific types of community improvement activities, such as the *Communities of Practice* programs sponsored by federal government.<sup>25</sup>

Catalyst organizations have strong social capital ties to government, foundations, and the private sector, which they use to foster bridges between neighborhoods engaged in community development and citywide, regional, state, or national resources. Productive catalyst organizations have four social capital related functions:

- 1) They build bridging social capital among community-based organizations through networking forums, training activities, and other initiatives that encourage the creation of social capital links among community based leaders.
- 2) They enhance closed social capital development in local neighborhoods through community organizing, asset identification activities, and other community-based initiatives.
- 3) They expand cultural capital for community-based organizations through capacity building and technical assistance activities that help local organizations develop the bridging social capital they need to successfully compete for outside resources.
- 4) They foster linking social capital between community-based organizations and institutions that have required resources.

While building bridging social capital is an essential component to successful community development, efforts must also give attention to closed social capital networks and cultural capital related issues. Like in the Kenosha examples discussed at the beginning of the paper, faith communities often serve as centers for social capital networks, particularly in African American communities. Community-based organizations and faith communities are often products of the same closed social capital systems, working together to meet community needs.

As with Pastor Carter's efforts in Kenosha, the first step in community development involves expanding existing closed social capital systems, as well as identifying and activating resources available through those networks. Existing community leaders with bridging tendencies are often the best people to serve in this function. For example, while Pastor Carter and his middle class parishioners have limited trust with Pastor Rice and his flock, enough links

exist between the two congregations to begin expanding pre-existing closed social capital.

Pastor Carter, a minister raised as a housekeeper's son in the South, is a more likely conduit to a low-income community than an outsider because of shared cultural capital and tenuous pre-existing bridging links between two closed social capital networks with much in common.

Community development initiatives must also recognize that most neighborhoods targeted for improvement consist of many mutually exclusive closed social capital networks. For example, in addition to the Puerto Rican CDC mentioned earlier, the Kensington neighborhood hosted numerous other organizations and churches engaged in community development related activities. Each of the nonprofit organizations served a separate closed social capital network, and most community residents knew which organizations were likely to provide support to their network and which ones would likely turn them away because they lacked appropriate connections to the organization. While the leaders of these organizations worked together on joint activities such as anti-drug initiatives and community celebrations, they did little to break down boundaries between their constituencies and other neighborhood residents. Only the churches brought together these various factions, but they too could become the province of one network.

Both internal community development initiatives and outside agencies working with local neighborhoods need to carefully catalog the various networks and work to create bridges among them if they are to improve conditions for everyone in a targeted community. As with all social capital building initiatives, these social capital expansion activities should happen slowly, first through building mutual trust between bridging agents, and then by expanding to their constituencies. As with the Kensington anti-drug initiatives, disparate groups are most likely to come together to address a mutual concern. Identifying a neutral organization or a few people trusted by several key groups to serve as the center for social capital building initiatives within communities is often an important ingredient in ensuring equal access to resources for all community residents and in successfully building bridging social capital within the community.

Finally, in successful community development activities, attention must be given to cultural capital differences. Communities develop their own cultural cues that identify insiders and outsiders—cues that differ by class as well as race, ethnicity, and nationality. One component of successful community development involves first understanding the relevant cultural cues in targeted communities and working within those cultural systems to understand community needs and develop appropriate initiatives.

Because cultural cues also point to outsiders who might endanger closed social capital network systems and resource strategies, community development initiators must also pay attention to the cultural cues they present through their initiatives. While the basic values and goals of middle class community residents or outsiders initiating community development initiatives often vary little from those of less well-off residents, subtle behaviors or assumptions can raise concerns that community development efforts are meant to displace low-income families rather than improve community conditions.

Most residents of low-income communities, particularly in communities of color, hold a deep distrust of the middle class and elites due to generations of negative experiences with those in positions of power. Marginalized populations may also view other low-income communities of different races or nationalities as competitors for scarce resources. This is particularly true in racially segregated neighborhoods that have experienced entrenched poverty such as many of those in South Dallas. In a recent report by FCE on *Distressed Neighborhoods*, it is noted that the southern section of Dallas contains the largest percentage of census tracts with residents living below the poverty level, and that 24 of the 28 neighborhoods that are considered severely distressed neighborhoods are predominantly African American, with Latinos being the second most prevalent racial group.<sup>26</sup> Paul Jagorwsky's research shows that the number of impoverished neighborhoods across the country is increasing; between 1970 and 1990 the number of impoverished census tracts in Dallas increased from 20 to 48—while the majority of African Americans did not live in high poverty neighborhoods, a higher percentage of

African Americans overall lived in poverty as compared to other groups that live in Dallas. African Americans also experienced the most entrenched poverty in Dallas. In fact, while the percentage of African Americans living in impoverished neighborhoods declined between 1970 to 1990 from 29% to 24%, African American households held steady at 7% in poverty, while rates for other groups increased from very low levels to less than half the African American poverty rate.

Given tendencies of low-income communities experiencing long-term poverty to turn inward, relying on their own resources and developing strategies to cope with discrimination, demeaning interactions with those controlling resources, and counterproductive public policy, community development initiatives in these kinds of neighborhoods must give particular attention to the messages sent through cultural cues and patterns of resource distribution.<sup>27</sup> This does not mean that outsiders or middle-class insiders should affect the local community culture, but that they must understand the historically developed dynamics within these communities and work with them to foster change. As with Pastor Carter, successful initiatives build multicultural cultural capital at the same time that they expand closed, bridging, and linking social capital.

### **Suggestion for Action**

Social capital is only one element in a comprehensive community development strategy that builds economic, human, and social capital; fosters multicultural cultural capital; encourages civic engagement and political participation; and improves community infrastructures. This paper suggests several actions that strategically use different forms of social capital and could facilitate community development activities:

- 1) **Identify closed social capital networks within targeted communities and work with these networks to clarify available resources.**

- 2) **Identify people and organizations in local neighborhoods that already serve as bridging agents, or have the potential to build bridges among closed networks, and engage these individuals and institutions in expanding closed social capital and beginning strategies to build bridging social capital within these communities and between the community and citywide resources.**
- 3) **Use catalyst organizations to build bridging and linking social capital among neighborhoods targeted for community development, as well as between community-based leaders and citywide, regional, state, and national institutions controlling necessary resources.**
- 4) **Pay careful attention to local cultural patterns that indicate established community strategies, respecting these cues when developing initiatives.**  

Community development staff working with local groups should be particularly careful to identify cultural patterns that distinguish insiders and outsiders, avoiding behaviors or messages that could alienate key constituencies.
- 5) **Rely on local bridging agents to foster multicultural bridging social capital among residents and those participating in specific community development initiatives.**
- 6) **Use modeling, mentoring, communities of practice, technical assistance, and other methods that simultaneously build bridging social and cultural capital to build capacity in local organizations.**

### **Queries for Local Community Development Initiatives**

Queries are focused questions that help people involved in local initiatives clarify their resources and networks. These queries provide some general initial questions potentially helpful for new or ongoing initiatives:

- 1) **Identifying closed social capital:** Who are the individuals within this community to whom people go for assistance? Are they associated with particular organizations or

faith communities? Do various parts of the community seek help from different sources?

Who are they and how would you characterize those networks?

- 2) **Identify bridging actors within communities:** Which individuals and institutions in this locality work with others from different networks? Which individuals and organizations have the potential to develop bridging relationships?
- 3) **Identify actors who already bridge with circles that have access to citywide resources or have that potential:** Who in this community is both trusted by neighborhood residents and has experience working with coalitions or institutions with resources outside of the community? Are there individuals or institutions that have some cultural capital in common with those citywide networks or the inclination to learn these strategies?
- 4) **Foster catalyst organizations that build bridging and linking social capital and additional cultural capital:** What organizations serve as intermediaries between citywide entities with needed resources and local communities? What additional initiatives can these organizations develop to foster social capital among targeted communities and between those communities and those controlling resources? What kinds of modeling, mentoring, technical assistance, or capacity-building initiatives would best work in this community to both build relationships among people involved in community development at all levels and teach skills necessary to successfully manage community institutions engaged in community development?

## References

- Bourdieu, Pierre. 1986. The forms of capital. In *Handbook of theory and research for the sociology of education*, ed. John G. Richardson. Trans. Richard Nice. New York: Greenwood Press.
- Bourdieu, Pierre, and Loic J.D. Wacquant. 1992. *An invitation to reflexive sociology*. Chicago: University of Chicago Press.
- Clark, Dawn. 2004. Distressed Neighborhoods: Children and Youth in the City. Dallas: FCE Analyze Dallas Briefs.
- Coleman, James. (1988) Social Capital in the Creation of Human Capital. *American Journal of Sociology*, 94 Supplement: S95-S120.
- Dreier, Peter. 2003. The Future of Community Reinvestment: Challenges and Opportunities in a Changing Environment. *APA Journal* 69(4): 341-353.
- Fishbein, Allen. 2003. What's Next for CRA? *Journal of Housing and Community Development*. July/August: 18-22.
- Goode, Judith, and Jo Anne Schneider. 1994. *Reshaping ethnic and Racial relations in Philadelphia: Immigrants in a divided city*. Philadelphia: Temple University Press.
- Granovetter, Mark. 1973. The strength of weak ties. *American Journal of Sociology*, 78(6): 1360–1380.
- Holzer, Harry. 1996. *What Employers Want: Job Prospects for Less Educated Workers*. New York: Russell Sage Foundation.
- 1998. Employer Skill Demand and Labor Market Outcomes of Blacks and Women. *Industrial and Labor Relations Review*, 52(1): 82-99.
- Hunter, Albert. 1974. *Symbolic Communities: The Persistence and Change of Chicago's Local Communities*. Chicago: University of Chicago Press.
- Imbroscio, David, Thad Williamson and Gar Alperovitz. 2003. Local Policy Responses to Globalizations: Place Based Ownership Models of Economic Enterprise. *The Policy Studies Journal* 31 (1): 31-52.
- Jargowsky, Paul. 1997. *Poverty and place: Ghettos, Barrios and the American city*. New York: Russell Sage Foundation.
- Jepson, Edward and Anna Haines. 2003. Under sustainability. *Economic Development Journal*, Summer: 45-53.
- Kretzmann, John and John P. McKnight. 1993. *Building Communities from the Inside Out*. Chicago: Acta Publications.
- 1996. Assets Based Community Development. *National Civic Review* 85(4).

- Lamphere, Louise, Alex Stepick and Guillermo, Genier. 1994. *Newcomers in the Workplace: Immigrants and the Reconstructing of the U.S. Economy*. Philadelphia: Temple University Press.
- Lipow, Hershel. 2005. Living Cities: Using Focused Investment to Develop and Revitalize Communities. *Journal of Housing and Community Development*. May/June: 24-29.
- Lopez, Lisette and Carol Stack. 2001. Social Capital and the Culture of Power: Lessons from the Field, in Saegert, Susan, J. Phillip Thompson, and Mark Warren editors, *Social Capital and Poor Communities*, New York: Russell Sage Foundation.
- Marcoux, Kent. 2001. Bringing Capital Home to Communities. *Journal of Housing and Community Development*. July/August: 16-22.
- Merry, Sally Engle. 1981. *Urban Danger: Life in a Neighborhood of Strangers*. Philadelphia: Temple University Press.
- Moore, Keisha. 2005. What's Class Got to Do With It? Community Development and Racial Identity. *Journal of Urban Affairs* 27(4):437-451.
- Moss, Philip and Chris Tilly. 2001. *Stories Employers Tell*. New York: Russell Sage Foundation.
- Newman, Katherine. 1999. *No Shame in My Game: The Working Poor in the Inner City*. New York: Alfred A. Knopf and the Russell Sage Foundation.
- Ninivaggi, Cynthia. 1994. Poverty and Politics: Practice and Ideology among Small Business Owners in an Urban Philadelphia Enterprise Zone. In Louise Lamphere, Alex Stepick and Guillermo, Genier, eds. *Newcomers in the Workplace: Immigrants and the Reconstructing of the U.S. Economy*. Philadelphia: Temple University Press.
- Perlmutter, Felice. 1997. *From Welfare to Work: Corporate Initiatives and Welfare Reform*. New York: Oxford University Press.
- Portes, Alejandro. 1998. Social capital: Its origins and applications in modern sociology. *Annual Review of Sociology*: 1-24.
- Putnam, Robert. 2000. *Bowling Alone: The Collapse and Revival of American Community*. New York: Simon and Schuster.
- Putnam, Robert and Lewis Feldstein. 2003. *Better Together: Restoring the American Community*. New York: Simon and Schuster.
- Rai, Kalyani. 2002. It Begins with the People: Community Development and Indigenous Wisdom. *Adult Learning* 12/13 (4/1): 14-17.
- Rubin, Julia and Gregory Stankiewicz. 2001. The Los Angeles Community Development Bank: The Possible Pitfalls of Public-Private Partnerships. *Journal of Urban Affairs* 23 (2): 133-153.
- Schneider, Jo Anne. 1994. Fieval is an Engineer: Immigrant Ideology and Economic Adjustment of Eastern European Refugees. *Identities: Global Studies in Culture and Power*, volume 1, number 2: pp 227-248.

—1996. *Making Workfare a Success: Alternative Work Experience Program Two Year Report*. Philadelphia: Institute for the Study of Civic Values.

—2001. *Kenosha social capital study*. Available at [www.chss.iup.edu/jschneid](http://www.chss.iup.edu/jschneid).

—2004. *The Role of Social Capital in Building Healthy Communities*. Report produced for the Annie E. Casey foundation. Baltimore: Annie E. Casey foundation. [www.aecf.org](http://www.aecf.org).

—2006. *Social capital and Welfare Reform: Government, Non-profits, Congregations and Community in Pennsylvania and Wisconsin*. New York: Columbia University Press.

Snyder, William and Xavier de Sousa Briggs. 2003. *Communities of Practice: a New Tool for Government Managers*. Boston: IBM Center for the Business of Government.

Stack, Carol. 1974. *All Our Kin: Strategies for Survival in a Black Community*. New York: Harper and Row.

Vidal, Avis and Dennis Keating. 2004. Community Development: Current Issues and Emerging Challenges. *Journal of Urban Affairs* 26 (2): 125-137.

Willis, Mark. 2004. Living Cities: Collaborative Investing for Healthy Neighborhoods. *Journal of Urban Affairs* 26 (2): 139-149.

Wilson, William Julius. 1987. *The Truly Disadvantaged: The Inner City, the Underclass, and Public Policy*. Chicago: University of Chicago Press.

—1996. *When Work Disappears*. New York: Alfred A. Knopf.

World Bank. 2001. *World development report 2000/2001*. Available at [www.worldbank.org/poverty/wdrpoverty/report](http://www.worldbank.org/poverty/wdrpoverty/report).

## Notes

---

<sup>1</sup> Definitions of community development used in this paper come from Vidal and Keating 2004: 126. See also Kretzman and McKnight 1993 and 1996.

<sup>2</sup> Definitions of social capital used in this paper draw on Portes (1998) and Bourdieu (1986). Detailed discussion of this definition of social capital as it applies to families and community-based organizations is available in Schneider 2006, chapter 1.

<sup>3</sup> Description of research used in this paper is available in *Social Capital and Welfare Reform* (Schneider 2006), *Reshaping Racial and Ethnic Relations in Philadelphia* (Goode and Schneider 1994), the *Kenosha Social Capital Project Education Report* (Schneider 2001) and *The Role of Social Capital in Building Healthy Communities* (Schneider 2004).

<sup>4</sup> In contrast with some social capital scholars that think that social capital is the same as the “weak ties” described by Granovetter, I stress that social capital depends on long-term, trusting relationships. Weak ties can turn into social capital, but they do not necessarily lead to resources. In many cases, the kinds of “weak ties” among people seeking employment instead represent people on the fringes of a larger social capital network connecting with each other. Unlike Putnam and Coleman, I believe that social capital does not have to function through face-to-face ties. A connection through a trusted intermediary like a college professor, mentor, or catalyst organization can serve as a key social capital link between

---

unknown individuals. See Schneider 2006, chapter 1 for detailed discussion of this issue.

<sup>5</sup> All names of people and organizations used in this report have been changed to protect privacy. Additional detail on Pastor Rice's organization and activities is available in Schneider 2006, chapters 1, 4, 11, 12 and 13.

<sup>6</sup> See Hunter 1974 and Merry 1981 for a full discussion of community as it is used in this report.

<sup>7</sup> See World Bank 2001 and other works by Michael Woolcock.

<sup>8</sup> See Schneider (2006) chapter's 1, 11, 12, and 13 for more detail on Pastor Carter and his church, Faith Temple.

<sup>9</sup> Saul Alinsky sought to organize local community groups through an organizing and leadership training method that has inspired several generations of social activists. Alinsky saw churches as a key resource to draw constituency for advocacy efforts. After Alinsky's death, the Industrial Areas Foundation (IAF), the organizing institute he founded, developed a coalition advocacy model based in church congregations that now has chapters in a number of communities across the country. Several other organizations based on the same model have spun off from IAF. The Gamaliel foundation is one of these spin-off organizations.

<sup>10</sup> Small aspects of a culture, class faction or subculture, like a dialect, ways of dressing or decorating an office, or format for presenting a grant proposal, become key symbols that indicate that someone is a member of a group and should have access to its resources. These cultural elements become cultural capital cues. See Bourdieu and Wacquant 1992 for more academic discussion of cultural capital.

<sup>11</sup> Terms like race, nationality, and ethnicity have multiple meanings. All of these terms are social constructs in the U.S. Anthropologists discovered many years ago that groups defined as racially and ethnically different often include people from other supposedly different races. Many people in the U.S. can claim multiple ethnic ancestry, shifting which ethnic group they "belong" to based on circumstances or personal affinity. Throughout this report, I use race to refer to groups where differences are based on putative biological background, but actually reflect power imbalances and resource competition in the United States. Ethnicity refers to cultural affinity, the "soft" aspects of group difference such as holiday traditions. For example, an individual could be White (race) and Irish American (ethnicity). Since most immigrants hearken back to their country of origin and/or immigrants from the same country in the U.S., I use nationality to refer to immigrant status. Since these terms often serve as critical points of difference defining separate communities or social capital networks, I use race, ethnicity, and nationality together when referring to all three kinds of differences.

<sup>12</sup> See Rai (2002).

<sup>13</sup> See Moore (2005).

<sup>14</sup> See Willis (2004) for a discussion of the Living Cities and Enterprise foundation. Neighborhood Reinvestment is a public/private partnership based in Washington DC that offers technical assistance and other community building supports to CDCs across the country.

<sup>15</sup> See Jepson and Haines (2003) for an overview of various economic development strategies.

<sup>16</sup> See Rubin and Stankiewicz (2001) for a comprehensive discussion of this initiative.

<sup>17</sup> See Ninivaggi (1994) for full discussion of this case. The *Changing Relations: Newcomers and Established Residents in Philadelphia* project was one of six Ford foundation sponsored initiatives looking at dynamics between newcomers and established residents in U.S. communities. Research was conducted between 1988 and 1989 in workplaces, schools, and community-based organizations in the Kensington, Port Richmond, and Olney neighborhoods of Philadelphia. Full discussion of this project is available in Goode and Schneider (1994) and several papers in Lamphere, Stepick, and Grenier (1994).

<sup>18</sup> See Dreier (2003) and Fishbein (2003) for comprehensive discussion of the Community Reinvestment Act.

<sup>19</sup> See Jepson and Haines (2003), Marcoux (2001), and Imbroscio, Williamson, and Alperovitz (2003) for discussion of several of these initiatives.

<sup>20</sup> See Schneider (2006), chapter 6 for an overview of literature on labor markets and discussion of bifurcated labor markets in Kenosha, Milwaukee, and Philadelphia.

<sup>21</sup> See Newman (1999) for discussion of employment in low-income work places. I found nearly identical patterns in Kenosha, Milwaukee, and Philadelphia. See Schneider (2006), chapters 6 and 7 for discussion of family employment trajectories in these three cities.

---

<sup>22</sup> Berg, Olson, and Conrad (1991) describe workplace initiatives for Cabrini Green residents as part of Project Match, a unique and relatively successful program to help Chicago low-income public housing residents find work. I document the role of social and cultural capital for refugees seeking employment in Schneider (1994) and for all types of workers in chapters 1, 7, and 8 of Schneider (2006).

<sup>23</sup> Berg, Olson, and Conrad (1991) provide detailed description of Project Match at that time. A number of other, more recent publications from this program are also available. Perlmutter (1997) documents programs in Harrisburg and other parts of Pennsylvania that train low-income people to work for the telephone company and similar institutions. The Alternative Work Experience program description and evaluation (Schneider, 1996) is available from the Institute for the Study of Civic Values in Philadelphia, PA.

<sup>24</sup> Excerpted from Schneider (2006), chapters 9, 11 and 12.

<sup>25</sup> See Snyder and de Souza Briggs (2003).

<sup>26</sup> See Clark (2004), chapters 3-6 and poverty map addendum.

<sup>27</sup> See Stack (1974) and Lopez and Stack (2001).