AMERICAN EXPERIMENT

THE X-FACTOR?

Social capital and economic well-being: A quantitative analysis

JOHN PHELAN

WITH A PREFACE BY MITCH PEARLSTEIN, PH.D.

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The X-Factor? Social capital and economic well-being: A quantitative analysis

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Executive Summary

- Despite vast differences in state government economic policies, Minnesota and its neighbors see very similar outcomes on some key economic variables, like employment, which drive overall economic wellbeing on measures such as median household income.
- Some factor — or factors — besides state economic policy drives economic wellbeing in the states.
- A state's stock of social capital — "social networks and the norms...that arise from them" — is one of these factors.
- Networks are quantitative, they refer to how many people you know. They are neutral, in that they can be put to uses that are either socially beneficial or socially harmful, whether they are bowling leagues or criminal gangs.
- Norms are qualitative, they refer to the values and beliefs shared by a group. They are non-neutral, from the standpoint of economic well-being. Some norms, such as a refusal to take loans at interest, are less conducive to higher incomes than others. Norms do not need to be criminal to be suboptimal in terms of economic well-being. Different norms provide a source of "disparity in condition" between groups, which is not derived from "systematic discrimination."
- Social capital is hard to measure, which accounts for its belated quantitative consideration in economic research. The creation, by the Social Capital Project, of an index at both the state and county levels is a breakthrough. It allows us to quantify the impact of social capital on economic well-being.
- Using the county index with nearly 3,000 observations, we find statistically significant and positive correlations with median household income — our measure of economic well-being — and three of the four sub-indexes of social capital: Family Unity, Community Health, and Institutional Health.
- Can policy boost these measures of social capital as a way of boosting economic well-being? The outlook is mixed. Social capital evolves; it is not created.
- Higher levels of Institutional Health, such as voting rates, seem to be a result of higher incomes rather than a cause.
- There is much debate over whether Community Health — "non-religious nonprofits" and "congregations" per capita and an informal civil society sub-index — is declining or simply evolving. Either way, it is hard to see how policy can grow Community Health.
- There is no doubt, by contrast, that the Family Unity component – share of births to unwed mothers, percentage of children in single parent households, and percentage of women who are unmarried — has declined. This has led to lower household incomes as more houses have fewer income earners in them, and as increasing numbers of children are growing up in single parent households, where the head of the household has limited stocks of time and money to invest in their children. These kids struggle at school and later in life.
- The decline in marriage and rise of unwed parenting has been most pronounced among those Americans with lower incomes and those who are black or Hispanic. This is an important driver of economic inequalities.
- The leading causes for this are a shift in cultural norms and the decline in well-paid work for low-skilled workers, which has made men relatively less "marriageable."
- While this is one of the most pressing problems facing the United States, Family Unity is another area where policy has few tools to foster the development of social capital.

Preface

Why is this paper by economist John Phelan an invaluable breakthrough? In answering the question, it helps to consider perpetual debates, such as the ones sketched immediately below, regarding the comparative significance of economic phenomena and cultural phenomena in understanding and addressing central issues in American life.

A while back, American Experiment Chairman Ron Eibensteiner and I would (mostly) good-naturedly disagree over what was more important in explaining big problems in Minnesota and national life and what it would take to improve matters somehow. Think of it as think tank recreation. He would cite the importance and power of economics, and I would counter with the importance and power of the culture. Neither one of us was absolutist, as we both recognized that reality is usually divided by blurry rather than sharp lines. But Ron was the determined economics guy, and I was the determined cultural guy.

As if to egg us on, the French economist Thomas Piketty wrote a 577-page book (with an additional 76 pages of endnotes) in 2014 titled, *Capital in the Twenty-First Century*. Here are excerpts from the inside flap that gives a fair sense of what this widely reviewed and attended to book was about.

> *Thomas Piketty analyzes a unique collection of data from twenty countries, ranging as far back as the eighteenth century, to uncover key economic and social patterns. . . . Piketty shows that modern economic growth and the diffusion of knowledge have allowed us to avoid inequalities on the apocalyptic scale predicted by Karl Marx. But we have not modified the deep structures of capital and inequality as much as we thought in the optimistic decades following World War II.*

And then, "The main driver of inequality — the tendency of returns on capital to exceed the rate of economic growth — today threatens to generate extreme inequalities that stir discontent and undermine democratic values."

Capital in the Twenty-First Century was released during a period when I was paying particular attention to questions of family fragmentation and inequality, focusing more on their cultural and educational roots than their economic origins. While I didn't read the entire book, I did read portions where the professor at the Paris School of Economics wrote what I continue to view as narrow and incomplete things about the "essential roles played by education and training."

"Knowledge and skill diffusion," he asserted, "is the key to overall productivity growth as well as the reduction of inequality both within and between countries." So far so good.

Piketty shows that modern economic growth and the diffusion of knowledge have allowed us to avoid inequalities on the apocalyptic scale predicted by Karl Marx.

A page later, he went on: "It is obvious that lack of adequate investment in training can exclude entire social groups from the benefits of economic growth." "In short," Piketty continued, "the principal force for convergence — the diffusion of knowledge — is only partly natural and spontaneous. It also depends in large part on the educational policies, access to training and to the acquisition of appropriate skills, and associated institutions."[1] Still good. (By "convergence," Piketty meant decreased inequality.)

Then not-so-good. For the sake of argument, let's say his strictures are correct, and that capitalism fails to lift enough boats, and threatens to lift even fewer in the future. With apologies in advance for a surge of maritime metaphors, might Piketty be partially right about stalled boats — though not because of any fundamental flaws in capitalism — but rather because enormous numbers of potential boaters are habitual no-shows at docks for *non*-economic reasons?

It's not as if America hasn't been investing tons of money in education and training; substantially more on a per-student average than most other nations, competitors or otherwise. But as documented regularly, no matter how much money we spend on education and no matter how much we "reform," achievement gaps and academic needles barely budge. Factors other than parsimony are at play.

Clearly, any number of educational policies and practices — which might be thought of as the stuff of rules, regulations, and bureaucracies — are deficient. But the inescapable fact is that deep cultural and social deficiencies are also involved. These include, for instance, American students, in sizable proportions, simply not working as diligently as many students do elsewhere in the world, and not just in Asia, and many millions of children are forced to grow up in fractured, often chaotic families, with massive research demonstrating that such circumstances are unconducive to the kind of education and training Piketty says is essential. And while economic shortcomings in the United States can certainly contribute to situations like these, after decades of observation, I have no doubt that cultural and social factors contribute more.

In this regard, John wisely cites seminal research by the great American sociologist James Coleman, who found that different norms lead to different results in public and religious schools. "When Coleman," John writes, "investigated the differences in academic achievement between pupils of religious and state schools of comparable backgrounds and ability, he found that, not only were academic outcomes superior in religious schools, but also that dropout rates and absenteeism were lower." The University of Chicago professor concluded that "the most important factor in explaining the pattern was the impact of norms upon parents and pupils, which functioned to endorse teachers' expectations."

Which brings us back to John's major contribution: Taking a groundbreaking quantification of something called "social capital" — a concept entailing elusive factors such as norms, trust, attitudes, and behavior — and quantifying, in turn, how social capital is a core ingredient of something even slipperier: American "culture" itself. Completing the reinforcing circle, John's original research then helps explain and quantify, more fully than previous efforts, how something *social* is a prime enricher of something *economic*. And how, in turn, social capital contributes to stable families, strong communities, and other essential and healthy things in American and Minnesota life.

Early in the paper, John notes how the five Upper-Midwest states all rank highly when it comes to

John's original research then helps explain and quantify, more fully than previous efforts, how something social is a prime enricher of something economic.

employment ratios (the share of non-institutional population employed). Wisconsin ranked 13th; South Dakota 6th; Minnesota 4th; Iowa 2nd; and North Dakota first. This, he writes, "despite the fact that the governments of these states pursue very different economic policies." And that clearly "there is some other factor (or factors) driving high rates of employment in these states besides state economic policy."

Not that John didn't already have a good sense of what some of those factors were, he came across an inventive presentation of them in a report titled, "The Geography of Social Capital in America." It included a map showing where each state ranked on key measures. Just as each of the five Upper Midwestern states scored high in employment ratios, they each scored similarly in social capital. North Dakota was 11th; South Dakota was 10th; Iowa was 9th; Wisconsin was 3rd; and Minnesota was 2nd. Utah, by the way, came in first, a ranking that shouldn't surprise given its citizens' particular allegiance to family and faith. (In addition to norms and the like mentioned above, as well as things such as the percentage of children living in single-parent households, John more fully explains social capital's components in the main text.)

Observations like these led John to explicitly investigate three questions: What is social capital? How is it related to economic well-being? Can policy affect it, and, if so, how?

One might add here, before going on, that such ratings point to a seeming Minnesota paradox: How can the state have very high social capital rankings overall while having very high economic and educational disparities in various cities and communities? The main and sad reasons are primarily cultural in root: exceedingly high out-of-wedlock birthrates in those places.

Also worth noting is how cultural factors lead to disparities in home ownership. John cites how 70 percent of black immigrants in Minnesota come from two countries in East Africa, Somalia and Ethiopia, with many of them Muslim. "Because it is impermissible for Muslims to pay or charge interest — a cultural norm — they often struggle to access financing for house purchases. Some portion of Minnesota's racial disparities in home ownership rates, and consequently wealth, are then, the results of differing cultural norms and not 'systemic discrimination.'"

As witnessed in these two examples, it's impossible to deal adequately with questions of culture and social capital without a certain amount of courage. Grace, too. It's a pivotal reason why most policymakers, academics, and others consistently gravitate to less sensitive and comprehensive explanations for what ails us. John doesn't do that.

I may have first learned of social capital in something James Coleman wrote in the late 1980s when I was at the U.S. Department of Education during the Reagan and first Bush administrations. It helped that I worked with one of his former doctoral students, who was one of his coauthors on this subject. I was lucky. It's no small thing for John to take Coleman's foundational conceptualization to the next level of understanding and usefulness.

As the founder of American Experiment, I'm exceptionally proud of John's multiplying body of vital policy and scholarly contributions. Just as I am sublimely proud of the terrific progress American Experiment itself has made in the more than three decades since opening shop in 1990.

With those satisfying salutes, I'm pleased to turn John's brilliant, heavy-duty, but perfectly accessible analysis back to him. ■

Mitch Pearlstein, Ph.D.
Founder Emeritus
October 2023

Introduction

Minnesota and its neighbors: What makes us the same and why does it matter?

Center of the American Experiment has produced regular reports on Minnesota's economy since 2016 and these have often included a chart showing the employment ratio (the share of the civilian non-institutional population actually employed) in all 50 states and the District of Columbia in a given year. What they show doesn't change much from one year to the next: Minnesota is usually one of the top ranked states, its employment ratio coming in fourth highest in 2019, as Figure 1 shows. But, equally consistently, Minnesota's neighbors — highlighted in yellow — also rank comparatively high. For their employment ratios in 2019, Wisconsin ranked 13th, South Dakota 6th, and Iowa and North Dakota 2nd and first, respectively.

These similar labor market outcomes occur even though the governments of these states pursue very different economic policies. Minnesota has some of the highest rates of state income tax in the United States, while South Dakota doesn't tax income at all. On the Tax Foundation's 2019 State Business Tax Climate Index, Minnesota ranked 43rd and Iowa ranked 45th while South Dakota ranked 3rd, as Figure 2 shows.[2] Nevertheless, these three states occupied a band just 1.5 percentage points wide on their employment ratios that same year.[3]

Clearly, then, there is some other factor (or factors) driving high rates of employment in these states besides state economic policy. Identifying this "x-factor" (or factors) is important for understanding variations in economic well-being across the states. The relationship between the employment ratios shown in Figure 1 and the median household incomes shown in Figure 3, for example, is both positive, as Figure 4 shows — with higher employment ratios associated with higher household incomes — and statistically significant (the p-value is less than 0.05). With an R^2 of 0.417, that means that 41.7 percent of the variation in median household incomes can be attributed to variations in employment ratios.

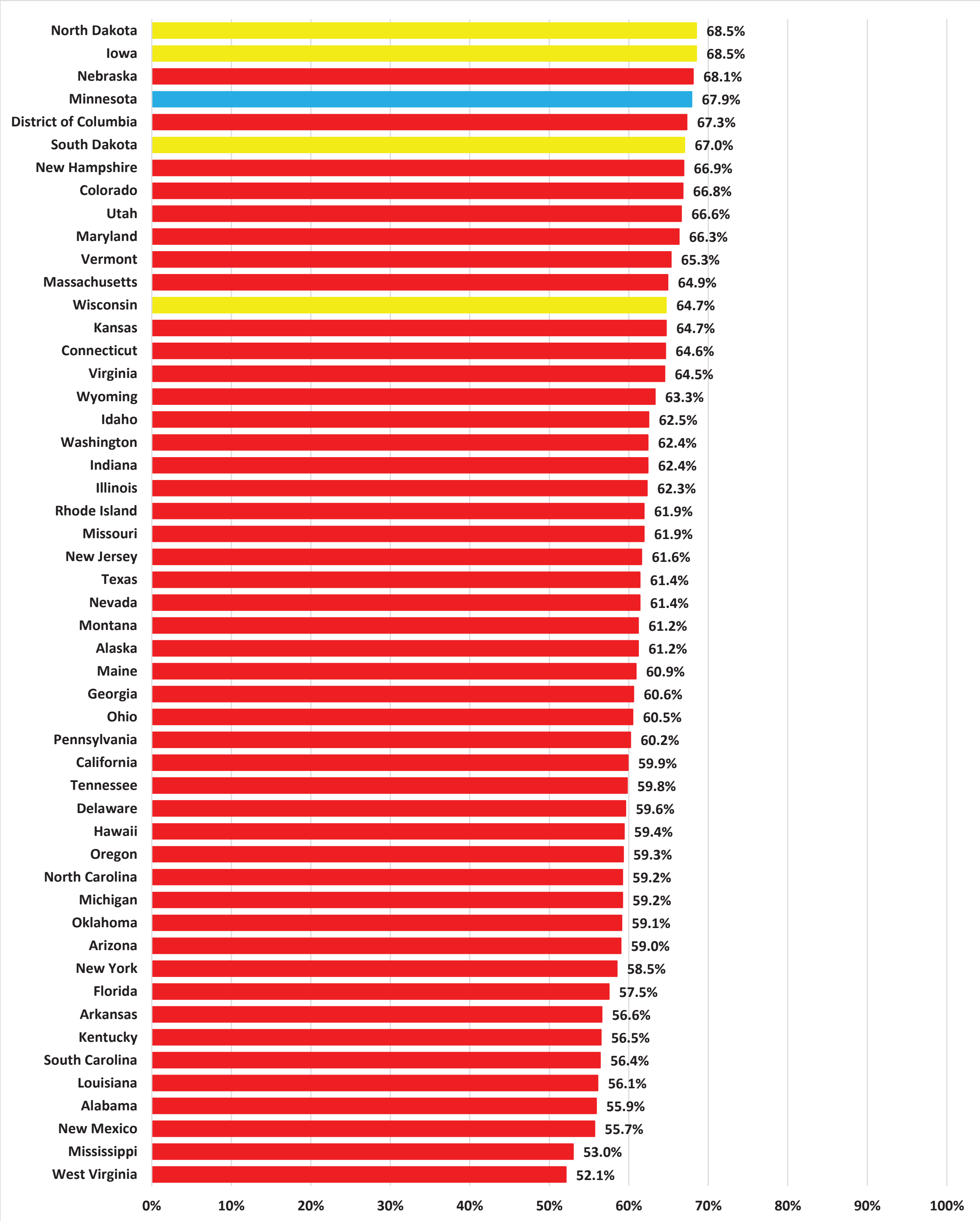
How can we identify this "x-factor" (or factors)? Going around Minnesota giving talks on the state's economy, I often close by asking people for suggestions. Then I saw the map in Figure 5 in a report titled *The Geography of Social Capital in America* produced by the Social Capital Project which is run by the Joint Economic Committee of Congress.[4] The map shows each state's "social capital," with lighter colors denoting higher levels. Minnesota and its neighbors stand out for their high levels of social capital, just as they do for their high employment ratios. Our state ranks 2nd, Wisconsin 3rd, and Iowa, South Dakota, and North Dakota occupy the 9th, 10th, and 11th places respectively, as Figure 6 shows. This relationship between levels of social capital and employment ratios is both positive and statistically significant: as Figure 7 shows, 54.3 percent of the variation in employment ratios can be attributed to variations in social capital. Social capital seems a good candidate to be one of our "x-factors."

Minnesota and its neighbors stand out for their high levels of social capital, just as they do for their high employment ratios.

These observations have prompted me to explore three questions. First, what is social capital? Second, how is it related to economic well-being? And third, can policy affect it and if so, how? These questions are answered in turn in each of the following three sections.

FIGURE 1

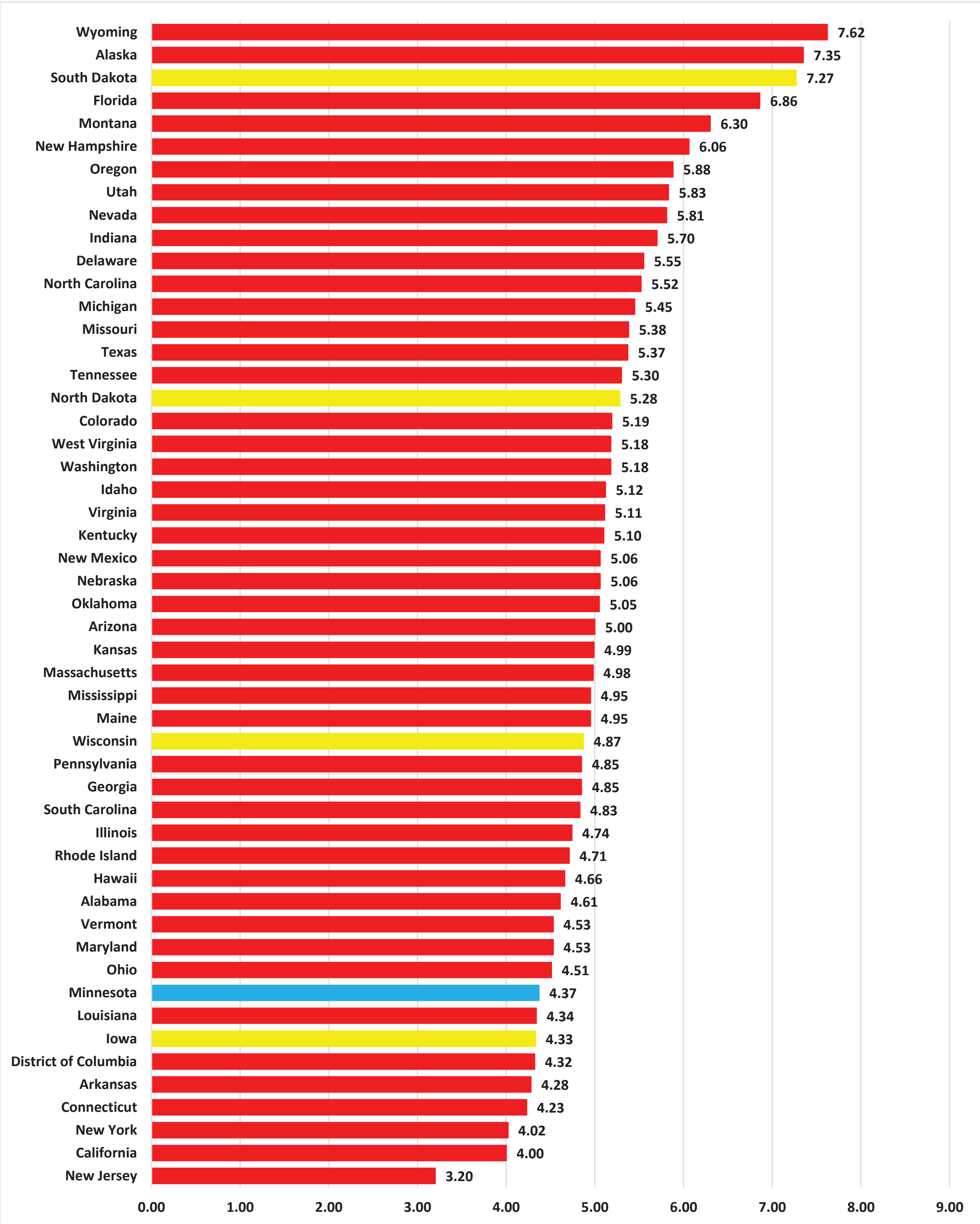
Employment Ratio, 2019



Source: Bureau of Labor Statistics

FIGURE 2

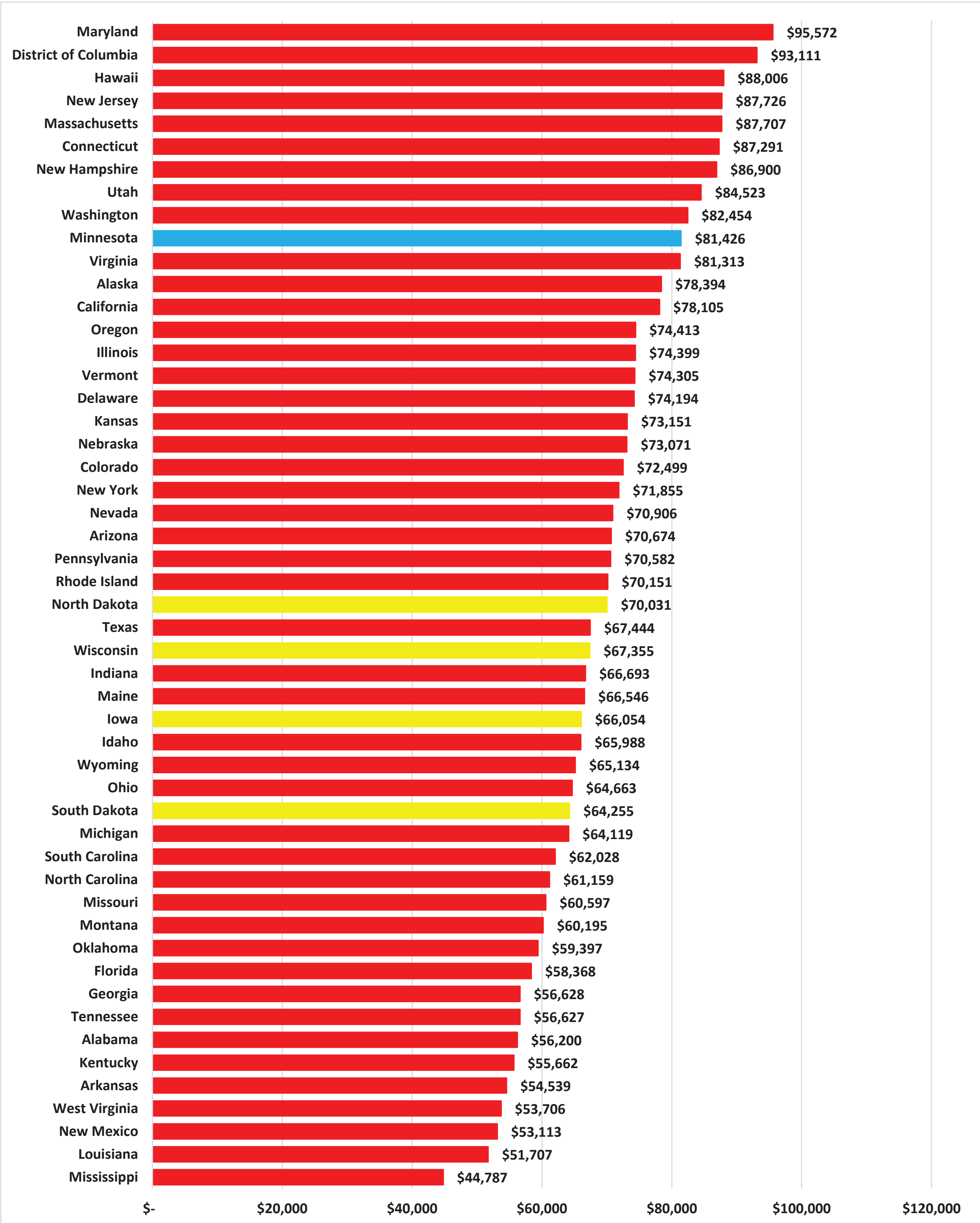
State Business Tax Climate Index, 2019



Source: The Tax Foundation

FIGURE 3

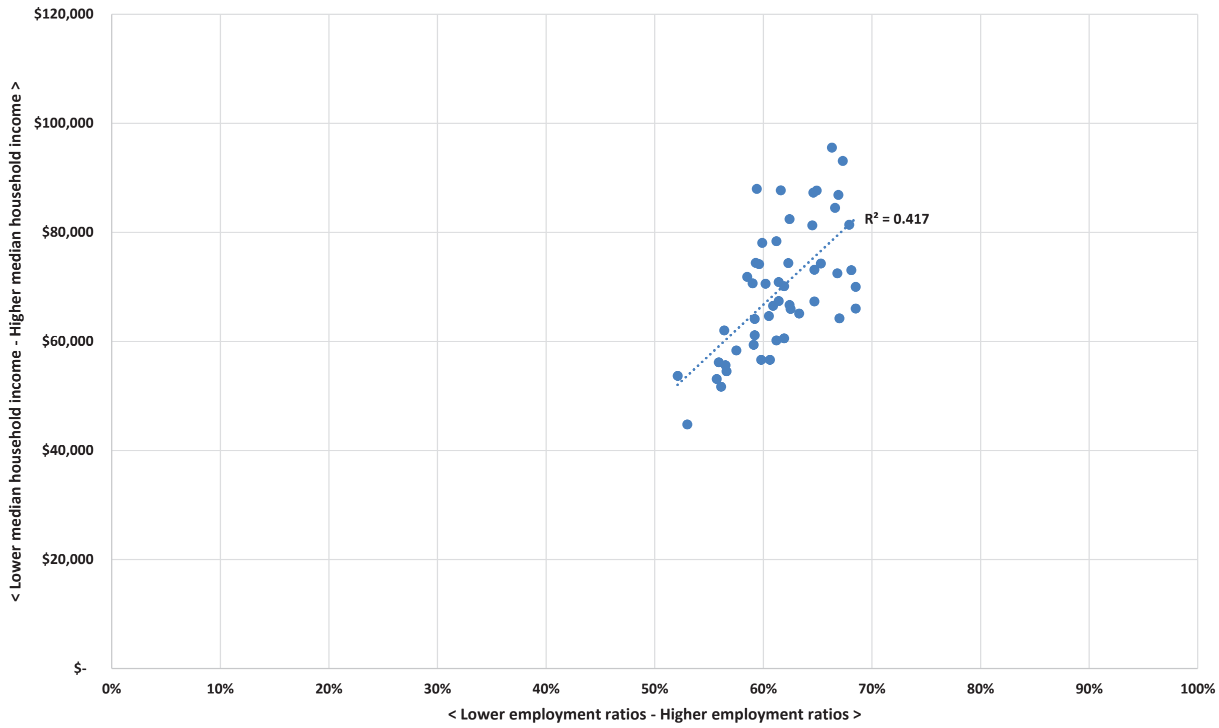
Median Household Income, 2019



Source: Census Bureau

FIGURE 4

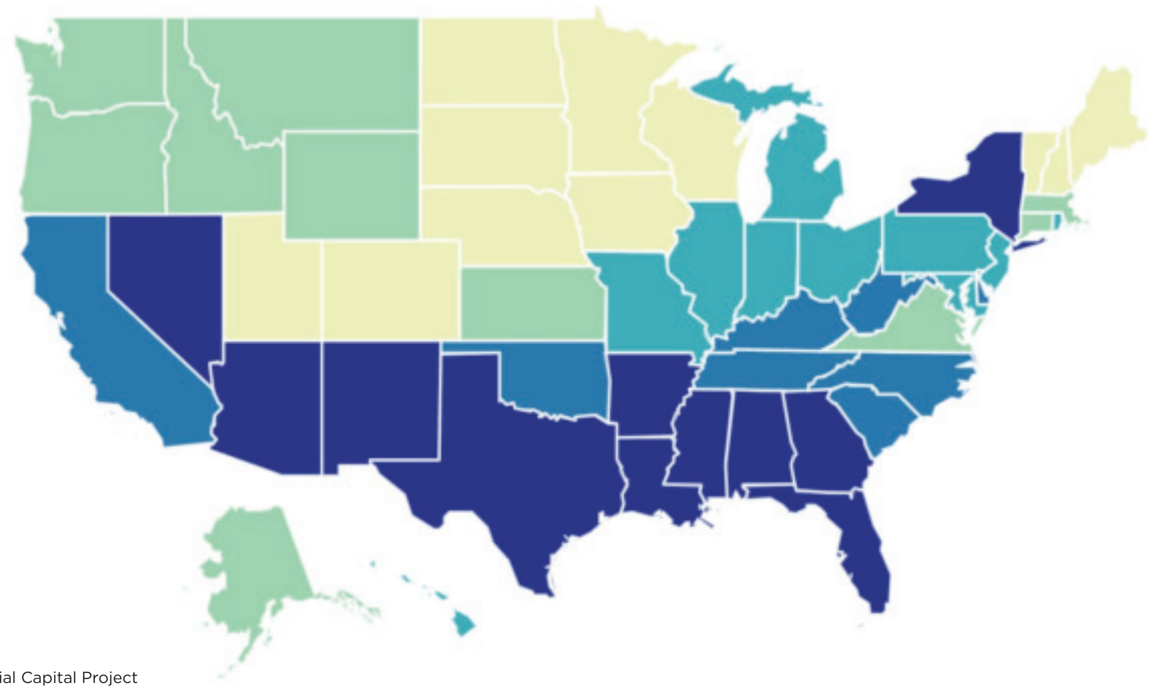
Employment Ratios and Median Household Incomes



Source: Center of the American Experimen

FIGURE 5

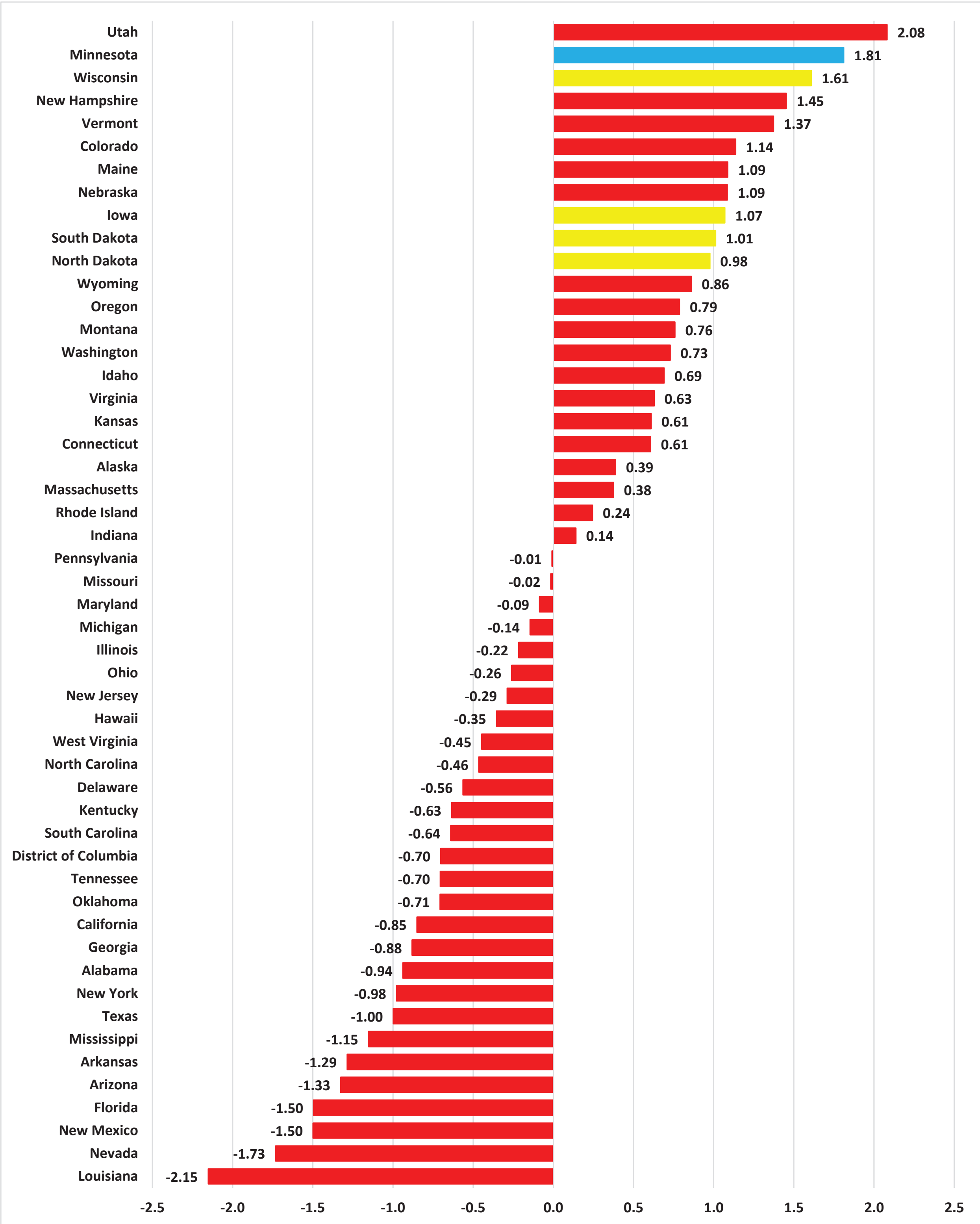
Social Capital Index and Subindex Scores by State



Source: Social Capital Project

FIGURE 6

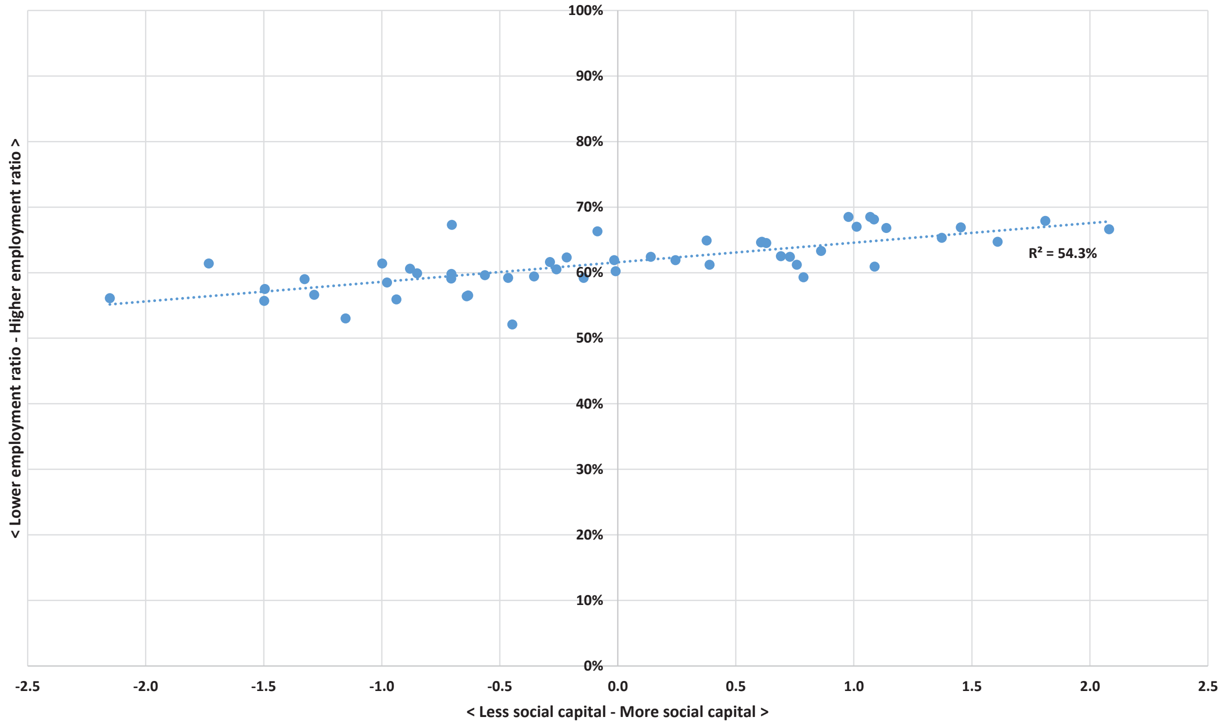
Social Capital Index Scores



Source: Social Capital Project

FIGURE 7

Social Capital and Employment Ratios



Source: Center of the American Experiment

1) What is social capital?

"The nature of this community—its size, its cohesiveness, its informality—means that you can accomplish things at lunch, in the street, or your friends come by on the way home."

- Stephen Keating, president of Honeywell, on Minnesota, 1973

"In New York, when you wanted a deposition from the other side in a lawsuit, you had to go through a heavy exchange of letters. Here I just pick up the phone and say, 'George, I need your client's deposition. Can we get together Wednesday?' So we do it then. No correspondence. No hassle."

- A former New York lawyer resident in Minneapolis, 1973[5]

One of the pioneers of social capital theory, Robert D. Putnam, offered an early definition of social capital as:

...features of social organization, such as trust, norms, and networks, that can improve the efficiency of society by facilitating coordinated actions.[6]

He subsequently refined his definition of social capital to "connections among individuals — social networks and the norms of reciprocity and trustworthiness that arise from them,"[7] boiling it down to two rather than the previous three primary ingredients: *networks* and *norms*.

The twin notions of *informality* and *efficiency* underlie most definitions of social capital. John Field explains that:

Modern organisations are governed by rules. There are accepted procedures for making or appealing decisions, and responsibilities are usually defined clearly in terms of a position rather than a person. But when they want to make something happen, many people will ignore these formal procedures and responsibilities, and set off to talk to someone they know. Important decisions almost always involve a degree of uncertainty and risk: if someone is looking for a new job or planning to appoint someone to a job, if they are looking for someone to service their car or mend the washing machine, if they are thinking of moving home or introducing a new way of organizing the office, or if *they want to find the best school or hospital, using the formal procedures is no guarantee of success. To make things happen, people often prefer to bypass the formal system and talk to people whom they know. Calling on trusted friends, family or acquaintances is much less stressful than dealing with bureaucracies, and it usually seems to work faster and often produces a better outcome.*[8]

"[R]elationships matter," is Field's summary:

...to the extent that these networks constitute a resource, they may be seen as forming a kind of capital. As well as being useful in its immediate context, this stock of capital can often be drawn on in other settings. In general, then, it follows that the more people you know [networks]*, and the more you share a common outlook with them* [norms]*, the richer you are in social capital.*[9]

Networks

The Organisation for Economic Co-operation and Development (OECD), which defines social capital as "networks together with shared norms, values and understandings that facilitate co-operation within or among groups," further "divides it into three main categories":

Bonds*: Links to people based on a sense of common identity ("people like us") – such as family, close friends and people who share our culture or ethnicity.*

Bridges*: Links that stretch beyond a shared sense of identity, for example to distant friends, colleagues and associates.*

Linkages*: Links to people or groups further up or lower down the social ladder.*[10]

These are types of networks. According to Putnam, "Bonding social capital is good for undergirding specific reciprocity and mobilizing solidarity," while bridging social capital "is better for linkage to external assets and for information diffusion."[11] "By making connections with one another," Field argues, such as through Bonds, Bridges, and Linkages, "and keeping them going over time, people are able to work together to achieve things they either could not achieve by themselves, or could only achieve with great difficulty."[12]

If having access to social capital generates positive results, not having access or only having access to certain categories of it can generate negative ones. While a group may have significant *bonding* social capital, for example, if its members lack *bridging* social capital, they will face difficulties.[13] The OECD explains:

Almost by definition, tightly knit communities, such as some immigrant groups, have strong social bonds, with individuals relying heavily for support on relatives or people who share their ethnicity. Simultaneously, their lack of social bridges can turn them into eternal outsiders from wider society, sometimes hindering their economic progress. Of course, social exclusion works both ways: tightly knit groups may exclude themselves, but they may also be excluded by the wider community.[14]

To some extent, this is a result of how social capital is accumulated in the first place. Field explains that "People connect through a series of networks and they tend to share common values with other members of these networks."[15] James Coleman, another founder of social capital theory, argued that the creation of social capital was facilitated by "closure" between different networks of individuals, by stability, and by a common, shared ideology. By "closure," he meant the existence of mutually reinforcing relations between different actors and institutions which provide, not only for the repayment of obligations, but also for the imposition of sanctions.[16]

Avner Greif's work illustrates these processes and their relationship with economic development very clearly. Greif notes that:

Without the ability to exchange, the potential for growth is rather limited. Indeed, the historical process of European economic growth is marked by ever-expanding exchange relations.

But:

In pre-Modern trade, a merchant had to organize the supply of the services required for the handling of goods abroad. He could either travel along with his merchandise between trade-centers or hire overseas agents to supply the service. Employing agents was efficient, since it enabled the merchant to save the time and risk of traveling, to diversify his sales across trade centers, and so forth. Without supporting institutions, agency relations are not likely to be established, since the agents can act opportunistically and embezzle *the merchant's goods. Anticipating this behavior, a merchant will not hire agents, and efficient cooperation is not initiated.*[17]

This was "The fundamental problem of exchange,"[18] or the "uncertainty and risk" referred to above by Field.

To tackle this, Greif explains how "agency relations" among "Jewish traders, known as the Maghribi traders:"

...were governed by an institution that might be called a coalition. Expectations, implicit contractual relations, and a specific information-transmission mechanism constituted the constraints that affected an individual trader's choice of action. In particular, these constraints supported the operation of a reputation mechanism that enabled the Maghribis to overcome the commitment problem. In turn, the reputation mechanism reinforced the expectations on which the coalition was based, motivated traders to adhere to the implicit contracts, and led to entry and exit barriers which ensured the sustainability of the coalition.[19]

This coalition was *informal* and enhanced economic *efficiency*, as social capital should, but was rooted in a shared ethnicity. It was, to borrow Coleman's term, "closed." Ultimately, the Maghribi traders emigrated to trade centers where "a well-established Jewish community already existed, and [they] integrated into the existing communal structure." When Greif notes that "they integrated within the Jewish communities and vanished from the stage of history," he is describing a process whereby the Maghribis "bridged" into a wider group, albeit, again, one with a shared ethnic identity.[20]

These attitudes can persist over time. An experimental study of trusting behavior found that people were much more likely to base their actions on trust when they believed they were dealing with members of the same ethnic group as themselves.[21] Research also finds that those countries with the most ethnically heterogeneous populations tend to be those with lower levels of social capital.[22]

This presents a problem for newcomers, especially, perhaps, in places like Minnesota where levels of social capital are high. This is reflected in jokes such as: "You want to make friends in Minnesota? Go to Kindergarten" or "Minnesotans will give you directions to everywhere but their house."[23] In such circumstances, newcomers might also find the social capital they do have a mixed blessing. It has been suggested that social capital can contribute to inequality by exerting a leveling-down effect on people's aspirations: specifically, that when group solidarity is cemented by a shared experience of adversity to mainstream society, individual members will be discouraged from trying to leave and join "the enemy," or develop "bridging" social capital, in other words.[24] Putnam has argued that some types of close, bonding ties may inhibit the formation of looser, bridging links.[25]

Norms

Norms are defined as "ways of behaving that are considered normal in a particular society."[26] As Greif notes of the Maghribi Trader's Coalition, "they employed a set of cultural rules of behavior —a Merchant's Law — that specified how an agent should act to be considered honest"; "for a collective punishment to be effective, there must be a consensus about which actions constitute 'cheating,'" he explains.[27] To return to Field's point "that the more people you know, and the more you share a common outlook with them, the richer you are in social capital," the first, network, element — "the more people you know" — is quantitative but the second — "the more you share a common outlook with them" — which we can call norms, is qualitative.[28]

Different norms will generate different outcomes. When Coleman investigated the differences in academic achievement between pupils of religious and state schools of comparable backgrounds and ability, he found that not only were academic outcomes superior in religious schools, but also that drop-out rates and absenteeism were lower. He concluded that the most important factor in explaining this pattern was the impact of community *norms* upon parents and pupils, which functioned to endorse teacher's expectations.[29] Subsequent research confirmed Coleman's general finding of a positive association between social capital and educational attainment, with the social capital indicators — the *norms* in question — including parent-school involvement and parental monitoring of progress.[30]

While some norms will generate positive results, others will generate negatives ones, at least in some directions. Just as physical capital, like a factory, can produce either ice cream trucks or tanks, so can social capital be put to destructive as well as constructive use. As Field argues:

...a reasonably clear distinction can be drawn

> *between productive social networks, which generate favourable outcomes both for members and the community at large, and perverse networks, which we could describe as those that have positive benefits for their members but include negative outcomes for the wider society.*[31]

Peter T. Leeson demonstrates that pirates, for example, developed informal structures to enhance their efficiency, but few would argue that this social capital was positive for society.[32] It has been found that people who belong to networks of injection drug users are far more likely to engage in risky injection practices than those who inject alone.[33] While bowling alone might be a bad thing, injecting alone seems not to be, relatively speaking.

Norms do not need to be criminal to be sub-optimal *from the perspective of economic well-being* – no moral judgement is made here. There is a substantial and growing pseudo-academic literature which argues, for example, that "if we truly believe that all humans are equal, then disparity in condition can only be the result of systemic discrimination."[34] Scholars working in economic growth, by contrast, find many causes for "disparity in condition" between groups, among them disparities in norms between groups. As Oded Galor argues:

> *Cultural traits — the shared values, norms, beliefs and preferences that prevail in a society and are transmitted across the generations — have often made a significant impact on a society's development process. In particular, aspects of culture that dispose populations towards or away from the maintenance of strong family ties, interpersonal trust, individualism, future orientation and investment in human capital have considerable long-term economic implications.*[35]

For an example of the impact of differing cultural norms on economic outcomes, note that Minnesota has some of the widest disparities in home ownership rates between black and white residents in the United States and that this accounts for a very large share of the disparity in wealth. Note, too, that Minnesota's black population is unlike that in most places; around 40 percent are recent immigrants compared to an average of nine percent across the country. Furthermore, in Minnesota, 70 percent of black immigrants come from two countries in East Africa: Somalia and Ethiopia,[36] and many of these are Muslim. Because it is impermissible for Muslims to pay or charge interest — a cultural norm — they often struggle to access financing for house purchases.[37] Some portion of Minnesota's racial disparities in home ownership rates and wealth, are, then, the result of differing cultural norms and not "systemic discrimination."

Of Putnam's two ingredients, networks are quantitative and neutral, and norms are qualitative and not neutral. Whether the quantitative, network element of social capital is put towards productive uses or not depends on the qualitative norms actuated through it.

2) How is social capital related to economic well-being?

> *"When you can measure what you are speaking about, and express it in numbers, you know something about it; but when you cannot measure it, when you cannot express it in numbers, your knowledge is of a meagre and unsatisfactory kind: it may be the beginning of knowledge, but you have scarcely, in your thoughts, advanced to the stage of science, whatever the matter may be."*
>
> - Lord Kelvin[38]

How do we measure social capital?

Having explored the concept of social capital and how higher levels of it might be causally related to higher levels of economic well-being, how can we confirm and quantify that relationship?

Economists have, so far, been remiss in probing the relationship between social capital and economic well-being quantitatively. One reason for this is that, unlike many other forms of capital, social capital is hard to quantify.[39] With Lord Kelvin's admonition ringing in their ears, economists, in this author's opinion, are too often reluctant to discuss that which they cannot express in numbers. Social scientists abhor a vacuum, however, and a number of attempts have been made to quantify social capital in the United States.

Putnam combined 14 separate measures of social capital, such as levels of social trust and engagement in civic affairs, into a single Social Capital Index, which he then used to map levels of social capital for 48 of the 50 states. These measures covered the second half of the 1970s, the 1980s, and the first half of the 1990s, but not generally the same years.[40] Alesina and La Ferrara also compiled a state-level social capital index in 2000 using measures of group participation, trust, and presidential election voting rates.[41] Kim, Subramanian, Gortmaker, and Kawachi updated Putnam's index in 2006, creating two state-level social capital indices from 10 of Putnam's indicators. One index included community volunteerism, informal sociability, and social trust; the other included engagement in public affairs, and both included community organizational life.[42] Kim subsequently produced another state-level index with Lee, which indicated the average number of formal and informal groups out of 15 different types in which adults participated.[43]

Each of these attempts has been criticized, often on the same grounds. They rely on responses to surveys that were not conducted with the aim of producing an index of social capital at the state level. The surveys used by Putnam and Kim, Subramanian, Gortmaker, and Kawachi to update him, for example, were often conducted so that respondents would be representative of the United States as a whole, not of a particular state. The same criticism applies to Alesina and La Ferrara's index, which used responses to the General Social Survey, and Kim and Lee's index, which used the Annenberg National Health Communication Survey, both of which are designed to be representative of the United States generally.[44]

A more recent attempt is the Penn State Index, which also includes estimates of social capital at the county level.[45] However, this index leans heavily towards a narrow conception of social capital as captured by the numbers of establishments in religious organizations, bowling centers, or golf courses and country clubs. As the Social Capital Project notes, the Penn State Index:

> *…includes nothing on family health, volunteerism, charitable giving, informal community engagement, social support, or collective efficacy. Presidential voting and census mail-in rates are tenuous indicators of social capital, as they relate people primarily to federal, rather than local institutions.*

Furthermore, "Several of the indicators suffer from interpretive or data Issues."[46]

Another recent attempt to quantify social capital, which, again, goes to the county and even zip code level, is the Social Capital Atlas.[47] This is a comprehensive collection of data categorized as signifying either "Connectedness," "Cohesiveness," or "Civic Engagement." No attempt is made, however, to build an index out of these indicators, and, as with the Penn State Index, it captures social capital as defined somewhat narrowly.

The Social Capital Project

This brings us to the Social Capital Index, another recent attempt to quantify social capital. It is produced by the Social Capital Project, which is run by the United States Congress' Joint Economic Committee "to investigate the evolving nature, quality, and importance of our associational life — namely, our families, communities, workplaces, and religious congregations," institutions which "are critical to forming our character and capacities, providing our lives with meaning and purpose, and addressing the challenges we face in an increasingly disconnected world."[48]

The authors write:

> *In our understanding of social capital, close and nurturing relationships with other people almost self-evidently provide benefits. Therefore social capital is likely to be "greater" or more productive in families, communities, and organizations with an abundance of close, supportive relationships. Social capital is also likely to be reflected in cooperative activities. These activities may be informal (e.g. conversing or working together with neighbors), or formal (e.g. membership in groups or service on a committee). Some cooperative activities may be formalized in institutions (e.g. governments, schools, news media, corporations), including nonprofit organizations specifically meant to deliver benefits or to represent interests. Social capital is also reflected in trust in other people, confidence in institutions, mutual generosity, high collective efficacy, and low social disorganization.*
>
> *In our view, places where these features of social life come together have "high," or "more," or more productive social capital — features of social life that provide benefits to community and family members. Places with a dearth of these features have "low," or "less," or less productive social capital.*

To capture this, they have constructed an index of social capital at both the state and county levels (the state scores are shown in Figures 5 and 6). At the state level, there are five sub-indices — Family Unity, Family Interaction, Social Support, Community Health, and Institutional Health — and two stand-alone indicators — Collective Efficacy and Philanthropic Health. These sub-indices capture the quantitative (networks) aspect of social capital better than the qualitative (norms) aspect, though this is not unique. The authors note that:

> *...what is productive social capital for some—criminal networks, for instance—may appear to others to be deeply problematic. Many of the indicators that go into our index are about the extent to which people do things together, without regard to what they are doing.*[49]

Nevertheless, there is some qualitative judgment involved. The inclusion of a measure of married parenting and not gang membership, for example, suggests that this is an index of socially productive or "good" social capital.

Support for the Social Capital Project's method comes from the overlap with previous estimates. Table 1 shows state index scores for Putnam, Alesina & La Ferrara, the Penn State Index, and the Social Capital Project ordered by the states' average ranking over the indexes they appear in.[50] For each, the top 10 are highlighted in green and the bottom 10 are highlighted in red, with the exception of Alesina & La Ferrara, whose scale is one to four. There, the states with rankings of four are highlighted in green and those with rankings of one are in red. The correlation coefficient for

TABLE 1

Various Estimates of State Social Capital

State	Putnam index (2000)	Alesina & La Ferrara social capital group (2000)	Penn State (2006)	Social Capital Project (2018)
Minnesota	1.32	4	1.17	1.81
South Dakota	1.69	4	1.55	1.01
Iowa	0.98	4	2.03	1.07
North Dakota	1.71	4	1.38	0.98
Wisconsin	0.59	4	0.97	1.61
Montana	1.29	4	1.69	0.76
Wyoming	0.67	4	2.02	0.86
Nebraska	1.15	-	0.96	1.09
New Hampshire	0.77	3	0.47	1.45
Vermont	1.42	2	1.31	1.37
Oregon	0.57	4	0.41	0.79
Maine	0.53	-	0.44	1.09
Kansas	0.38	3	0.50	0.61
Washington	0.65	3	-0.17	0.73
Utah	0.50	4	-2.25	2.08
Colorado	0.41	3	-0.49	1.14
Missouri	0.10	3	0.16	-0.02
Connecticut	0.27	3	-0.22	0.61
District of Columbia	-	-	6.66	-0.70
Indiana	-0.08	3	0.08	0.14
Alaska	-	3	-0.23	0.39
Massachusetts	0.22	2	-0.19	0.38
Pennsylvania	-0.19	2	0.33	-0.01
Rhode Island	-0.06	1	0.22	0.24
Ohio	-0.18	2	0.28	-0.26
Michigan	0.00	3	-0.35	-0.14
Virginia	-0.32	1	0.05	0.63
Idaho	0.07	-	-0.70	0.69
Delaware	-0.01	1	-0.01	-0.56
Illinois	-0.22	2	-0.31	-0.22
Maryland	-0.26	1	-0.24	-0.09
North Carolina	-0.82	1	-0.15	-0.46
South Carolina	-0.88	1	0.10	-0.64
New Jersey	-0.40	2	-0.89	-0.29
West Virginia	-0.83	1	-0.22	-0.45
Oklahoma	-0.16	1	-0.48	-0.71
California	-0.18	2	-1.55	-0.85
Kentucky	-0.79	1	-0.57	-0.63
Tennessee	-0.96	1	-0.27	-0.70
Alabama	-1.07	1	-0.21	-0.94
Arkansas	-0.50	1	-0.33	-1.29
Arizona	0.06	1	-2.06	-1.33
New York	-0.36	1	-1.23	-0.98
Georgia	-1.15	1	-0.80	-0.88
Mississippi	-1.17	1	-0.39	-1.15
Florida	-0.47	1	-1.10	-1.50
Hawaii	-	-	-1.32	-0.35
Texas	-0.55	1	-1.66	-1.00
Louisiana	-0.99	1	-0.91	-2.15
New Mexico	-0.35	-	-1.23	-1.50
Nevada	-1.43	-	-2.24	-1.73

Source: Center of the American Experiment

TABLE 2

State Level Index of Social Capital with Subindices

State	State-Level Index	Family Unity	Family Interaction	Social Support	Community Health	Institutional Health	Collective Efficacy	Philanthropic Health
Utah	2.08	2.62	0.96	2.97	0.84	-0.02	0.83	2.21
Minnesota	1.81	1.11	0.85	1.62	0.83	2.18	0.76	2.02
Wisconsin	1.61	0.50	0.94	1.54	0.93	1.94	0.41	1.96
New Hampshire	1.45	0.85	1.75	0.78	1.15	1.07	0.94	1.13
Vermont	1.37	0.56	2.59	1.38	2.15	0.16	1.48	-0.87
Colorado	1.14	1.09	1.07	0.76	0.36	0.77	0.31	1.42
Maine	1.09	-0.02	1.82	1.32	0.90	0.14	1.32	0.27
Nebraska	1.09	0.98	0.69	0.93	0.44	1.28	0.47	0.82
Iowa	1.07	0.87	0.57	1.09	0.65	1.30	0.51	0.59
South Dakota	1.01	0.45	0.32	1.49	0.92	0.81	0.21	0.93
North Dakota	0.98	1.22	0.55	0.98	0.38	1.03	0.55	0.38
Wyoming	0.86	1.15	1.26	0.59	0.55	0.06	0.94	0.05
Oregon	0.79	0.43	0.56	0.85	1.04	-0.32	0.74	0.88
Montana	0.76	0.79	1.04	0.67	1.34	-1.21	0.23	1.02
Washington	0.73	0.87	0.33	0.29	0.73	0.52	0.44	0.72
Idaho	0.69	1.47	0.16	0.63	0.03	0.23	0.85	0.33
Virginia	0.63	0.65	0.14	-0.15	0.21	0.81	0.94	0.95
Kansas	0.61	0.87	-0.34	0.50	0.08	1.13	0.09	0.82
Connecticut	0.61	0.30	0.72	-0.22	0.16	0.51	0.71	1.13
Alaska	0.39	0.46	0.52	0.48	1.57	0.02	-1.52	0.15
Massachusetts	0.38	0.45	0.55	0.21	-0.16	1.07	-0.15	-0.11
Rhode Island	0.24	-1.05	1.07	-0.12	-0.19	0.32	0.81	0.54
Indiana	0.14	-0.15	0.26	0.29	-0.18	0.53	0.00	-0.09
Pennsylvania	-0.01	-0.17	-0.27	-0.21	-0.24	-0.09	0.28	0.71
Missouri	-0.02	-0.05	-0.21	0.39	-0.39	0.65	-0.44	-0.22
Maryland	-0.09	-0.22	0.24	-0.66	0.07	0.10	-0.46	0.45
Michigan	-0.14	-0.31	-0.33	-0.21	-0.21	0.93	-0.35	-0.27
Illinois	-0.22	0.05	-0.02	-0.13	-0.54	-0.44	-0.03	-0.10
Ohio	-0.26	-0.49	-0.54	-0.01	-0.30	-0.03	0.44	-0.28
New Jersey	-0.29	0.64	-1.36	-0.73	-1.00	0.25	0.58	0.37
Hawaii	-0.35	0.42	-1.00	-0.67	-0.58	0.01	0.59	-0.31
West Virginia	-0.45	-0.29	-0.13	0.67	-0.47	-0.74	0.35	-1.72
North Carolina	-0.46	-0.39	-0.12	-0.49	-0.70	-0.18	0.19	-0.65
Delaware	-0.56	-0.71	-0.71	-0.47	-0.28	-0.03	-0.70	-0.10
Kentucky	-0.63	-0.07	-1.15	-0.40	-0.78	-0.31	0.85	-1.10
South Carolina	-0.64	-1.23	-0.21	-0.69	-0.54	0.21	-0.74	-0.24
District of Columbia	-0.70	-3.37	0.69	-0.97	3.97	-0.01	-4.91	0.29
Tennessee	-0.70	-0.43	0.07	-0.22	-0.92	-0.85	-1.36	-0.43
Oklahoma	-0.71	-0.15	-0.55	-0.67	-0.25	-0.91	-0.23	-0.82
California	-0.85	0.17	-0.04	-1.69	-0.81	-0.71	-0.18	-1.01
Georgia	-0.88	-0.80	-0.80	-1.04	-0.86	-0.14	-0.07	-0.72
Alabama	-0.94	-0.92	-0.82	-0.67	-0.86	-0.02	-0.35	-1.19
New York	-0.98	-0.32	0.11	-1.35	-0.94	-1.17	-0.10	-1.23
Texas	-1.00	0.05	-1.05	-1.08	-1.09	-0.78	-0.23	-0.94
Mississippi	-1.15	-2.02	-1.38	-0.27	-0.70	-0.66	0.48	-1.20
Arkansas	-1.29	-0.35	-2.06	-0.80	-1.08	-0.51	-0.65	-1.22
Arizona	-1.33	-0.55	-1.38	-0.95	-1.20	-1.90	-0.20	-0.70
Florida	-1.50	-1.08	-0.83	-1.32	-1.38	0.01	-0.98	-2.23
New Mexico	-1.50	-1.35	-0.31	-0.52	-0.05	-3.46	-1.30	-1.12
Nevada	-1.73	-0.51	-1.91	-2.49	-1.35	-1.92	-1.51	0.56
Louisiana	-2.15	-1.99	-2.33	-1.24	-1.25	-1.66	-0.84	-1.83

Source: Social Capital Project

the Social Capital Project's index and the others is 0.81 for both Putnam and Alesina & La Ferrara and 0.37 for the Penn State Index. There is greater agreement between the various indexes at the top of the scale than there is at the bottom: there are three states that make the top 10 on all four rankings (Minnesota, South Dakota, and Iowa) and just one (Louisiana) which makes the bottom 10 in all four.

Table 2 shows the Social Capital Project's state-level index and the five sub-indices and two stand-alone indicators. It shows that the top two states, Utah and Minnesota, rank in the top 10 — highlighted in green — in six of the seven sub-indices, the best performance out of all the jurisdictions. Among the bottom 10 states, the worst performers are Louisiana, which ranks in the bottom 10 on all seven sub-indices, and Florida, which scores in the bottom 10 on six of the seven sub-indices.

Social Capital in Minnesota

Minnesota's second-place ranking on the Social Capital Index is driven by its scores on the Family

Unity (5th), Social Support (2nd), Philanthropic Health (2nd), and Institutional Health (1st) sub-indices.

Looking at the indicators which make up the Family Unity sub-index, we see that Minnesota has the fourth-lowest share of births to unmarried women (27.7 percent), the seventh-highest share of women currently married (65.9 percent), and the seventh-lowest share of children with a single parent (27.2 percent). However progressively Minnesotans might vote, they live conservatively.

The indicators behind the Social Support sub-index show that our state has the lowest share of residents who say they get emotional support sometimes, rarely, or never (12.9 percent), the second highest average number of close friends (7.2), and the fourth highest share of residents who trust all or most of their neighbors (72.5 percent). However, Minnesotans are squarely average — 21st -— on the share who do favors at least once a month for their neighbors (43.9 percent). This might seem to confirm the stereotype captured in those jokes. Minnesotans have lots of *bonding* social capital as seen in the number of friendships and emotional support, but less *bridging* social capital as shown by the (relatively) poor performance on neighborliness: they like their neighbors in the abstract.

The stand-alone index for Philanthropic Health shows that Minnesota had the second highest share of residents who made a minimum $25 contribution to charitable causes (63.0 percent).

On Institutional Health, where Minnesota scores its best state ranking, it has the seventh highest share of residents who have some or great confidence in public schools (89.7 percent), the sixth highest share who have some or great confidence in media (61.8 percent), second highest mail-back census response rate (80.0 percent), and the top rates of those who have some or great confidence in corporations to do right (74.3 percent), and presidential election voting in 2012 and 2016 (75.3 percent).

Figure 9 maps the Social Capital Project's scores for each of Minnesota's counties (The Social Capital Project has not calculated an index score for either Koochiching County or Mahnomen County).

Investigating the link between social capital and economic well-being

In Section 1, we began by establishing a relationship between higher levels of social capital and higher levels of employment. We then established a relationship between higher levels of employment and higher levels of median household income. What, then, is the direct relationship between levels of social capital — specifically the components identified and quantified by the Social Capital Project — and levels of household income?

Previous research has generally found positive associations between social capital and drivers of economic well-being. Higher levels of social capital in a community are associated with higher levels of employment[51] and greater ability for entrepreneurs to identify and exploit business opportunities[52] and access financing.[53] This gives us a hypothesis to test: A higher level of the various components of social capital in an area is associated with higher levels of economic well-being in that location, as measured by median household income. The null hypothesis to be tested is, then, that there is no relationship between levels of the components of social capital and median household income. We use multiple regression analysis to test the null hypothesis, utilizing the Real Statistics Resource Pack software, which is an add-in to Microsoft Excel.[54]

Variables

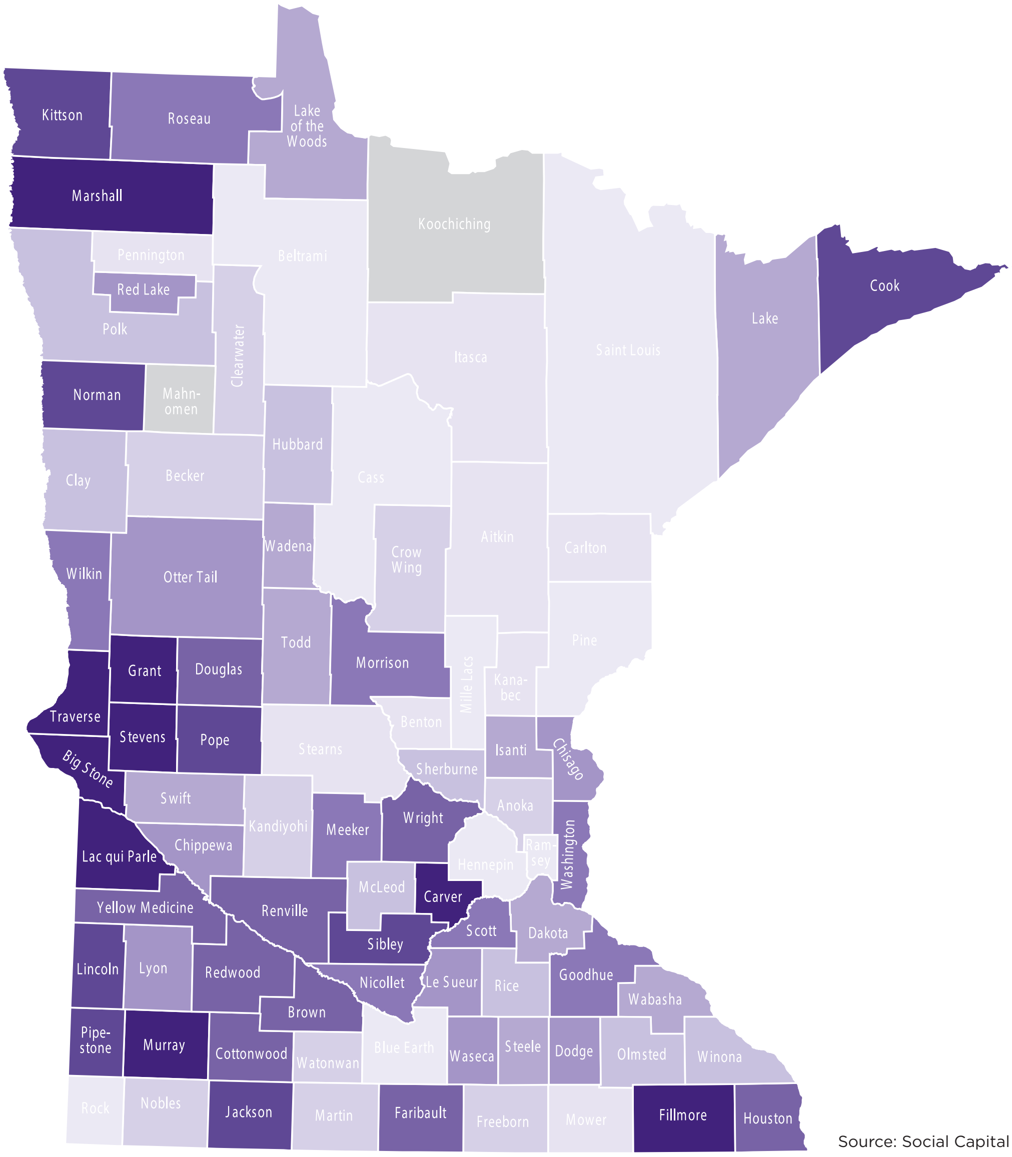
To this point we have mainly focused on the Social Capital Project's state index. For our analysis, we will use the county index. This involves some cost in terms of breadth: there are only three sub-indices and one stand-alone indicator for the county index owing to the lack of some data at the county level. On the other hand, using the county index gives us 2,897 observations as opposed to the 50 the state index does, and the county index is correlated with the state-level index at 0.96 in any event.[55]

Our response (outcome/dependent) variable will be the median household income for each county, which is provided by the Social Capital Project.[56]

To attempt to explain the different levels of median household income, we use four explanatory (factor/independent) variables. These are the sub-indices and stand-alone indicator of the Social Capital Project's county index. These are:

FIGURE 9

Social Capital Index Scores by County



Source: Social Capital Project

Decile	County, State	Index County-Level Index
10	Big Stone County, Minnesota	2.543
10	Marshall County, Minnesota	2.393
10	Traverse County, Minnesota	2.303
10	Lac qui Parle County, Minnesota	2.216
10	Stevens County, Minnesota	2.194
10	Grant County, Minnesota	2.190
10	Fillmore County, Minnesota	2.148
10	Carver County, Minnesota	2.084
10	Murray County, Minnesota	2.067
9	Pope County, Minnesota	2.061
9	Kittson County, Minnesota	2.005
9	Pipestone County, Minnesota	1.986
9	Sibley County, Minnesota	1.917
9	Lincoln County, Minnesota	1.904
9	Norman County, Minnesota	1.852
9	Jackson County, Minnesota	1.841
9	Cook County, Minnesota	1.839
8	Houston County, Minnesota	1.785
8	Douglas County, Minnesota	1.785
8	Cottonwood County, Minnesota	1.769
8	Yellow Medicine County, Minnesota	1.744
8	Redwood County, Minnesota	1.740
8	Brown County, Minnesota	1.727
8	Renville County, Minnesota	1.690
8	Wright County, Minnesota	1.668
8	Faribault County, Minnesota	1.662
7	Meeker County, Minnesota	1.649
7	Washington County, Minnesota	1.643
7	Roseau County, Minnesota	1.635
7	Scott County, Minnesota	1.611
7	Goodhue County, Minnesota	1.602
7	Nicollet County, Minnesota	1.583
7	Morrison County, Minnesota	1.582
7	Wilkin County, Minnesot	1.569
6	Dodge County, Minnesota	1.547
6	Le Sueur County, Minnesota	1.547
6	Red Lake County, Minnesota	1.545
6	Chippewa County, Minnesota	1.533
6	Chisago County, Minnesota	1.471
6	Waseca County, Minnesota	1.469
6	Lyon County, Minnesota	1.464
6	Otter Tail County, Minnesota	1.464
5	Lake County, Minnesota	1.453
5	Wabasha County, Minnesota	1.451
5	Lake of the Woods County, Minnesota	1.441
5	Swift County, Minnesota	1.438
5	Steele County, Minnesota	1.430
5	Wadena County, Minnesota	1.424
5	Isanti County, Minnesota	1.412
5	Todd County, Minnesota	1.402
5	Dakota County, Minnesota	1.343
4	Winona County, Minnesota	1.340
4	Olmsted County, Minnesota	1.338
4	Clay County, Minnesota	1.335
4	Sherburne County, Minnesota	1.324
4	McLeod County, Minnesota	1.288
4	Polk County, Minnesota	1.258
4	Hubbard County, Minnesota	1.255
4	Rice County, Minnesota	1.250
3	Becker County, Minnesota	1.248
3	Kandiyohi County, Minnesota	1.172
3	Martin County, Minnesota	1.169
3	Anoka County, Minnesota	1.168
3	Watonwan County, Minnesota	1.150
3	Crow Wing County, Minnesota	1.086
3	Nobles County, Minnesota	1.085
3	Freeborn County, Minnesota	1.078
3	Clearwater County, Minnesota	1.068
2	Itasca County, Minnesota	1.060
2	Carlton County, Minnesota	1.029
2	Stearns County, Minnesota	1.027
2	Pennington County, Minnesota	0.980
2	Aitkin County, Minnesota	0.969
2	Benton County, Minnesota	0.940
2	Mower County, Minnesota	0.922
2	Kanabec County, Minnesota	0.860
1	Blue Earth County, Minnesota	0.804
1	Mille Lacs County, Minnesota	0.801
1	St. Louis County, Minnesota	0.801
1	Hennepin County, Minnesota	0.774
1	Cass County, Minnesota	0.613
1	Ramsey County, Minnesota	0.435
1	Pine County, Minnesota	0.389
1	Rock County, Minnesota	0.384
1	Beltrami County, Minnesota	0.357

Family Unity:

...combines county-level data from the American Community Survey (2007-2011 and 2012-2016) on the share of births that are to unwed mothers (weight of 0.52), the percentage of children living in families headed by a single parent (weight=0.62), and the percentage of women ages 35-44 who are married (and not separated) (weight=0.59).

Community Health:

...combines non-religious nonprofits per capita (weight of 0.70), congregations per capita (0.48), and the informal civil society subindex (0.53).

Institutional Health:

...include[s] presidential voting rates (weight of 0.63), census response rates (0.41), and the confidence subindex (0.66)...

Collective Efficacy:

...the violent crime rate was included to reflect the level of collective efficacy in a county. It comes from the Federal Bureau of Investigation's Uniform Crime Reporting Program.[57]

We remove all counties without an overall index score, without a score in one of the sub-indices or stand-alone measures, and without a value for median household income. This leaves a total of 2,897 counties in our sample.

We also include controls for county size and metropolitan status using the United States Department of Agriculture's Rural-Urban Continuum Codes for 2013.[58] There are two reasons for this.

First, regarding Collective Efficacy, "Median household income is substantially lower in rural areas than in urban areas,"[59] and "urban areas generally have higher crime rates than suburban or rural areas." Yet it is unlikely that crime rates are, on average, higher in urban areas because incomes are, on average, higher there, rather it is a function of urbanization itself.

Second, regarding Community Health, of the three indicators which make up this subindex, "Religious congregations p 1,000" is negatively correlated with median household income (-0.43); it is the only one of the 10 indicators behind our four subindexes which has an "unexpected" sign. To dig deeper into this, we calculate correlation coefficients for "Religious congregations p 1,000" with 67 indicators and benchmarks given by the Social Capital Project. While none meet a threshold of 0.70, we do find values above 0.50 for "Membership Organizations p 1,000," (0.50), "'Associations' p 1,000, Penn State method," (0.54), "Non-religious non-profits plus religious congregations p 1,000," (0.64), and "% rural," (0.64). The first three of these are measures of "associational life" which we might expect to see correlated reasonably strongly with "Religious congregations p 1,000" which is also a measure of associational life. What is interesting — particularly when we note the value below -0.50 for '% rich in block group of ave. rich person" (-0.57) — is the stronger correlation with "% rural." What this suggests is that "Religious congregations p 1,000" is a measure of social capital associated reasonably strongly with rural areas which have, on average, lower median household incomes (the correlation coefficient between median household income and "% rural" is -0.38).

Results

Table 3 shows the results of our multiple panel regression measuring the impact of our four explanatory variables – the components of social capital at the county level – and our controls for county size and metropolitan status on levels of median household income.

Significance F tells us whether the model as a whole is statistically significant. In this case, the p-value is less than 0.05, which tells us that there is a less than five percent chance that the null hypothesis is true, which indicates that we can reject it. Our explanatory variables combined have a statistically significant association with levels of median household income.

The R Square value is the proportion of the variance in the response variable — median household income — which can be explained by our explanatory variables. Its value of 0.549 indicates that 54.9 percent of the variation in median household income across our 2,897 observations can be explained by variations in the components of social capital: Family Unity, Community Health, Institutional Health, and Collective Efficacy.

The individual p-values tell us whether each explanatory variable is significant. With a p-value greater than 0.05, we can see that the positive relationship between Collective Efficacy and median household income is not statistically significant. However, for our other three variables — Family Unity, Community Health, and Institutional Health — the relationships with median household income are both

TABLE 3

Multiple Regression Results, County Social Capital Score and Median Household Income

SUMMARY OUTPUT								
Regression Statistics								
Multiple R	0.741							
R Square	0.549							
Adjusted R Square	0.547							
Standard Error	8459.230							
Observations	2897							
ANOVA								
	df	SS	MS	F	Significance F			
Regression	13	251657713063.76	19358285620.29	293.07	0.00			
Residual	2884	206374922757.98	71558572.38					
Total	2897	458032635821.75						
	Coefficients	**Standard Error**	**t Stat**	**P-value**	**Lower 95%**	**Upper 95%**	**Lower 95.0%**	**Upper 95.0%**
Intercept	48649.40	883.55	55.06	0.00	46916.95	50381.84	46916.95	50381.84
Family Unity	5080.43	193.45	26.26	0.00	4701.13	5459.74	4701.13	5459.74
Community Health	641.50	244.31	2.63	0.01	162.46	1120.55	162.46	1120.55
Institutional Health	2558.59	191.42	13.37	0.00	2183.26	2933.93	2183.26	2933.93
Collective Efficacy	48.01	188.45	0.25	0.80	-321.50	417.52	-321.50	417.52

Source: Center of the American Experiment

positive and statistically significant, with p-values below 0.05.

The Coefficients for each explanatory variable tell us the average expected change in the level of median household income, assuming the other explanatory variables remain constant. For example, for each one-point (1.00) increase in a county's score on the Family Unity sub-index, the average level of median household income is expected to increase by $5,080 (alternatively, a one Standard Deviation — 0.98 — increase in the Family Unity sub-index score is expected to increase median household income by $4,979). To put that in context, it would mean Family Unity in St. Louis County, Minnesota, rising to the level of Carlton County, Minnesota, and the median household income rising by $5,080.

Overall, these results confirm our hypothesis. There is a positive and statistically significant relationship between the levels of the Family Unity, Community Health, and Institutional Health components of social capital and levels of economic well-being. Hitherto, results from the research into the relationship between levels of social capital and economic well-being at the macro-level have been, according to Field, "suggestive rather than conclusive."[60] Partly this is a result of the poor quality of evidence[61] stemming, in turn and in part, from the difficulties of quantifying social capital: if this is a difficult task in a developed economy like the United States, it is much more challenging in less developed countries. Our results make the case that higher levels of social capital are associated with greater economic well-being at the macro-level less suggestive and more conclusive.

3) Can policy affect social capital? If so, how?

"I want a wife and children. Not necessarily in that order..."

- Capt. Don Gallagher (Jack Lemmon) in Airport '77

"...as decades of empirical research continue to show, weak skills and other shortcomings are precisely what very large number of young people growing up in fragmenting families are disproportionately entering the job market with, if they enter it at all."

\- Mitch Pearlstein[62]

TABLE 4

Children's Family Structure, by Maternal Race and Education Level: 1980 and 2019

Race	Education	1980			2019			Percentage point change 1980 to 2019		
		Married parents	Cohabiting parent(s)	Unpartnered mother	Married parents	Cohabiting parent(s)	Unpartnered mother	Married parents	Cohabiting parent(s)	Unpartnered mother
White	Bachelors	92%	-	8%	88%	3%	9%	-4	-	1
	High School	88%	-	12%	69%	11%	20%	-19	-	8
	Less than High School	87%	-	13%	60%	13%	27%	-27	-	14
Hispanic	Bachelors	86%	-	14%	76%	7%	17%	-10	-	3
	High School	79%	-	21%	59%	12%	29%	-20	-	8
	Less than High School	77%	-	23%	59%	14%	26%	-18	-	3
Black	Bachelors	72%	-	28%	60%	5%	34%	-12	-	6
	High School	55%	-	45%	31%	9%	60%	-24	-	15
	Less than High School	49%	-	51%	30%	7%	63%	-19	-	12
Asian	Bachelors	95%	-	5%	92%	1%	6%	-3	-	1
	High School	92%	-	8%	79%	7%	14%	-13	-	6
	Less than High School	89%	-	11%	83%	4%	12%	-6	-	1

Source: Melissa S. Kearney, The Two-Parent Privilege: How Americans Stopped Getting Married and Started Falling Behind (University of Chicago Press, 2023): p. 33. Cohabiting parents cannot be identified in the 1980 Census.

"Governments are no better at 'cultural planning' than they are at economic planning."

- John Meadowcroft and Mark Pennington[63]

If higher levels of social capital — specifically higher levels of certain components of social capital — are associated with higher levels of economic well-being we must ask two questions: First, *can* policymakers increase the level of social capital? Second, if so, *how* should they do it?

Can policy build social capital?

Social capital theorists are divided on the question of whether or not policy can build social capital.

To some extent, this is because they view social capital as something that evolved, not something that was created. Unlike physical capital, for example, the accumulation of which is the result of deliberate and purposeful choice, social capital is, in this conception, an example of "spontaneous order" which Adam Ferguson defined as "the result of human action, but not the execution of any human design." For Coleman, social capital develops as "a by-product of activities engaged in for other purposes."[64] He makes a distinction between "primordial" and "constructed" forms of social organization, giving a privileged place to the family as the paramount form of "primordial" social organization, which was distinguished by the fact that its origins lay "in the relationships established by childbirth." Schools, on the other hand, are an example of "constructed" forms, which might come together for limited purposes and represent weaker agencies of social control than "primordial" forms.[65] As a result, he was skeptical of the capacity of governments to incubate social capital, fearing that state interventions in private relations would likely make matters worse.[66]

For Putnam, too, the development of social capital was unplanned, a "by-product of singing groups and soccer clubs."[67] Nevertheless, he did believe that policy could positively affect it and offered an entire chapter of proposals.[68] Indeed, the desire to use policy to grow social capital was once common on the political left.[69]

How can policy build social capital?

Assuming that policy can foster the development of social capital, how can it do this?

Our analysis yields three components of social capital with both statistically significant and positive relationships with median household incomes: Family Unity, Community

Health, and Institutional Health. The first question to ask is "Are these relationships causal?"

Institutional Health

It is hard to see how higher levels of Institutional Health, as measured by the Social Capital Project, drive higher median household income.

This variable is derived from three indicators: "Presidential election voting rate, 2012 & 2016," "Mail-back census response rate," and a "Confidence in Institutions Subindex." "Presidential election voting rate, 2012 & 2016" has the strongest — although not very strong — correlation coefficient with median household income (0.38), but it seems to be the case that voter turnout rises with income, not the other way around.[70] Likewise, it is difficult to see how an increase in the "Mail-back census response rate" would boost median household incomes. At any rate, it is already a legal requirement to complete the census. While greater levels of "trust" are certainly linked with economic development,[71] this is more trust in *each other* and is not really captured by the "Confidence in Institutions Sub-index."

Community Health[72]

It is easier to see how Community Health, as measured by the Social Capital Project, might drive higher median household income.

This variable is derived from three indicators: "non-religious nonprofits per capita," "congregations per capita," and "the informal civil society subindex." As measures of "associational life," the subjects of these indicators have long been at the heart of research and discussion relating to social capital. The research cited in Section 2, which found links between higher levels of social capital in a community and higher levels of employment and greater ability for entrepreneurs to identify and exploit business opportunities and access financing, identified "network size," "kin and close neighbors," "engagement in a range of social activities," and "friendship networks" — "Bonds" and "Bridges" captured in the "informal civil society sub-index" — as the avenues through which this is actuated.

There is disagreement as to whether Community Health in the United States has been declining or not. Putnam famously argued that social capital in the United States was in precipitous decline, pointing to declining rates of membership in voluntary associations, rates of voting, newspaper readership, reciprocal helpfulness, sociability, trust, and trustworthiness.[73]

This argument has been questioned. Some researchers, using other data to analyze social capital in the United States over time, have found no secular trend toward decline.[74] Others argue that social capital has not so much declined as evolved. While participation in league bowling might have declined, for example, participation in other group activities, such as soccer, has increased.[75] "Rather than joining groups in our neighborhoods, like bowling leagues" the OECD writes,

> *…we're now joining groups made up of people who share our beliefs — fighting for environmental protection or gay rights, for instance — rather than our locality. These groups — such as a branch of Greenpeace or Amnesty International — can exist in the "real" world. But they may also exist only virtually on the Internet, which is arguably creating whole new "communities" of people who may never physically meet but who share common values and interests.*[76]

In response, Putnam and Garrett argue that such "Mail-order 'membership' turns out to be a poor measure of civic engagement." "Though these new groups often depend on financial support from ordinary citizens and may speak faithfully on their behalf," they write,

> *…for the vast majority of their members the only act of membership consists in writing a check for dues or perhaps occasionally reading a newsletter. Few attend any meetings of such organizations —many never have meetings at all — and most members are unlikely ever knowingly to encounter other members.*

They pointedly cite the example of Greenpeace, which saw a surge in membership thanks to "an extremely aggressive direct mail program," but saw membership fall by 85 percent when they restricted this program.[77]

Moreover, we noted in Section 1 that some kinds of bonding ties may inhibit the formation of looser bridging links. Putnam and Shaylyn Romney Garrett note that "Participation in public meetings, local civic organizations, political parties, and political rallies by self-described middle-of-the-roaders fell by more than half between 1973 and 1994." They also note that "Participation by self-described 'moderate' liberals or conservatives declined by about one third" and that "Among people who described themselves as 'very' liberal or 'very' conservative, declines in participation were even more muted." This, he argues, is a driver of increased political "tribalism,"[78] or what has also been called "The Big Sort."[79]

In any event, it is also unclear how policy might increase these Community Health measures of social capital. There are programs that aim to build "Bonds" and "Bridges," such as that operated by the cities of Minneapolis and St. Paul to help immigrants and refugees integrate.[80] More broadly, Senator Chris Murphy (D-CT) has suggested the establishment of a national strategy to combat isolation and promote connectedness and authored the National Strategy for Social Connection Act.[81]

This, though, goes to the heart of whether government can build social capital or not; does it evolve or is it created?

Family Unity[82]

It is, by contrast, much easier to see how higher levels of Family Unity, as measured by the Social Capital Project, could drive higher median household income. Indeed, the coefficient in Table 3 is larger for Family Unity than for any other variable. And, unlike Community Health, there is widespread agreement that this element of social capital has been in marked decline.

For one thing, if there are more people in a household working to earn income, we could expect that household, on average, to have a higher income. Indeed, Melissa S. Kearney notes that while the median household income for families where the mother had a four-year college degree increased by 55 percent between 1979 and 2018, it fell by 4 percent for families where the mother had "high school/some college" and by 20 percent for those where the mother had "less than high school." "Why?" she asks:

> *Because the earnings gains for mothers in these education groups were offset by an increased likelihood of not having a spouse or partner — and hence another potential earner — in their household. The decrease in the share of households headed by two parents — a fall from 81% to 67% for moms with a high school degree and from 79% to 66% for moms without a high school degree — led to a decrease in median household earnings for mothers without a college degree. These numbers show that the college gap in family structure has been a meaningful contributor to the rise in household earnings inequality.*[83]

The correlation coefficients for "% women currently married" are negative for both "% with debt in collection," (0.53) and "Poverty rate" (0.54).

The decline of marriage

As this suggests, American adults are less likely to be married now than they were in the past,[84] so our indicator "% women currently married" (aged 35-44) has fallen.

In 1970, 87 percent of men and 83 percent of women aged 30 to 50 were married. In 2020, the numbers were down to 60 percent and 63 percent, respectively. This is not because people are getting divorced more; indeed, divorce rates are lower now than they were in 1979. That, however, conceals significant variation by education; while the divorce rate fell for college-educated Americans after 1980, it continued to rise among their high school educated counterparts.[85] Instead, overall, it is the case that fewer adults are getting married and they are marrying later when they do: the median age at which a woman first marries is now 27, an all-time high and up from 20 in 1956.

The decline of marriage has not been uniform across the population. It varies by education level. Kearney notes that:

> *...during the eighties, the pace of decline in men getting married continued among high-school-educated men, accelerated among men with less than a high school degree, and leveled off among college-educated men; marriage became relatively more common among elites...The share of high-school-educated men (including those who've completed some college) who are married is now on a par with the low rate of marriage among high school dropouts.*

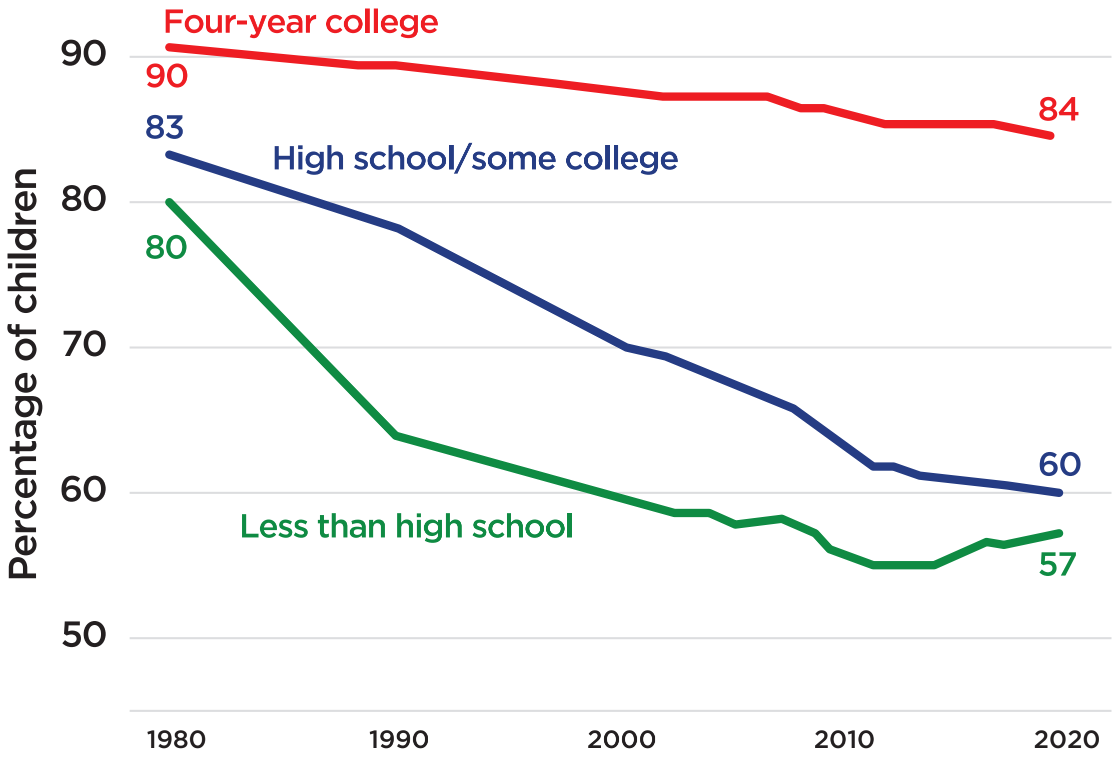
Among women:

> *...from the 1960s to the 1990s, women with college degrees were less likely to be married than women with high school degrees. By the mid-1990s, these women became the most likely to be married. While all demographic groups are less likely to marry, the women who are marrying least are those with less education.*[86]

It also varies by ethnic group. Between 1980 and 2020, the share of white men aged 30 to 50 who were married fell from 81 percent to 65 percent but from 60 percent to 41 percent for black men and from 84 percent to 55

FIGURE 10

Percentage of Children Living with Married Parents, by Maternal Education Level



Source: Melissa S. Kearney, The Two-Parent Privilege: How Americans Stopped Getting Married and Started Falling Behind (University of Chicago Press, 2023): p. 8.

percent for Hispanic men. For Asian men, the share declined from 81 percent to 75 percent. The correlation coefficient for "% women currently married" is negative (-0.57) for "% black."

This might not matter if couples are cohabiting without getting married but behaving otherwise exactly as a married couple. But this is not the case for two reasons.[87]

First, the decline in married couples has not been offset by a rise in cohabiting couples. Instead, the percentage of single-person households in the United States has more than doubled since 1960, from 13 percent to 29 percent in 2019.[88]

Second, even where this has occurred, cohabitation is not a perfect substitute for marriage. More than half of all cohabitations end within two years,[89] but this varies widely by education status. For college graduates, cohabitation frequently results in marriage, but for the bottom two-thirds of Americans by education, it typically ends in separation.[90]

The rise of unmarried parenthood

This decline in marriage and, to a lesser extent, the failure of cohabitation to act as a substitute have led to increases in both of our other Family Unity indicators: "% births to unmarried women" and "% children with single parent."[91]

Between 1980 and 2019, the share of children in the United States who lived with married parents fell from 77 percent to 63 percent. More than one in five children now live in a home with a mother who is neither married nor cohabiting.

As with the decline of marriage, these changes were not uniform across the population. They vary by education. As Figure 10 shows, the share of children of mothers with a four-year college degree who lived with married parents fell from 90 percent in 1980 to 84 percent in 2019, but among children whose mothers had a high school degree or some college, the share fell from

83 percent to 60 percent over the same period, and it fell from 80 percent to 57 percent for children whose mothers didn't finish high school. And, while the share of children of mothers with a four-year college degree living with a single mother rose from 10 percent in 1980 to 12 percent in 2019, for the children of mothers who either have a high school degree or some college or didn't finish high school, the share rose from 17 percent to 29 percent and 20 percent to 30 percent, respectively.

This decline also varies by ethnic group. Lawrence Mead notes that:

> *For blacks, 38 percent of births occurred outside marriage in 1970, soaring to 70 percent in 2015. Among Hispanics, the unwed birth rate has more than doubled in less than four decades, from 24 percent in 1980 to 53 percent in 2015. Thus, marriage has mostly disappeared from America's minority communities.*[92]

In 2019, 88 percent of Asian children lived with married parents compared to 77 percent of white children, 62 percent for Hispanic children, and 38 percent of black children. While the education gaps are found among white, Hispanic, and black families, they are much less prominent among Asian families. Among black children, 54 percent live with a single mother compared to 27 percent for Hispanic children, 15 percent for white children, and 9 percent for Asian children. The correlation coefficient for "% children with single parent" is negative for "% non-Hispanic white" (-0.52) and positive for "% black" (0.65).

Table 5 brings in data on the rise of unmarried parenthood by education and race together. The percentage of children living with married parents has fallen in every educational and racial category and the share living with single mothers has risen in every educational and income category. But there are significant differences underneath this. The declines in children living with married parents have been relatively small (less than 10 percentage points) among white Americans with a bachelors degree and Asian Americans with a bachelors and those educated less than high school level. The patterns among Asian Americans are closer, at every level of education, to those of educated whites than they are to Americans of the same educational level in other racial groups. By contrast, the decline in the share of children living with married parents has been relatively large (greater than 10 percentage points) among white, Hispanic, and black Americans of every educational level below a bachelors degree.

The rates of family fragmentation — which is the opposite of Family Unity — in the United States are well above those in most other countries. By age 30, one-third of American women spent time as lone mothers, while the shares in France, Sweden, and western Germany are half as large or less. Marriages and cohabiting relationships are more fragile in the United States than elsewhere. After only five years, more than one-fifth of Americans who married had separated or divorced, as opposed to half that many or fewer in other Western countries. This results in American children being much more likely to see their parent's relationships break up than almost anywhere else. Indeed, children born to *married* parents in the United States were more likely to experience their parents break up than the children of *cohabiting* parents in Sweden.[93] A study of 130 countries and territories found that the United States has the world's highest rate of children living in single-parent households, with almost a quarter of children under the age of 18 living with one parent and no other adults (23 percent), more than three times the share of children around the world who do so (7 percent).[94] As of 2008, less than half of American teenagers had spent their lives living continuously with both their biological mother and father.[95]

Why two parents matter

There is another way, besides the reduction in income per household, in which increased rates of family fragmentation led to lower economic well-being. Simply put, two parents means more resources available for parenting, in terms of both money and time.[96] The correlation coefficients for "% children with single parent" are positive for "Unemployment rate," (0.51) "% with debt in collection," (0.60) "Poverty rate," (0.65) and "% children in family receiving public assistance, SNAP, SSI" (0.80). This leads to better results across a range of outcomes, but feeds into measures of economic wellbeing primarily through education.

Research shows that children from fragmented families generally do worse at school, leading to lower incomes for themselves and the country at large. Evidence for this is both direct and indirect. Direct evidence finds a link between family fragmentation and lower academic achievement,[97] while indirect evidence finds links between family fragmentation and a range of factors such as low birth rates, poverty, mental and physical health issues, addiction, and behavioral problems,[98] which, in turn, negatively impact academic achievement.[99] The correlation coefficients for "% children with single parent" are positive for "Premature mortality rate," (0.51) "% births low birth weight," (0.57) and "% in fair or poor health," (0.58). These effects persist into college[100] and adulthood.[101] The lower academic achievement consequent from increased family disintegration in turn depresses growth and levels of economic aggregates, like household income.[102] The absence of fathers is found to be a particular problem for boys and has been given as one factor behind a range of indicators that show that boys and men struggling in education and employment leading to a rise in "deaths of despair."[103]

Ron Haskins and Isabel Sawhill estimate that if the "United States had the same proportion of children living in single-parent families as in 1970, all else being equal, today's poverty rate would be roughly one-quarter lower than it is."[104] Furthermore, Sawhill and Adam Thomas estimate that if family structure had not changed in the period from 1960 to 1998, the poverty rate for black children would have been 28.4 percent instead of the 45.6 percent it actually was.[105]

Given the relationship between family fragmentation and education and income, the increased rates of family fragmentation we have seen in the United States can be blamed for a share of increased economic inequality. The correlation coefficients for "% children with single parent" are positive for "Relative immobility," (0.50) and "% poor in block group of ave. poor person" (0.64). "The odds of becoming a single parent are also substantially higher for children who grow up with a single mother," Kearney writes, "again illustrating the compounding nature of inequality. It is not only that lacking two parents makes it harder for some kids to go to college and lead a comfortable life; in the aggregate, it also undermines social mobility and perpetuates inequality across generations."[106] The higher rates of family fragmentation in minority communities represent another source of "disparity in condition" besides "systemic discrimination."

Again, in cases where cohabitation has replaced marriage, we might not expect to see a difference in outcomes. Research finds, however, that this is not the case. On average, "step" relationships are not perfect substitutes for biological relationships and have relatively worse outcomes.[107]

There is another way in which increased family fragmentation can lead to lower levels of economic well-being. Galor, quoted above, noted that "Cultural traits — the shared values, norms, beliefs and preferences that prevail in a society and are transmitted across the generations — have often made a significant impact on a society's development process." But *how* are these traits transmitted across the generations? If the family is a primary channel for the transmission of norms which "have often made a significant impact on a society's development process," then family fragmentation will close that channel.[108]

What is the cause?

To examine the causes of increased family fragmentation, let us recap some stylized facts. First, it is greater in the United States than elsewhere; second, it is greater among those Americans with less education and lower incomes; and third, it is greater among those Americans who belong to minority groups except Asian Americans. Potential causes will be assessed in the light of these three facts.

Broadly speaking, explanations for increased family fragmentation fall into three categories: economic, cultural, and legal.

Economic causes

A popular explanation for increased rates of family fragmentation is the increased availability of welfare.[109] Offering an alternative source of income to a husband's wages, welfare, it is argued, reduces the need for mothers to marry.

This struggles to explain our stylized facts. Changes in both welfare enrollment — from around 14 million cases in the early 1990s to six million in 2000 — and payouts — the median Temporary Assistance for Needy Families (TANF) benefit paid out to a family consisting of a mother and two children fell, in real terms, by 21 percent between 1990 and 2012[110] — move in the wrong direction to be a cause of the increased family fragmentation seen over that period. Furthermore, Kearney argues, "The incidence of single-mother households is higher in the US than in many other countries that offer more generous safety-net programs, places like France and Sweden, for example."[111] A review of the literature found a small real effect of welfare payments on family fragmentation, but one that is sensitive to methodology.[112]

Another economic explanation, originating with William Julius Wilson, argues that the loss of a large number of manufacturing jobs, which often paid well for unskilled work, undermined husbands as breadwinners, causing them to give up on work and prompting the mothers of their children to reject them.[113] While median earnings for men with college degrees increased in real terms by 39 percent between 1980 and 2020, they were stagnant for men with a high school degree, and for those with less than a high school education, they edged down by four percent. "[T]o put it in stark (coldhearted) terms," Kearney writes, "the economic attractiveness of non-college educated men has been diminished."[114] One paper finds that "aversion to having the wife earn more than the husband explains 29 percent of the decline in marriage in the last thirty years."[115] Another paper estimates that 40 percent of the decline in marriage among Americans aged 25 to 29 between 1960 and 2013 can be explained by a fall in male earnings relative to men of the previous generation.[116] A third paper found that the increase in female earnings relative to male earnings accounted for 20 percent of the overall decline in marriage between 1980 and 2010.[117] Research has also found that, among less-educated men, "the prospect of forming and providing for a new family constitutes an important male labor supply incentive:"[118] in other words, these men can fall into a vicious circle where low incomes cause "un-marriageability" which causes low incomes.

How well does this fit our stylized facts? Declines in economic status by education certainly match the pattern of declines in marriage. However, comparable societies that have seen similar deindustrialization also have lower levels of family fragmentation. Between 1980 and 2008, the decline in manufacturing employment as a share of total employment was greater in three of the G7 countries (France, Germany, and the United Kingdom) than in the United States. This might fit, however, if we move away from cross-country comparisons of *levels* of family fragmentation to comparisons of *rates of change in levels* of family fragmentation: Kearney notes that similar patterns of increase and dispersal of rates of single motherhood across education levels have been seen in other, comparable countries.[119]

Discussion of this explanation should not conclude without consideration of the counter-argument that this picture of economic decline does not match the statistical reality. To assess whether male marriageability has declined, Scott Winship – one of the authors of the Social Capital Index – constructs "benchmark level of income necessary to afford the costs of raising a family – in other words, a definition of marriageability" and tracks this over time. He finds that "however one views the transformation of the American family, the causes have little to do with changes in men's breadwinning ability, since men are as able as ever to meet economic marriageability thresholds."[120]

Cultural causes

Others doubt these "economistic" explanations. Mead, for example, argues that "Marriage rates are governed by social forces more powerful than economics" and, offering a cultural explanation, suggests "the erosion of marriage as a norm." The reasons for this include "The advent of the birth control pill and legal abortion in the 1970s [which] allowed couples to separate sex from parenthood more than before…[and] promoted a more casual attitude toward sex outside of marriage" and women becoming "more demanding about the men they were willing to marry."[121]

Survey evidence supports this notion of an eroding marriage norm. Between 1962 and 1977 — a period when divorce rates more than doubled — the share of survey respondents who disagreed with the idea that parents should stay together for the sake of their children even if they didn't get along rose from half to over 80 percent.[122] Between the late 1970s and 2001-2003, agreement with the statement that "having a child without being married is experimenting with a worthwhile lifestyle and not affecting anyone else" rose from 41 percent to 56 percent for boys and from 33 percent to 55 percent for girls.[123]

How well does this fit with our stylized facts? Again, we must ask why comparable countries that have seen similar changes in norms in recent decades have lower levels of family fragmentation. William J. Doherty offers a cultural explanation for this "American exceptionalism." He suggests that "Aside from Native peoples and Africans brought here as slaves...we are a nation of immigrants;"

> *We're less rooted, which is one of our strengths as well as one of our weaknesses. I suspect we have always had more family fragmentation than Europe. We led the way in the mid- to late-twentieth century and now the twenty-first century with individualism, doing one's own thing. It's a powerful norm, what I call the consumer culture of marriage and relationships. We have led the way in the decline of a duty ethic and more towards a how-is-this-working-for-me ethic. We have culturally relativized marriage so much. We've mostly lost our cultural voice on the topic.*[124]

Also, as noted above, this explanation is a better fit if we move away from cross-country comparisons of *levels* of family fragmentation to comparisons of *rates of change in levels* of family fragmentation.

We must also explain why these changes of norms within the United States were not, apparently, uniform across educational and ethnic groups. For educational groups, we note, again, the difference between *levels* of family fragmentation and *rates of change in levels* of family fragmentation and how similar patterns of increase and dispersal of rates of single motherhood across education levels have been seen in other, comparable countries.

To explain the variation among ethnic groups, historical legacies have been identified. In an argument that can trace some lineage back almost six decades to the release of Daniel Patrick Moynihan's work, Chris Stewart argues:

> *I could design an experiment that puts today's white folks, for the next century, into the same exact opportunity structures that black folks have been in then you and I can have this conversation a century from now and the numbers would look quite different, because families don't exist in vacuums. There was a 250-year history of tearing the black family apart by law, custom, commerce, and social policy. Then 100 years of severe racial and economic discrimination. Then another 50 years of poverty policy that favored dis-unification of families rather than nuclear families. Where in discussions about personal responsibility and the superior social behaviors of white men does this history receive adequate assessment?*[125]

While this might not account for the differing declines in marriage rates — which were very similar for whites and blacks in 1960 — it might have more value as an explanation for births to unmarried mothers. In 1965, 24 percent of black infants were born to single mothers compared to 3.1 percent of white infants.[126]

The experience of Asian Americans indicates the power of cultural norms to drive Family Unity. As noted above, in 2019, Asian Americans had the highest share of children living with married parents, and between 1980 and 2020, the share of Asian American men aged 30 to 50 who were married fell by just six percentage points compared to 16 percentage points for white men, the next lowest decline. But, while for black, white, and Hispanic men the steepest declines in marriage rates between 1980 and 2020 were among those with less education, this was not the case for Asian American men, where, like the other groups, those without high school degrees saw small increases in income but, unlike those other groups, saw very small declines in marriage rates. "I suspect the answer has a cultural or social explanation," Kearney concludes.[127]

Legal causes

Another suggested cause is the spread of "no fault" divorce.[128] The unintended consequences of no-fault divorce, Brad Wilcox and Andrew Cherlin argue, "seem to have been most powerful for couples with fewer emotional and financial resources." They point to research showing that "at least 10 percent of couples who are going through a divorce are open to efforts to reconcile."[129]

This is a poor fit for our stylized facts, however. As noted above, the primary driver of family fragmentation is not an increase in divorce, but an increase in people not marrying in the first place.

What is the remedy?

Having identified a problem — increased family fragmentation — and discussed some possible causes, how might policy reverse this and increase Family Unity?

As with Community Health, there is significant skepticism about the ability of policy to positively promote Family Unity.[130] Partly this is because, like social capital more generally, the institution of the family was not invented but evolved.[131] Richard Reeves argues that "given the seismic cultural changes of recent decades" any attempt to "tie fathers back to children" and "back into marriage" "is an unrealistic prescription."[132]

Others argue that if the chain of causation is family fragmentation leading to poor education leading to lower levels of economic wellbeing, we can fix that chain at the second link by improving education.[133]

But research suggests that, by the time children get to school, the damage has already been done.[134] James Heckman writes that "The gaps in cognitive achievement by level of maternal education that we observe at age eighteen – powerful predictors of who goes to college and who does not – are mostly present at age six, when children enter school. Schooling – unequal as it is in America – plays only a minor role in alleviating or creating test score gaps."[135] In addition, the scale of the problem is vast. Mitch Pearlstein has argued that:

> *As long as 80 percent of babies in some communities are born out of wedlock, education in those communities will not get sufficiently better. This is inescapably so, no matter how much money we spend; no matter how many brilliant and devoted teachers we find; no matter how radically we reform curricula and instruction; no matter how much school choice we afford parents; no matter what.*[136]

This skepticism towards policy's ability to build Family Unity is not universal, however. The record of teen births in the United States is offered as reason for hope. While single parenthood has risen, the rate of teen childbearing has fallen from a peak of 62.4 births per 1,000 women aged 15 to 19 in 1991 to 16.7 in 2019.

Having grouped the causes of increased family fragmentation into economic, cultural, and legal categories, we will use these same categories to look at possible remedies.

Economic remedies

Many writers in this field offer ways of ameliorating the consequences of family fragmentation rather than trying to reverse it.

Kearney, who notes the deficit of resources in both time and money facing single parents, offers measures to help with the latter:

> *As a matter of federal policy and national spending, I believe the US should do more to provide for the material needs of children — through increased income support, safe housing, adequate health care, nutritious food, and high-quality early-childhood education.*[137]

Putnam writes that:

> *An increase in family income by $3,000 during a child's first five years of life seems to be associated with an improvement on academic achievement tests equivalent to 20 SAT points and nearly 20 percent higher incomes in later life. As social policy expert Lane Kenworthy summarizes this research, "government cash transfers of just a few thousand dollars could give a significant lifelong boost to the children who need it most." Getting such resources where they are most needed could be done in a variety of well-tested ways.*

He suggests expanding the earned Income Tax Credit and the child tax credit, pointedly noting that the former was "[o]riginally conceived by conservative economist Milton Friedman" while the latter was "advocated by Tea Party favorite Senator Mike Lee."[138]

Such programs will be expensive, however. Research also finds that they come with significant extra costs in terms of lower economic growth and less marriage.[139] In addition, they do not help with the deficit of time, which is also important. Chronic neglect, in fact, is often associated with a wider range of developmental consequences than is overt physical abuse.[140]

Reeves, citing research showing that what is important is the relationship between father and child rather than that between father and mother, outlines "a new family model, one where the relationship between fathers and children is independent of the one between fathers and mothers." To accomplish this, he recommends "equal and independent parental leave; a modernized child support system; and father-friendly employment opportunities."[141] This, however, is unlikely to be a full substitute for live-in fatherhood particularly in cases of "multi-partner fertility."[142]

There are, however, scholars who offer ways to reverse the decline of marriage itself. To the extent that fiscal policy — either taxes or spending — has disincentivized marriage, Wilcox and Cherlin argue for an increase in the Earned Income Tax Credit (EITC) for childless workers to reduce the marriage penalty and an expanded, fully refundable child tax credit.[143]

Marriage penalties, such as those in many state income tax codes, should be removed.[144] Research suggests, however, that any benefits from expanded child tax credits would come at a substantial cost in terms of lower employment and capital investment, leading to reduced economic output.[145]

But the dominant economic explanation for the decline in marriage is not fiscal policy but the "marriageable men" hypothesis; what can policy do about that? The issues of globalization and mechanization, which are alleged to have driven the decline in "marriageable men," are some of the major topics in policy discourse. It is hard to see how either of these trends can be fully — or even largely — reversed, at least at an acceptable cost in terms of economic output. The aim, then, must be to equip men to thrive in this new environment and make themselves more marriageable.[146]

Wilcox and Cherlin argue that the demand still exists for "technicians of various sorts," such as x-ray and respiratory technicians, and crafts workers, such as electricians, in other areas. They advocate for increased training for middle-skill jobs, which should begin with investment in preschool children's development.[146]

Skeptically, however, Reeves notes that "It is hard to find examples of government-funded training programs that work well for anyone, male or female," and "even among the few that do show some positive impact, there is often a gender gap" with males faring worse.[147]

Other research suggests that any effect from "upskilling" men will achieve little, if anything, in the absence of a change in social norms. Kearney and Riley Wilson found that the fracking boom led to an increase in employment and earnings among non-college-educated men but that this led to an increase in births among married *and* unmarried parents equally and that there was no increase in marriage. They further found that this response varied depending on how common non-marital childbearing was in an area, suggesting that social norms played a role. They found corroboration for this in a comparison with the Appalachian coal boom of the 1970s and 1980s — when social norms were different — where male earnings rose, childbearing increased only for married couples, and marriage increased.[148] It should be noted, however, that if increases in "blue collar" earnings didn't boost Family Unity, that suggests that decreases didn't erode it, counting against the "marriageable men" hypothesis.

Cultural remedies

In the literature analyzing the decline of marriage, shifting cultural norms compete with the "marriageable men" hypothesis as the leading cause. "For marriage to recover," Mead writes, "it must again become a norm that people feel they have to observe."[149] Sadly, it is also the cause most resistant to cure by policy.

Wilcox and Cherlin suggest a social marketing campaign to change the culture regarding marriage.[150] This is similar to a proposal from the Institute for American Values to "Engage Hollywood." "Our nation's leaders, including the president," they write, "must engage Hollywood in a conversation about popular culture ideas about marriage and family formation, including constructive critiques and positive ideas for changes in media depictions of marriage and fatherhood."[151]

As an example of the potency of such cultural "nudges," Kearney and Levine estimated that, in the 18 months after *16 and Pregnant* debuted on MTV in 2009, teen birthrates fell by 5.7 percent as a direct result of the show.[152] However, even those who support the use of policy to reverse the decline in family fragmentation agree that the bigger solutions lie beyond its reach. As Sen. Mike Lee (R-UT) has argued, "Implicit marriage penalties in our tax code and welfare programs surely need legislative remedies. But what we're really talking about is a question of culture, not policy incentives."[153]

Legal remedies

Finally, looking to legal remedies for legal causes, Wilcox and Cherlin suggest reform of the divorce laws.[154] Mead, specifically, suggests that "to either marry or divorce should become more demanding." "To get a marriage license, would-be partners should have to undergo marital counseling in hopes of heading off ill-considered matches," he argues, and he "would also restrict the grounds for divorce or separation and, similarly, require counseling to be sure the spouses were really irreconcilable."[155]

The evidence from some such schemes is mixed. Some research suggests that they can improve the odds that marriages will endure, at least among the middle class.[156]

An evaluation of the Building Strong Families (BSF) project, however, concluded that "When results are averaged across all programs, BSF did not make couples more likely to stay together or get married."[157] It should also be noted that there are some benefits to unilateral divorce laws, such as lower rates of domestic violence, murder, and female suicide,[158] and that the divorce rate is falling anyway.

Conclusion

We have traveled a long way in our search for the X-Factor.

We began with the observation that economic outcomes at the state level were driven by more than just differences in state economic policy. We hypothesized that differences in levels of social capital might be a contributing factor. We examined the concept of social capital and, using a new data set, found statistically significant and positive relationships between three of its components and levels of median household income. Of these three, the relationship with the Family Unity component was causal and strong. Looking at the indicators behind this variable, we saw that marriage rates have fallen in recent decades while the share of births to unmarried women and children living with single parents has risen. We saw that this increase in family fragmentation has been worse for those with less education and lower incomes and for black and Hispanic Americans. We have found that the twin deficits of time and money faced by single parents have pronounced and lasting negative impacts on their children. Examining a range of explanations for increased family fragmentation, the contenders with the broadest support in the literature are the "marriageable men" hypothesis and a shift in cultural norms. Finally, we noted that policy will struggle to do much about either of these.

Along the way, we have encountered some of the most pressing social, economic, and political debates in the United States: the origins and persistence of racial and sexual disparities in economic well-being as a result of declining Family Unity concentrated among those with lower incomes and ethnic minorities; increased political discord as a result of declining Community Health; a rise in deaths of despair. This report can only summarize the vast body of scholarship on each of these issues, but not for nothing has family fragmentation been described as "the biggest problem we have," "the largest or second-largest problem in America," and the "shadow behind all sorts of other problems that people are much more easily conversant about."

More fundamentally, we have probed, albeit gently, the origins of social order. We have seen how social capital evolves as a set of shared networks and norms. We have seen how, by their nature, these networks are exclusive and how this might explain some of the difficulties faced by newcomers, such as immigrants. We have also seen how some norms are more conducive to increased economic well-being than others. That a move away from a norm of "the maintenance of strong family ties", in Galor's words, should have negative economic consequences shouldn't surprise us. We have also asked whether government helps or hinders the creation of social capital and answered largely in the negative.

We have seen evidence that policy can do something to soothe the consequences of family fragmentation, albeit at significant economic cost. Kearney called her book

The Two-Parent Privilege, and this is an instance where that much abused word actually applies. The children of married parents do have an advantage over the children of unmarried parents and neither that advantage nor the inverse disadvantage is the result of anything the child has done. Conservatives rightly offer equality of opportunity as an alternative to the pernicious doctrine of "equity," but too rarely do they explain how they intend to foster that in terms of actual policy. I hope this report prompts them to do so.

Let us end at the beginning. Just as state government policy isn't the only driver of different economic outcomes among the states, neither is social capital. Social capital can augment good policy, and it can shield a state's residents from the effects of bad policy, but only up to a point. Like any capital, social capital can be "consumed." That is why investigating social capital is so important.

I am sad to say that we have said more about problems than solutions. But that is valuable, especially when those problems are so profound and so often passed over on the grounds of "political correctness." Center of the American Experiment has been tackling these issues since its foundation by Mitch Pearlstein in 1990 because we believe them to be so important, and there are hopeful signs that this is, now, being more widely recognized. Ultimately, no *one* cause in the decline of the Family Unity component of social capital is going to be *the* cause, and no *one* solution will be *the* solution. If this paper contributes to this conversation in any way, it will have achieved its aim. ■

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