The Role of Community in Place-Based Giving

By Ryan Streeter

April 2021

Key Points

- This report explores why strong communities matter and how philanthropists can strengthen the local fiber that helps communities improve.
- Putting people with similar interests in proximity to each other and with people who have a natural interest in helping them is a better giving strategy than is relying on an outcomes-focused, top-down approach.
- Specifically, community-minded funders could focus on increasing amenities in neglected neighborhoods, creating alliances that bring together unlikely partners around everyday concerns such as clean streets and safe neighborhoods, or matching givers and recipients around specific needs.

"We make our friends; we make our enemies; but God makes our next-door neighbour," G. K. Chesterton once wrote. "That is why," he continued, "the old religions and the old scriptural language showed so sharp a wisdom when they spoke, not of one's duty towards humanity, but one's duty towards one's neighbour."[1] Serving humanity, Chesterton said, can be pursued by choice or as a hobby, but we are stuck with our neighbors. Likewise, living in small places, rather than large places, more prominently imposes obligations on us. "In a large community we can choose our companions. In a small community our companions are chosen for us. Thus in all extensive and highly civilized societies groups come into existence founded upon what is called sympathy."[2]

Many others have corroborated the dynamics of tight-knit communities Chesterton described. For instance, Kirkpatrick Sale documented in his encyclopedic *Human Scale* that "size matters, in human institutions as well as human forms, and it has its limits."[3] Robin Dunbar famously showed that there is a limit to the number of personal connections we can maintain at any given time (150, to be precise).[4] Beginning with Plato, who believed the ideal city consisted of 5,040 citizens, many theorists over the centuries have argued that communities are healthier when they are a manageable size.

Proximity and fellowship in community life are central to the human experiences of trust, solidarity, and togetherness. Politicians may rouse crowds with calls to "unity," and researchers may help us understand what constitutes solidarity, but no one can fully understand the value of community without the shared experience of living life in common with others whose values, habits, and forms of life overlap. There is a reason we are more distressed by the news of a close friend's illness than by reading about someone in another country with the same ailment. Proximity and familiarity create sympathetic bonds that form the bedrock of mutual obligation on which a community's vitality and health depend.

Scottish and English Enlightenment writers were among the first to explore the unique relationship between moral formation and the mutual obligation people feel toward each other in a community. We tend, as philosopher David Hume put it, to "reap the fruits of mutual protection and assistance" when we learn to not only look out for our own welfare but also praise virtuous and generous actions in the community of which we are a part.[5] Likewise, Adam Smith noted that just as someone who had never encountered another person would not understand the concept of personal beauty, so that person cannot understand virtuous behavior in isolation. "Virtue is not said to be amiable," he wrote, "or to be meritorious, because it is the object of its own love, or of its own gratitude; but because it excites those sentiments in other men."[6] These and other contemporary writers recognized that what we value today—productivity, compassion, discipline, and generosity—cannot be taught in the abstract but must be learned in real-life community in which some behaviors are praised and others disdained. As James Q. Wilson noted in his 1993 book, *The Moral Sense*, the Enlightenment writers' "pre-scientific" conclusions have been largely validated in modern-day social science. People learn how to be good, productive, and charitable not through impersonal, rational analysis, but through the give-and-take of everyday communal life. Without communal life, we are mostly amoral creatures.[7]

So important is the moral value of community that it forms a key building block of our political institutions.

So important is the moral value of community that it forms a key building block of our political institutions. The history of federalism as a political theory, in its northern European and British varieties and put into practice constitutionally in America, is rooted in a view of the nonnegotiable sovereignty of local association. To the extent possible, local communities should be able to express their self-determination independently, just as we expect individuals and families to do. At the heart of federalism is the acknowledgement that social stability depends on ties strong enough at the local level to produce moral education, mutual assistance, and problem-solving that people and institutions farther away would be ill-suited to do.

It should not come as a surprise, then, as writers such as Timothy Carney and Charles Murray have noted, that an openness to centrally planned solutions tends to follow the decay and collapse of local communities' capacity to self-govern and generate homegrown solutions to local problems.[8] Strong communities, it turns out, are fundamentally important antecedents to other things we care about, such as economic prosperity and children reaching their potential. It therefore behooves local leaders, including philanthropists and social entrepreneurs, to understand and invest in the building blocks of healthy and vibrant local community life.

But What Is Community?

In his landmark book *The Quest for Community*, Robert Nisbet wrote that the fundamental associations of common life—family, local community, and house of worship—are not the product of rational design, but rather "are essentially prior to the individual and are the indispensable supports of belief and conduct." When they break down, or when an individual lives apart from them, insecurity and anxiety increase.[9] Without healthy community, people can also become, in David Riesman's words, "anomic," meaning they become lethargic and apathetic, untethered to lives of purpose and direction.[10] In recent American Enterprise Institute national surveys, we found that loneliness and unhappiness with one's community were directly related to how frequently people participate in community associations and interact with neighbors and friends.[11]

The building blocks of community have been further defined in the past quarter century through the burgeoning amount of research into social capital. Many studies have concluded that higher rates of volunteerism, greater shares of nonprofits per capita, more political participation, regular interaction with friends, an inclination to help strangers, and other forms of associational life produce an array of social and economic benefits.

Several of these studies have endeavored to understand differences at the state and local level to help clarify the central features of communities rich in social capital. Robert Putnam's foundational 2000 book, *Bowling Alone*, analyzed US states through more than a dozen indicators in five categories: community organizational life, engagement in public affairs, community volunteerism, informal sociability, and social trust.[12] Others have shown that associational life in America is directly related to what we care most about: prosperity, progress, and improvement.[13] The US Joint Economic Committee's Social Capital Project has undertaken the most recent effort to create state- and county-level social capital indexes.[14] It adds a welcome focus on the role of family and friends in addition to more traditional community engagement and trust indicators.

These and other research efforts reveal two important distinctions about community life that those who want to make a difference in the quality of life in their local communities would do well to understand. First, social capital and community vitality are supported through both formal and informal means. As Putnam's work famously showed, the formal involvement of people in voluntary associations is closely related to greater levels of trust and even economic performance. But informal community interaction also matters. Running into familiar faces at the store, talking regularly with neighbors, and exchanging tips on things to do in the community with that bartender or barista you have gotten to know all positively contribute to community vitality and have implications for how communities should be designed, as I will discuss later.

Second, the distinction between "bonding" and "bridging" social capital, familiar to researchers in the social sciences, provides a helpful lens through which local leaders can view their community. Both are important, and neither suffices on its own to make a community successful. Bonding social capital makes families and tight-knit groups possible. The mutual aid and affection we have for those close to us and our willingness to spend time helping them can make all the difference in how we see the world, view opportunity, and calculate risks. But if bonding social capital is all we have, we can grow balkanized and tribal.

Bridging social capital connects people from different families and networks. School, the workplace, professional associations, and convening organizations of various stripes all connect people from different families and neighborhoods around common causes. Bridging social capital connects people with opportunities they would not have found on their own or through their immediate family. A large body of research shows that "who you know" matters at all levels of the socioeconomic ladder. Low-income people with larger networks land better jobs with higher pay than do those with small networks.

Research on community and social capital reveals three important pillars on which the well-being of local association stands. The reciprocity of mutual help, a sense of purpose that comes from alliances, and a sense of place are the bedrock of community vitality.

Mutuality

"Belonging" is the most accurate antonym to "loneliness." In strong communities, people know they are valued and feel like they have a recognized place in the group. Much has been written over the past decade about an "epidemic of loneliness" in America, a lot of which has been spurred by various demographic and economic realities, such as an aging population separated from family and stagnating communities in the heartland that have experienced outmigration and flattening wages. While good empirical evidence shows that every generation has episodes of loneliness and that young people are no lonelier today than they were 50 years ago, it is clear that a lack of community produces loneliness and a sense of alienation.

In the AEI Survey on Community and Society, we found that loneliness correlates with age, education, and income. Using a modified version of the UCLA Loneliness Scale, which plots people along a continuum of social isolation according to their responses to 19 questions about belonging and isolation, we found that once people in households reach $75,000 in income, they are considerably below the national average loneliness score. There is little variation in loneliness among incomes above that level, while people in households under $30,000 are considerably lonelier than the national average. Higher levels of education reduce loneliness, as does age. The younger you are, the less time you have had to build the meaningful relationships that keep loneliness at bay. Likewise, higher levels of education seem to expand networks and produce larger groups of acquaintances and friends. The real drivers of belonging, though, are marriage, membership in a congregation, community engagement, and residing in a community for at least a few years. Young adults with these attributes are hardly ever lonely, on par with baby boomers who have been in a place a long time.[15]

When people have a strong sense of belonging to a community, it engenders a sense of mutual aid and support. According to AEI survey data, people who talk with their neighbors more frequently also help others in their community more often. Having more friends in a neighborhood also correlates with helpfulness, as does the amount of time one has lived in a community.[16] A sense of shared obligation to one another is the essence of mutuality. When people feel connected to each other, they not only enjoy the personal satisfaction that comes with belonging and friendship but also are helpful and look out for each other's welfare.

Alliance

Another important element of community is the sense that we are part of something important, something moving in the right direction—an alliance, if you will. Whereas mutuality is a more inward-focused characteristic of reciprocity, being allied with others in pursuit of a common goal conveys an outward sense of forward motion or progress. Communities rich in social networks and trust, the core elements of alliance, tend to experience more economic success. Several studies have found that places more densely populated with local associations have higher levels of income growth than do low-social-capital places and affect economic growth at least as much as human capital does.[17] The rich networks that exist in associational life, it turns out, lead to economic and social progress.

There is a strong correlation between neighborliness and enthusiasm about one's community. According to AEI survey data, 87 percent of people who regularly talk to and interact with their neighbors rate their community as a good place to live, compared to 70 percent who interact less. We also found that people who are involved in multiple voluntary associations are much more likely to believe they can positively change their community than do those who do not participate in community organizations.[18] Optimism about the future of one's community creates a sense of opportunity that is intangible yet real. People are drawn to places where positive change is evident—from refurbished parks to renovated buildings to reclaimed paths to new eateries—and, in many cases, a strong belief in a better future is self-fulfilling.

Sense of Place

Proximity to a wide range of neighborhood amenities and institutions is another essential element of community well-being. Living in a well-designed community in which residents are close to grocery stores, parks, libraries, schools, restaurants and cafes, and gyms is correlated with higher levels of trust, neighborliness, and community pride. AEI survey data finds, for instance, that 55 percent of suburbanites who are not close to amenities experience a high degree of social isolation, compared to less than a third of those who live close to amenities. Twice as many urbanites in amenity-rich neighborhoods say they trust their neighbors than do those in amenity-poor areas.[19]

Living closer to a rich blend of amenities also boosts trust in local government. Nearly twice as many Americans living close to a healthy blend of amenities say they have confidence in their local leaders than do those living in areas scarcely populated by amenities. Living in a well-balanced community also increases people's sense that they can make a difference in politics.[20] Living in a place that affords us good options when we are not at home or work matters a great deal. Our sense of community is stronger when we regularly encounter familiar faces. Such encounters are possible only when the propinquity of everyday places make them so.

Opportunities for Philanthropists

Given the importance of mutuality, solidarity, and sense of place for the well-being of entire communities, philanthropists have an opportunity to think anew about their role in strengthening the cities and towns where they live and work.

American givers are well-suited to the task, both individually and institutionally. After all, most giving is already focused on local communities. Of the more than $425 billion in annual charitable contributions in America, nearly 70 percent comes from individuals and 18 percent from foundations. The majority of that giving is local in nature, with religious institutions taking the largest share and education and human services receiving considerable sums.[21] Family foundations, which outnumber corporate foundations 17 to one, have grown in number by more than 40 percent and more than doubled their assets since the turn of the 21st century.[22] Much of their giving is locally focused and oriented toward community-specific needs that no amount of central planning could address.

The nation's more than 800 community foundations are also important sources of locally driven solutions. They are unevenly distributed (e.g., Indiana has three times the number of community foundations than the more populous New York does), but every state has them.[23] Community development corporations are another source of locally generated revenue and solutions for community-specific, brick-and-mortar, and human services needs. While counting them is challenging because they do not occupy a legal or tax status different from other nonprofits, estimates suggest there are more than 4,000 nationwide.[24] While national nonprofits receive more media and marketing attention than local ones do, America's civic strength is clearly in its myriad local associations.

As I have written elsewhere, public policymakers should factor community and social capital into their proposed solutions given the success of a number of policies in the 1990s that did the same.[25] From school reform to community policing to public housing reform and welfare reform, domestic policy innovation 30 years ago presupposed the importance of neighborhood-level ownership of solutions to poverty and crime. Disentangling those reforms' success from their local dynamics is difficult.

Today, there is a renewed need for investments in bridging social capital in low-income communities to connect residents with more promising opportunity. Social entrepreneurs could take important steps in this direction by creating affordable neighborhoods, not just affordable housing. They could also more intentionally work with educational and workforce leaders to provide wraparound supportive services to low-income people looking to improve their job prospects with better access to the training and certifications that will help them move up life's ladder. Lessons can be learned from places such as Salt Lake City, Utah, which has a highly integrated private and public human services sector and, perhaps as a result, the best upward mobility rate for low-income people of all large US cities.[26]

Today, there is a renewed need for investments in bridging social capital in low-income communities to connect residents with more promising opportunity.

The main takeaway from a richer understanding of social capital and community well-being is radical: Funding connectedness is more important than is trying to fund specific outcomes. Putting people with similar interests in proximity with each other and with people who have a natural interest in helping them is a better strategy than is trying to figure out what kind of output to fund. This has significant implications for philanthropists and social entrepreneurs. Funding initiatives that focus on increasing amenities in neglected neighborhoods, creating alliances that bring together unlikely partners around everyday concerns such as clean streets and safe neighborhoods, or matching givers and recipients around specific needs will all strengthen the local fiber that helps communities improve in ways that orchestrated, top-down giving can never achieve.

About the Author

Ryan Streeter is the director of Domestic Policy Studies at the American Enterprise Institute, where he oversees research in education, technology, housing, poverty studies, workforce development, and public opinion.

Notes

1. G. K. Chesterton, *Heretics* (New York: John Lane Company, 1905).
2. Chesterton, *Heretics*.
3. Kirkpatrick Sale, *Human Scale* (New York: Coward, McCann and Geoghegan, 1980), 59.
4. R. I. M. Dunbar, "Coevolution of Neocortical Size, Group Size and Language in Humans," *Behavioral and Brain Sciences* 16 (1993): 681–735, https://pages.ucsd.edu/~johnson/COGS184/3Dunbar93.pdf.
5. David Hume, *An Enquiry into the Principles of Morals* (Oxford, UK: Clarendon Press, 1936), 215.
6. Adam Smith, *The Theory of Moral Sentiments* (1759; Indianapolis, IN: Liberty Fund, 1984), 113.
7. James Q. Wilson, *The Moral Sense* (New York: Free Press, 1993), xiii, 34.
8. Timothy P. Carney, *Alienated America: Why Some Places Thrive While Others Collapse* (New York: Harper, 2019); and Charles Murray, *Coming Apart: The State of White America, 1960–2010* (New York: Crown Publishing Group, 2013).
9. Robert Nisbet, *The Quest for Community* (New York: Oxford University Press, 1953), 10, 25.
10. David Riesman, *The Lonely Crowd* (New Haven, CT: Yale University Press, 1961), 244–45.
11. Samuel Abrams et al., *AEI Survey on Community and Society: Social Capital, Civic Health, and Quality of Life in the United States*, American Enterprise Institute, February 5, 2019, https://www.aei.org/research-products/report/aei-survey-on-community-and-society-social-capital-civic-health-and-quality-of-life-in-the-united-states/.
12. Robert Putnam, *Bowling Alone: The Collapse and Revival of American Community* (New York: Simon & Schuster, 2000).
13. Alberto Alesina and Eliana La Ferrara, "Who Trusts Others?," Centre for Economic Policy Research, December 2000, 1–38, https://repec.cepr.org/repec/cpr/ceprdp/Dp2646.pdf; and Anil Rupasingha, Stephan Goetz, and David Freshwater, "The Production of Social Capital in US Counties," *Journal of Socioeconomics* 35 (2006): 83–101, https://aese.psu.edu/nercrd/community/social-capital-resources/examples-of-studies-that-have-used-these-numbers/the-production-of-social-capital-in-us-counties.
14. US Joint Economic Committee, Social Capital Project, *The Geography of Social Capital in America*, April 2018, https://www.jec.senate.gov/public/index.cfm/republicans/2018/4/the-geography-of-social-capital-in-america#.
15. Abrams et al., *AEI Survey on Community and Society*.
16. Abrams et al., *AEI Survey on Community and Society*.
17. Trent Engbers, Barry Rubin, and Craig Aubuchon, "The Currency of Connections: An Analysis of the Urban Economic Impact of Social Capital," *Economic Development Quarterly* (September 16, 2016), https://journals.sagepub.com/doi/abs/10.1177/0891242416666673; Anil Rupasingha, Stephen Goetz, and David Freshwater, "Social Capital and Economic Growth: A County Level Analysis," *Journal of Agricultural and Applied Economics* 32, no. 3 (December 2000): 565–72, https://aese.psu.edu/nercrd/community/social-capital-resources/examples-of-studies-that-have-used-these-numbers/social-capital-and-economic-growth-a-county-level-analysis; Paul Whiteley, "Economic Growth and Social Capital," *Political Studies* 48, no. 3 (2000): 443–66, https://onlinelibrary.wiley.com/doi/pdf/10.1111/1467-9248.00269; and John Helliwell and Robert Putnam, "Economic Growth and Social Capital in Italy," *Eastern Economic Journal* 21, no. 3 (Summer 1995): 295–307, https://econpapers.repec.org/article/eejeeconj/v_3a21_3ay_3a1995_3ai_3a3_3ap_3a295-307.htm.
18. Abrams et al., *AEI Survey on Community and Society*.
19. Daniel A. Cox and Ryan Streeter, "The Importance of Place: Neighborhood Amenities as a Source of Social Connection and Trust," American Enterprise Institute, May 20, 2019, https://www.aei.org/research-products/report/the-importance-of-place-neighborhood-amenities-as-a-source-of-social-connection-and-trust/.
20. Cox and Streeter, "The Importance of Place."
21. Indiana University, Lilly Family School of Philanthropy, *Giving USA: The Annual Report on Philanthropy for the Year 2018*, Giving USA, 2019, https://lclsonline.org/wp-content/uploads/2019/09/GUSA-2019-AnnualReport.pdf.
22. Foundation Center, "Aggregate Fiscal Data of Family Foundations in the U.S., 2015," 2015, http://data.foundationcenter.org/#/foundations/family/nationwide/total/list/2015.
23. Howard Husock, "Appreciation in Donor-Advised Funds: An Analysis of Major Sponsors," American Enterprise Institute, February 11, 2021, https://www.aei.org/research-products/report/appreciation-in-donor-advised-funds-an-analysis-of-major-sponsors/.
24. Rachid Erekaini, "What Is a Community Development Corporation?," National Alliance of Community Economic Development Associations, September 17, 2014, https://www.naceda.org/index.php?option=com_dailyplanetblog&view=entry&category=bright-ideas&id=25%3Awhat-is-a-community-development-corporation-&Itemid=171.

25. Ryan Streeter, "Social Capital and Public Policy," *National Affairs* 39 (Spring 2019), https://www.nationalaffairs.com/publications/detail/social-capital-and-public-policy.
26. Raj Chetty et al., "Where Is the Land of Opportunity? The Geography of Intergenerational Mobility in the United States," National Bureau of Economic Research, January 2014, https://www.nber.org/papers/w19843; and Natalie Gochnour, "Can Utah's Model of Self-Help Be Replicated by Other States?," in *Localism in America: Why We Should Tackle Our Big Challenges at the Local Level*, American Enterprise Institute, February 22, 2018, https://www.aei.org/special-features/localism-in-america/.