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John Anderson

University of Nebraska at Kearney

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SOCIAL CAPITAL, WEALTH, AND NEBRASKA TOWNS

John L. Anderson

Department of Political Science
University of Nebraska-Kearney
Kearney, NE 68849
AndersonJ@unk.edu

ABSTRACT—The relationship between political theory and economic development is often overlooked. In this research, political theorizing about what makes democracies work is linked to the production of wealth in rural Nebraska towns. Evidence shows that social capital in rural settings actually can help with economic development. The evidence also shows that suburban towns may actually inhibit the development of social capital.

KEY WORDS: civic development, democracy, Nebraska towns, rural economic development, social capital

Introduction

Living on the Great Plains has fascinated scholars, pundits, and ordinary people who live there. In some respects, the fascination is derived from the normal reflection of people living in a place (e.g., Norris 1993). Beyond the normal sources of fascination, the Great Plains is a place that generates reflection because of its unique and oftentimes harsh environment that “has stirred the passions and aroused the will to survive” (Longo and Yoskowitz 2002:xiii). In the late 1980s Frank and Deborah Popper (1987) did stir the passions of people living on the Great Plains when they proposed that it was too difficult and expensive to maintain populations on the Plains. Of course, the Poppers’ work garnered considerable attention and notoriety because it questioned people’s livelihood. In response, one local argued that “some of us have decided to stay. This is our way of life. And it’s worth a fight” (quoted in Anderson 2000:208). The problem with staying on the Plains is finding a way to make a living.

Maintaining some form of an economy that works on the Great Plains continues to draw considerable attention. In fact, the Federal Reserve Bank of Kansas City has launched an effort through the Center for the Study of
Rural America to address problems that are primarily economic (see, e.g., *The Main Street Economist: Commentary on the Rural Economy*, June 2001). While solutions to rural economic ills will come from a variety of sources, an uncommon source that ought to be considered is political theory. The solution proposed from the realm of political theory has its origins among the group of theorists who have argued that the social features of communities (and nations) lead to economic and political development. Robert Putnam’s (1993) research in Italy gave hard evidence of the possible causal connections existing between social life in its civic forms and economic development. If social and political development can bring economic good fortune to Italy, that knowledge could help us understand how development might best be approached in the towns of the Great Plains. Putnam’s work has certainly proved to be important in other work (Sirianni and Friedland 1995; Newton 1997; Brahm et al. 1998; Rose 1998; Gutmann and Pullum 1999; Aberg 2000). Figure 1 illustrates Putnam’s visualization of the causal connections between forms of social, political, and economic arrangements.

For the purposes of economic development, the important connection in Figure 1 is found between the boxes labeled “Civic Tradition” and “Socioeconomic Development.” This connection suggests that civic activity leads to an improved economy; the solid, wide line in the figure indicates it is a significant causal connection. Later research conducted outside Italy has shown that the link between civic traditions and economic performance is likely to be significant (Kenworthy 1997; Whiteley 2000). In my research, the question of whether civic traditions have affected the economic growth (or well-being) of towns on the Great Plains is addressed. It specifically explores whether social capital in communities is related to the production of monetary wealth.

**Defining Social Capital**

One problem with research related to social capital is defining the term. While scholars have used the term *social capital* for quite some time, their use of it has not been particularly consistent. John Dewey first employed the term in 1900 to refer to the social relations that young people could access if they had the skills to do so after leaving school (Dewey [1900] 1990:111). Dewey’s thinking merely suggested that considerable value could be found in social relationships but he did not develop the concept much further.

The contemporary social theorist James S. Coleman is noted for his work on the development of a more complex conception of social capital; his work is the basis of most serious scholarship on social capital. It has been
noted that Coleman worked on social capital in response to the market-oriented theorizing of economists from the University of Chicago, such as Gary Becker (Skocpol and Fiorina 1999:4-5). His definition suggested there were also social and human sides to capital, meaning there are three forms of capital—physical, human, and social (Coleman 1990). According to Coleman, each conception of capital has to be linked to productive capacities, but observing physical forms of capital is a much easier task than observing its other forms.

Physical capital is wholly tangible, being embodied in the observable material form; human capital is less tangible, being embodied in the skills and knowledge acquired by an individual; social capital is even less tangible, for it is embodied in the relations among persons. [italicized in original] (1990:304)
Like Dewey, Coleman understood that social capital could only be produced in the places where personal relationships occur.

Social capital is formed in associations where people begin to work with each other to perform some task that helps others. For the most part, relationships first come into being in primary associations, such as families. Later in life, sets of relationships are built in secondary associations, such as religious organizations and civic groups. The relationships that are formed in secondary associations are better suited to forming social capital because these groups exist to serve some type of community purpose. Francis Fukuyama indicated that in the United States associational life is quite rich and made of “a dense and complex network of voluntary organizations: churches, professional societies, charitable institutions, private schools, universities, and hospitals” (2000:50).

Putnam defined social capital in a similar manner, writing that social capital was comprised of “features of organization such as networks, norms and social trust that facilitate coordination and cooperation for mutual benefit” (1995:67). Putnam’s attention shifted from the dense sets of relationships and networks noted by Coleman and Fukuyama to focus on the primary character of those relationships—namely, trust. Later, Putnam further refined his definition: “social capital—that is, social networks and the associated norms of reciprocity—comes in many different shapes and sizes with many different uses” (2000:21). Putnam’s later definition carefully linked social capital to uses. In other words, we should see social networks as the places where social relationships are formed and maintained, but the norms resulting from mutually supportive relationships are fruits that tend to enhance the ability of people to work in groups and be productive.

Distinguishing the products of social capital from relationships at once improves conceptual clarity and also allows for a definition that is linked to socioeconomic and political activities. Richard Rose argued that “social capital is defined instrumentally as the stock of networks that are used to produce goods and services in society” (2000:4). In this paper, social capital is defined operationally as the scope and depth of the community organizations that work to help create trusting and productive relationships in communities.

It is important to add that when people develop trusting relationships, either bad or good forms of conduct result. Edward Banfield observed that certain forms of associational life—families in southern Italy—could work to create “amoral” habits that do not engender democratic community life (1958:10-11). Gangs are often based on trusting relationships as well, but
they are seldom considered positive forms of social relationships. A similar problem with social capital and political engagement is that the successful groups of trusting friends may simply be minorities of “good of” boys” using social capital among themselves to dominate a policy-making environment that excludes others (Fiorina 1999:403). On the other hand, considerable evidence has been amassed to show that beneficial forms of social capital often lead to the development of dependable human relationships that help bring political, social, and economic development in their wake (see, e.g., Coleman 1988; Fukuyama 1995; Putnam 2000). Understanding that social capital may produce bad effects means that it should be further defined to account for work that produces some good. In this paperwork, social capital is defined as a community condition where social organizations are present that work toward some good or public interest.

Of course, the social networks described by community-oriented thinkers such as Putnam, Dewey, and Coleman are not static and cannot be contrived overnight. Social capital is built through repeated use and refinements over time in communities, and several Great Plains communities provide some fascinating examples of the process (Wall 1999).

Civic associations in the form of organizations, like the Kiwanis, Shriners, and Little League are ideally suited to the formation of positive relationships that foster cooperation for two reasons. First, the types of relationships that foster trust and cooperation are born of familiarity and material benefit demonstrated on a regular basis over time. Second, civic associations generally espouse some greater purpose that is related to obtaining something good for others. Most often, civic groups engage their members in work designed to help others in their community, and these activities help build civic character and establish norms that take people beyond narrowly defined self-interested behaviors. All these factors of associational life make civic associations ideal indicators of social capital.

**Understanding Social Capital**

Social capital is not a term that has received attention from only an esoteric set of university-based scholars; rather, it is a concept that has received extensive scholarly and journalistic commentary, and it represents a comprehensive approach to democratic theory. The works of Alexis de Tocqueville and even Aristotle were precursors to this line of democratic theorizing. In general, Putnam is well known because he explicitly argued that social capital not only enabled democratic institution building but also
tended to increase the production of wealth. Prosperity ought to at least be considered a correlate of democratic institutions and plentiful social capital, but Putnam argued that wealth and responsive democratic governing flowed from the civic traditions he witnessed in Italy (1993:152-62). In other words, positive forms of social capital in abundance help create prosperity and promote democracy.

The dynamic and pragmatic view of political and social life described above makes many daring claims that have drawn serious criticism (see, e.g., Heying 1997; Edwards and Foley 1998). Rather than redress social capital theory, and Putnam’s work in particular, my research tests Putnam’s claims against evidence from a Great Plains state. One can accept Putnam’s theorizing mostly on the grounds that he is situated in a well-established approach to political and social thought.

Looking at how communities work, based on their civic health, can be seen as “feel good” theorizing. Some scholars have suggested this type of scholarship has an element of nostalgia associated with it.

Ehrenhalt, Putnam, Joyce and Schambra, and many other commentators who stress lost community, bring to mind a half-remembered era in America—a time when bowling leagues met regularly and people sat on their porches or played bridge; a time when wives organized dinner parties and neighbors threw themselves into all kinds of community activities. (Skocpol and Fiorina 1999:7)

Unfortunately, knowing there is an element of nostalgia in the work does little to dispel its importance; that knowledge only indicates that we should look in places where parts of that nostalgic world may still be found. Surveying elements of the disappearing realm of nostalgia may also help theorists and practitioners alike understand how social change has affected our political life. If places where people play bridge, organize dinner parties, and get involved in their communities still exist in contemporary America, that fact deserves documentation. If these rare places are to be found by investigators, they will probably have to look in the places least affected by suburbanized life. In fact, Putnam (2000) argued that there is a suburban social capital deficit created by living in places where people do not relate to each other in the local grocery store, in the front yard, or in other small group settings (210-15).

Communities where people talk to each other at the local store still dot the landscape of Nebraska. One study of successful rural communities in fact centered its research on Nebraska towns (Wall 1999). Putnam (2000) found
that states in the northern Great Plains, such as Nebraska and the Dakotas, rated high on his index of social capital (293). Local-level research conducted in the towns located in states such as Nebraska is important for understanding the role of social capital in developing sustainable communities (Flora 1999).

The Research

If towns in the Upper Midwest, especially in Nebraska, are just the sort of places where stocks of social capital are likely to be high, they also ought to be places that successfully produce economic results. Two hypothetical statements are posited to test the relationship between social capital and the production of wealth:

1. Social capital is abundant and widespread in Nebraska towns.
2. Social capital positively influences the creation of wealth in Nebraska towns.

To test the above hypothetical statements, a research plan was designed to explore social capital and wealth formation in Nebraska towns with populations between 1,000 and 5,000 (as measured by the Census Bureau in 1970. Using towns this size permitted analysis of communities whose size was manageable yet large enough to produce a variety of civic groups. Second, using towns based on populations in 1970 meant that towns that had been more or less successful at producing wealth were included in the research. Using populations from the 1970 census also meant that towns that may have grown or shrunk because of factors related to other growth dynamics were included in the sample. With economics in mind, 50 towns out of the approximately 150 towns with a population between 1,000 and 5,000 were selected. These 50 towns were chosen because their per capita income measures in 1970 were at the top or bottom of the list of towns in the state. Using the wealthiest 2.5 communities and poorest 2.5 communities meant that analysis would include towns from both ends of the income spectrum.

Next, community leaders, principally the presidents of chambers of commerce and other community groups, were contacted. Leaders were asked to provide a list of active civic groups in their community along with the addresses of the group leaders. Of the 50 towns, useable lists of community organizations were received from 30 towns. Those 30 towns were geographically diverse and represented both high- and low-income communities. As Table 1 shows, the breakdown between wealthy and less wealthy communities
remained about equal. Sixteen of the towns surveyed were below the group mean of per capita income in 2000, and 14 of the towns had income levels above that mean. Among the towns, there was considerable variation in income: one town’s per capita income was more than twice as much as that of the town with the lowest per capita income.

Next, the levels of social capital in the 30 towns were estimated. Associations that were voluntary and organized to meet and act on a regular basis were counted through a two-step process. That process provided a measure of social capital similar to the one Putnam used in his study of regional governments in Italy (1993:91-94). First, the lists of organizations provided by local chamber of commerce and community leaders provided a basis for counting. Then, a mailing was sent to each organization’s leader to determine whether the group was active. In most cases, groups were active, but some were not. For instance, a group of left-handed people, the Left is Right Club, had met and worked on small public projects for years, but the group was no longer active because most of its members had died or moved away—a common trend for many traditional civic associations (Skocpol 2003:218-29). Inactive groups like the Left is Right Club, were removed from the list of organizations.

To control for the fact that larger towns ought to have more groups than small towns, a per capita measure of association density was calculated (Table 2). This produced very small numbers (actually fractions) that were difficult to understand. To make the measure intuitively appealing, the association density measure was multiplied by 1,000. This measure for association density provided the variable for social capital.

<table>
<thead>
<tr>
<th>Table 1</th>
<th>PER CAPITA INCOME OF NEBRASKA TOWNS, 2000</th>
</tr>
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<tbody>
<tr>
<td>N</td>
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</tr>
<tr>
<td></td>
<td>Missing</td>
</tr>
<tr>
<td>Mean</td>
<td>17777</td>
</tr>
<tr>
<td>Minimum</td>
<td>13325</td>
</tr>
<tr>
<td>Maximum</td>
<td>29129</td>
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</tbody>
</table>
TABLE 2

NUMBER OF CIVIC ORGANIZATIONS PER 1,000 PEOPLE

<table>
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<th></th>
<th>Valid</th>
<th>Missing</th>
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<tbody>
<tr>
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<td>30</td>
<td>0</td>
</tr>
<tr>
<td>Mean</td>
<td>13.0</td>
<td></td>
</tr>
<tr>
<td>Minimum</td>
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<td></td>
</tr>
<tr>
<td>Maximum</td>
<td>31.7</td>
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</tbody>
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The range of associational densities illustrated in Table 2 indicates that considerable variation in social capital can be found in these Nebraska towns. While on average there were 13 groups for every 1,000 people, some towns had more than 20 groups for each 1,000 people and one town had 31.7 groups per 1,000 people. What seems remarkable is that a few towns had only about two groups per 1,000 people. It is clear that the density of civic groups in Nebraska towns varies considerably.

While Putnam's work suggests Nebraska has high levels of social capital, his aggregate characterization of the state masks considerable variation. The finding clearly shows that the first research question cannot be answered with a simple affirmative. While there may be high levels of social capital in Nebraska, it varies significantly when measured on the community level.

Variation is important in social scientific research because it suggests that some variable (or variables) is causing the differences. In Nebraska towns, the variation also raises an important question. Could social capital theorists be wrong about the causal direction? Maybe these theorists have the story reversed, and wealth has actually created social capital. After all, it is plausible to suggest that wealthy people join groups because they have the time and resources to do so.

If wealth produces social capital, then towns with larger per capita income will also have more social capital. In Nebraska, the evidence from the 30 towns studied shows that per capita income is not correlated with the measure of social capital (see Fig. 2). In fact, the two towns with the highest per capita income in 2000 also had very few organizations (social capital).
which suggests that wealth had not worked to produce social capital in those towns. Of course, it might be true that the per capita income measure does not account for individual differences and misses the reasons why people join and participate in groups. Also, it is true that income is distributed unevenly, and has been for some time. We should not expect to find as much wealth in rural settings as we might find in urban areas since many of the highest-paying professions and occupations are found in cities, not small towns.

Addressing the second hypothesis—that social capital positively influences the creation of wealth in Nebraska towns—gets to the heart of wealth creation. Testing this hypothesis also offers a chance to explore in more depth whether wealth produces social capital or social capital produces wealth. Answering the research question also goes to the heart of concerns about the survival of rural communities raised by other scholars and practitioners (Flora 1999; Anderson 2000).
To assess the relative impact of social capital on wealth creation, a measure of wealth that reflects its accumulation over a period of time is needed. Also, since the measure of social capital was drawn from information gathered in 2000, the wealth measure had to have been recent enough to be affected by other measures. For this reason, wealth production was measured by subtracting per capita income in 1990 from per capita income in 2000. This variable ought to reflect the amount of wealth produced in the most recent decade; towns with significant levels of social capital should have had greater gains in income if the theory about social capital is correct.

To help assure that social capital was actually producing wealth, the influence of rural and urban locations had to be included in the analysis. In fact, the Nebraska case requires accounting for the influence of location in yet another manner. Most recent growth in Nebraska has come from two geographic regions. One region is the Lincoln/Omaha metro region—it has grown in the way most urban settings in the United States have grown in recent years. The other region of growth is the I-80 (Interstate Highway 80) corridor. This region has grown steadily, and most of that growth has been driven by the economic activity generated by the highway. As one article in the *Omaha World-Herald* put it: “I-80 spans America like an economic pipeline, pumping life into cities and towns” (July 28, 2002, 1). The region is also a busy railroad corridor, which means it is a good place for businesses to locate. Of course, the trains themselves bring increased economic activity. Also, most of the I-80 corridor includes the rich farmland of eastern Nebraska and the Platte River valley.

When social capital and wealth production are analyzed along with location—either in the Lincoln/Omaha metro area, along the I-80 transportation corridor, or in rural Nebraska—the story becomes even more interesting. Figure 3 shows that the effects of social capital on the production of wealth is indeed powerful in rural communities, and that it has some influence on wealth production along the I-80 corridor. In both cases, a regression analysis revealed that social capital works in the expected direction (rural Beta = .558, I-80 Beta = .419); however, social capital is only statistically significant among rural communities. On the other hand, there looks to be no statistically valid influence of social capital on the production of wealth in the Lincoln/Omaha metro area. In sum, the regression suggests that social capital influences wealth production in Nebraska’s rural communities but it does not do so along the I-80 corridor or in the metro areas.

Just as Putnam argued in his book *Bowling Alone*, there may be a net suburban effect on social capital that amounts to a deficit. Putnam (2000) explained that effect:
The residents of large metropolitan areas incur a "sprawl civic penalty" of roughly 20 percent on most measures of community involvement. More and more of us have come to incur this penalty over the last thirty years. (215)

In Nebraska, the towns included in our sample have been taken in by the sprawl that has occurred around the metro area. Little, sleepy towns are now more like suburbs and these towns are populated by people who generally work elsewhere, join groups elsewhere, go to church elsewhere, and may only sleep in their towns where they reside. In one town in the sample, local leaders reportedly could not manage to get any major organized groups, like a chamber of commerce, operating even though the town had a population of almost 2,500 people. Apparently, people only came to the town to be home --- this negative effect of suburban life may explain why each of the four towns in the metro area also have very little social capital, at least as it is measured in this research.

Social capital seems to be more prevalent in the towns along the I-80 transportation corridor, but only one of those towns is on the upper end of the
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scale of towns with this valuable civic commodity. Given that some of the towns along the corridor are also close to larger regional centers such as Grand Island, Kearney, and North Platte, they may suffer from the negative effects of civic sprawl. In one I-80 town, a civic leader commented that too many of the people who might organize and support groups worked in another nearby town. Even so, the data suggest that social capital only marginally supports the production of wealth along the I-80 corridor. Wealth along this corridor may be produced simply by the favorable location of the towns, with only a few exceptions.

Regarding economic development in the rural areas of Nebraska, there is apparently a significant positive correlation between the vitality of group life and the production of wealth. Clearly, the trend shows that towns with more civic groups (and hence greater civic participation) also tend to have produced more improvement in wealth production over the last decade. We do not know from these data how the social capital was formed, but we can speculate with good reason that some of it has to do with the face-to-face interactions people experience in smaller places.

To conclude, it would seem that political theorists who write about social capital are probably right. One key to economic development is likely to be a vital civic life marked by robust participation in civic groups. In the future, policymakers and developers would do well to work toward establishing dense networks of interaction among citizens, which foster trust. In a sense, development likely requires that communities have good leaders and good followers in abundance. Also, drawing from political theory again, we should begin to study specifically how people relate to each other in ways that make community democracies work. As the former mayor of Missoula, MT, Daniel Kemmis, indicated, “republicans from Montesquieu to Jefferson (and we might add the populists) had recognized that the character which is required for participation in face-to-face self-government can only be instilled through repeated experiences of a very specific kind” (1990:72). We would be wiser if we learned what those specific experiences are and remember to repeat them over and over again.

Lessons learned from looking for answers in unexpected places are profound. When academicians examine the small towns of the Great Plains, they can discover traces of the formula that has made American democracy work. However, scholars also ought to be attuned to finding parts of the formula that did not lend themselves to building a democratic constitution. Traces of what has plagued democracy can also be found in the small towns on the Great Plain. Specifically, towns that have changed because of the influx of foreign-born workers are likely to have groups that exclude new
immigrants. Cornell West (1994) claimed that “race matters in the American present,” and it probably matters in Nebraska as well (xvi).

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References


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CENTER FOR GREAT PLAINS STUDIES
University of Nebraska-Lincoln
PO Box 880214
Lincoln, NE  68588-0214

Telephone: (402) 472-3082
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