AN OVERVIEW OF THE MAJOR ASSET BUILDING AND COMMUNITY DEVELOPMENT LITERATURES

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BY
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This literature review was undertaken as part of a larger study conducted for the Ford Foundation on the opportunities and constraints associated with building philanthropic endowments for community economic development. The first section of this review examines literatures that are particularly useful in considering asset-based approaches to community development. The second section discussed related conceptual frameworks that may inform the development of strategies to promote community development endowments. For purposes of clarity and brevity, the discussion is restricted to U.S. cases. When available, key findings of evaluations of the various initiatives discussed are briefly presented.

KEY LITERATURES: THEORETICAL PARADIGMS AND PRACTICAL APPLICATIONS

Three sets of literatures are important to understanding asset-based approaches to community development. The first, Robert Putnam's work on the importance of social capital in building and maintaining democratic values and institutions, has had an important influence on many lines of social thought and practice, including in the field of community development. The second, John McKnight and John Kretzmann's work on asset-based community development, presents a broad ranging definition of assets and provides practical methods for assessing and mobilizing them on both the individual, association, and institutional levels. The third, Melvin Oliver and Thomas Shapiro's asset-based analysis of racial inequality and Michael Sherraden's work on assets and the poor, uses a more strictly economic conception of assets to structure a range of public policy proposals, some of which are currently being implemented nationwide. This section briefly explains each of these approaches to asset-based community development, pointing to representative initiatives that have utilized them.

SOCIAL CAPITAL AND DEMOCRATIC VITALITY. Robert Putnam's *Making Democracy Work* (1993) presented a widely influential analysis of why democratic institutions in some regions in Italy are much stronger, more responsive, and more effective than others. This analysis centers on the key concept of *social capital,* which Putnam defines as "features of social organization, such as trust, norms, and networks, that can improve the efficacy of society by facilitating coordinated actions" (167). Whether individuals will cooperate in a mutually beneficial manner, Putnam argues, depends far more on the nature of their social context than on their personal goals and values. In communities with high levels of social capital, individuals have good reason to believe that their cooperation with others will be reciprocated, and that their defection from common enterprises will be punished.[1] In a community with low levels of social

[1] For example, in a community with strong norms of home maintenance, homeowners will be particularly motivated to keep their lawns well tended both because they are commonly invested in maintaining an attractive neighborhood, and because they know that they will meet with active social disapproval if they do not. Furthermore, neighbors in such a community will have relatively high levels of trust in one another, and generally be willing to help each other out on a regular basis.

capital, however, neighbors will not have the same incentives to cooperate with one another, as they lack a generalized sense of trust and commonality. This does not mean, however, that they are inherently less trustworthy or sociable individuals. Rather, they are acting rationally in an environment that is not structured to reward cooperative behavior.[2]

The key to building high levels of social capital in a given community, Putnam argues, is fostering strong, dense, horizontal networks of civic engagement such as "neighborhood associations, choral societies, cooperatives, sports clubs, mass-based parties, and the like" (173).[3] Such networks are critical because they develop strong, shared norms of mutually acceptable behavior; facilitate communication and information sharing; and regularly demonstrate the value of social cooperation. Communities with a strong web of horizontal social networks have the ability to self-regulate for healthy development; those that lack them find it extremely difficult to solve their common problems.

In a famous 1995 article entitled "Bowling Alone: America's Declining Social Capital," Putnam argued that such crucial networks of civic engagement – measured in terms of membership in church groups, labor unions, PTAs, and so on – have declined by about 25 percent since the 1960s.[4] American social capital, Putnam maintains, is eroding, along with consequent levels of civic engagement, social trust, and democratic vitality. In order to reinvigorate U.S. democracy, Putnam suggests, both public and private institutions and programs need to be examined in light of the extent to which they facilitate or discourage the development of associational life and social capital formation.

As documented by Gittell and Vital (1998), Putnam's work has been quite influential in the field of community development, where it has reinforced the relatively recent trend towards asset-based approaches to developing "civic capacity," or "community building." Putnam's theory has been extended and modified by other authors such as Temkin and Rohe (1998), who emphasize the importance of social ties that connect an underserved community to the larger, surrounding city or region, and Keyes et al. (1996), who stress the importance of the "financial nexus" in which initiatives take place.[5]

At the same time, Putnam's influence has led to a renewed emphasis on the importance of community organizing, understood broadly as the strengthening of the political, economic, and social networks that improve the quality of life in disinvested neighborhoods. The traditional conflictual model of community organizing, however, has been criticized as pursuing short-term

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[2] Robert D. Putnam, *Making Democracy Work: Civic Traditions in Modern Italy* (Princeton: Princeton University Press, 1993), Chapter 6.

[3] Horizontal networks link people together on an equivalent level of status and power. Vertical networks, in contrast, are based on unequal relationships of hierarchy and dependence.

[4] Robert D. Putnam, "Bowling Alone: America's Declining Social Capital," *Journal of Democracy* 6, no. 1 (January 1995), 72.

[5] Gittell and Vidal, *Community Organizing,* 14-19. References are to Kenneth Temkin and William Rohe, "Social Capital and Neighborhood Stability: An Empirical Investigation," forthcoming, *Housing Policy Debate* 9, no. 1 (1998), and Langley Keyes et al., "Networks and Nonprofits: Opportunities and Challenges in an Era of Federal Devolution," *Housing Policy Debate* 7, no. 2 (1996), 21-28.

gains while risking long-term losses such as increased social and political division, reduced potential for intergroup cooperation, and lack of access to funding and other outside resources. Consequently, some community development models now favor an alternative, “consensual” model of organizing, which seeks “to develop neighborhood leadership, organize community-based and -controlled organizations, and facilitate respectful and mutually beneficial relationships between neighborhood-based leaders and the larger metropolitan area support community.”[6]

It is important to note, however, that foundation support for community organizing remains relatively sparse despite this renewed interest in its potential. A 1991 survey of 100 foundations conducted by The Funders Committee for Citizen Participation, for example, found that less than one-third made any grants in this area at all. Similarly, the National Network of Grantmakers, which includes support for grassroots organizations in its vision statement, surveyed its affiliated foundations in 1994 and found that they allocated only 10 percent of their grantmaking to citizen participation initiatives.[7]

Important examples of practical initiatives utilizing a social capital building approach to community development include over forty Comprehensive Community Initiatives (CCIs) across the country, which approach neighborhood transformation via a multi-sector approach addressing such diverse areas as housing, economic development, schools, human services, and safety, while building social networks and community capacity. Another prominent example is the Local Initiatives Support Corporation (LISC) demonstration project, which was set up in three sites in 1991 to test the efficacy of consensual community organizing in developing community capacity and forming new CDCs.[8] Although evaluations of these projects suggest that the goal of building social capital is difficult to achieve, Gittell and Vidal (1998) argue that it is possible, given good program design and implementation.[9]

"NEEDS" VERSUS "ASSET-BASED" COMMUNITY DEVELOPMENT. John Kretzmann and John McKnight, Co-Directors of the Asset-Based Community Development (ABCD) Institute at Northwestern University, present a basic distinction between “needs” and “asset” based approaches to community development. Needs-based development represents the traditional paradigm that drives most public, private, and nonprofit programs. Much of the funding directed to low-income communities is based on the data collected through “needs surveys,” which document problems such as child abuse, crime, gangs, unemployment, illiteracy, and school dropout rates. Services designed to meet such needs commonly harm those whom they are designed to help, Kretzmann and McKnight argue, by fostering negative self-perceptions, funneling undue resources to service providers, undermining local leadership by forcing an emphasis on deficiencies rather than strengths, cultivating a reliance on outside “experts” rather than local residents, and contributing to a general sense of disempowerment and hopelessness.

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6 Gittell and Vidal, *Community Organizing,* 51-54.

7 National Committee for Responsive Philanthropy, “Community Organizing: Democratic Revitalization Through Bottom Up Reform,” in *Foundations in the Newt Era: A NCRP Special Report* (September 1995).

8 Gittell and Vidal, *Community Organizing,* 2, 39-43.

9 Ibid., 43-47, Chapter 8.

Asset-based, or capacity-focused development, in contrast, focuses on identifying community strengths and resources at the individual, association, and institutional levels, and mobilizing them for development purposes. "Capacity inventories" are conducted to produce a "map" of community assets; consequently, connections are made and relationships fostered to produce mutually beneficial results. Assets in this case are defined quite broadly, to include everything from individual skills such as caring for the elderly or making electrical repairs; to local associations such as church groups, political organizations, and block clubs; to institutional resources such as meeting spaces, photocopiers, and purchasing power. Examples of mutually beneficial relationships between community partners, which are listed at length in Kretzmann and McKnight (1993), are similarly wide ranging.

To date, there has been no comprehensive initiative that has attempted to pull all of the pieces of Kretzmann and McKnight's proposals together and apply them to a single, intensive community development project. There are, however, numerous smaller projects that have used, and are using their approach. In addition to the many examples listed in their central text, *Building Communities From the Inside Out* (1993), particularly notable undertakings include the "Grants for Blocks" small grants program in Savannah, Georgia, and the work that the ABCD Institute is doing in the Austin neighborhood on the West Side of Chicago.

The "Grants for Blocks" program was developed when the Savannah city government received a $20,000 grant to develop innovative local governance programs. The city used the money to build and mobilize the assets of ordinary citizens, sending a letter to every household in the city's five poorest neighborhoods offering up to $500 in grant money for block improvement proposals. During the first year of the program, 89 proposals were received; in its second year 320 came in. Blocks that received grants have been visibly improved, and 782 new local leaders have been identified in the process. Currently, funding for the program has been raised to $100,000 a year, and the city is considering offering somewhat larger grants in the future.[10]

The Austin neighborhood in Chicago is the fourth poorest community in the country. Nonetheless, the ABCD Institute, in conjunction with Midsouth Planning Council, identified 319 local associations in the neighborhood – most of which had previously been "invisible" to outsiders. Currently, the Institute, in partnership with the Chicago Neighborhood Institute of Shorebank, is in the process of creating a new community institution, the "Neighborhood Trust Corporation," which would be owned and operated by local associational leaders, and serve as a sort of combination bank, foundation, and credit union. The operating plan is to secure matching grants for local church groups, women's groups, sports clubs, and so on, who would invest their own money in a common fund that would give grants, make loans, provide market information, develop business and consumer networks, assist entrepreneurs, and so on. To date, approximately 120 local associational leaders have been interviewed regarding the project.

[10] A report on the Grants for Blocks program, produced by the ABCD Institute, is forthcoming.

While levels of enthusiasm and willingness to participate vary, in general there is a "huge interest" in the project.[11]

In addition to being essentially untested on a macro scale, the asset-based development approach developed by Kretzmann and McKnight faces several central obstacles to its successful implementation. First, it is necessarily extremely labor intensive, and most established organizers, funders, and CDCs are not willing to devote the needed level of resources to projects that have such a micro-level focus – e.g., linking together members of tiny community groups for a very small common project. Second, many CDCs and community foundations, which might be the logical partners for asset-based development initiatives, do not have strong preexisting connections with or knowledge of the many small businesses and associations in their communities. Finally, there are always concerns that models that are so highly invested in the idea that the internal resources of a devastated neighborhood can provide the main engine for its regeneration inadvertently provide a convenient rationale for the further abandonment of redistributive programs.

ASSETS AS WEALTH. A third approach to asset-based community development has been established by the complementary work of Melvin Oliver and Thomas Shapiro, authors of *Black Wealth, White Wealth* (1995) and Michael Sherraden, author of *Assets and the Poor* (1991).[12] In contrast to the previously discussed models, this approach is built around a much more focused conception of assets, which are defined as the stock of wealth in a given household, e.g., interest bearing savings accounts, financial securities, and real estate. Financial assets, it is argued, are the key to alleviating both poverty in general and racial inequality in particular. Social policy and related public and private initiatives must be reoriented away from models that focus exclusively on income levels, and towards approaches that facilitate the accumulation of wealth, or assets, particularly among the poor and members of historically disadvantaged minority groups.

Traditional means-tested social policies for the poor have prohibited asset accumulation; similarly, historically disadvantaged minority groups (most notably, African Americans) faced steep barriers to it for generations. Consequently, economic inequality is significantly more dramatic when measured in terms of wealth, as opposed to simply income. For example, while the income differential between similarly situated black and white families is only around $5,000, the net worth differential is over $46,000.[13] Furthermore, while the middle class and the wealthy have a variety of institutional mechanisms that enable them to accumulate wealth effectively – IRAs, pension plans, mortgage interest tax deductions, and so on – the poor traditionally have had nothing.

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[11] Interview with John Kretzmann, June 26, 1998. The ABCD Institute has prepared a report on the Austin Neighborhood Trust Corporation project, which is scheduled for public release sometime this summer.
[12] Melvin Oliver and Thomas Shapiro, *Black Wealth, White Wealth: A New Perspective on Racial Inequality* (New York: Routledge, 1995); Michael Sherraden, *Assets and the Poor: A New American Welfare Policy* (Armonk, NY: M. E. Sharpe, 1991).
[13] Oliver and Shapiro, *Black Wealth, White Wealth,* 209.

As a means of reducing this tremendous wealth gap, and enabling asset accumulation among the poor, Sherraden developed the idea of Individual Development Accounts (IDAs), which is currently being implemented in many locations nationwide.[14] IDAs are essentially matched savings accounts for low-income families or individuals that can be used for broad range of purposes such as homeownership, education, training, and small business capitalization. Deposits can be matched by either the federal or state government, or private sector organizations and individuals. Ideally, earnings should be tax-exempt or deferred when used for designated purposes, with penalties for withdrawals for undesignated use.

Several financial institutions across the country, including community banks and credit unions, are currently running IDA programs. As of January 1998, nine states have passed IDA legislation, and several others are considering it. In at least one state, Maine, the local community foundation has played an active catalytic and fiduciary role. At least 24 states have incorporated IDAs into their welfare reform plans. Variation of the model includes developing family development accounts for low-income homebuyers.[15]

Sherraden hypothesizes that the accumulation of assets among the poor will have far reaching effects beyond the simple provision of greater wealth, including enhanced self-esteem, a greater cognitive and emotional orientation to the future, more stable household composition, decreased domestic violence, greater involvement in civic affairs, improved commitment to education, and so on.[16] Although preliminary research suggests that asset accumulation among impoverished families produces positive results in areas of personal well-being, economic security, women's status, and children's well being, the results are far from conclusive, given the relative newness of this approach.[17] Further data on overall efficacy of the IDA as an anti-poverty strategy will be produced by the American Dream Demonstration (ADD) project, which was established by the Corporation for Enterprise Development (CFED) at 13 sites in 1997.[18]

RELATED CONCEPTUAL FRAMEWORKS

In addition to the literatures discussed above, there are several relatively well-established conceptual frameworks that provide complementary means of approaching community

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[14] While Oliver and Shapiro endorse Sherraden's IDA proposal, they also stress the importance of policy reforms in a variety of other areas, including the homeownership deduction, capital gains taxes, inheritance taxes, antidiscrimination law, and "Good Neighbor" mortgages and banking restitution. In addition, they support the idea of racial reparations and business development in the African American community. See Oliver and Shapiro, *Black Wealth, White Wealth*, Chapter 7.

[15] For information on IDAs and other related projects, see the Center for Social Development, Washington University in St. Louis website, and the Corporation for Enterprise Development, Washington, DC.

[16] Ibid., see also Sherraden, *Assets and the Poor,* Chapter 8. Oliver and Shapiro, however, are much more skeptical regarding the hypothesized psychological and behavioral effects of asset accumulation. See *Black Wealth, White Wealth,* 179.

[17] Deborah Page-Adams and Michael Sherraden, "Asset Building as a Community Revitalization Strategy," *Social Work* 42, no. 5 (Sept. 1997): 423-434.

[18] The Fall 1997 issue of *Assets: A Quarterly Update for Innovators,* published by the Corporation for Enterprise Development, presents a detailed discussion of the ADD demonstration project.

development issues. These include the ideas of "common assets," "sustainable development," and "healthy communities."

"COMMON ASSETS." The idea of common assets is that all human beings are born as de facto owners of valuable natural assets, such as "the sky, the oceans, the gene pool, and a multitude of local ecosystems such as watersheds and wetlands."[19] Until the recent onset of the contemporary environmental crisis, such assets were taken for granted as a part of the natural world and were not considered goods subject to ownership. Yet, as the availability of such goods as clean air and fresh water becomes more and more scarce, those that have not already been claimed by public and private entities can be considered as common human property.

Barnes (1997) suggests that all citizens could be common owners of such assets by means of a trust that would collect and then redistribute the income generated by the auction of usage permits, whose quantity would be set within environmentally sustainable limits. For example, a sky trust could be established in conjunction with a market for carbon dioxide emissions permits, which, it is estimated, could generate $230 billion per year by 2010, or roughly $1,000 for every U.S. citizen.[20]

Although such a trust fund has never been established, analogous models do exist, such as the Alaska Permanent Fund, which distributes 25 percent of the state's oil revenues to its residents on a yearly basis. (In 1996, the individual dividend was $1,131.) Although the Alaska Permanent Fund has been criticized for depriving state government of needed revenues and encouraging the future depletion of the state's oil resources, Barnes argues that the latter problem could be avoided in the case of the proposed sky trust by limiting usage as needed to maintain its environmental integrity.[21] The question remains, however, whether such limits would prove politically feasible when all citizens stood to gain by overuse in the short run.

"SUSTAINABLE DEVELOPMENT" The most frequently cited definition of sustainable development appeared in *Our Common Future,* the 1987 report of the United Nations World Commission on Environment and Development, which advocated a new paradigm of development that would "meet the needs of the present without compromising the ability of future generations to meet their own needs."[22] More recently, numerous books, as well as organizations such as the Mountain Association for Community Economic Development (MACED), have promoted a definition that emphasizes ecological stewardship, social equity,

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[19] Peter Barnes, "Who Owns the Sky?," *1997 Entrepreneurial Economy Review* (Washington, DC: Corporation for Enterprise Development, 1997): 22-27.

[20] Terry Moller, Chair and President of the Trusteeship Institute, and Member of the Board of Directors of the Calvert Family of Socially Responsible Mutual Funds, advocates a similar idea called the "Trusteeship Trust," which is essentially a proposal to share the wealth of the capitalist system by creating a trust fund for every person in the world. See Molner, "The Trusteeship Trust: A Way to Establish a Trust Fund for Everyone" (Northampton, MA: Trusteeship Institute, n.d.).

[21] Barnes, "Who Owns the Sky?," 26. See also William S. Brown and Clive S. Thomas, "The Alaska Permanent Fund: Good Sense or Political Expediency?," *Challenge* 37, no. 5 (Sept./Oct. 1994): 38-44.

[22] Barbara L. Lukermann, "Principles of Sustainable Development ," *Journal of the American Planning Association* 36 no. 4 (Autumn 1997): 513-515.

and economic prosperity.[23] Although largely an environmentally-based movement, the sustainable development paradigm has influenced a variety of fields such as planning, population studies, and community development.

"HEALTHY COMMUNITIES." The concept of "healthy communities" is closely related to both the sustainable development movement and the asset-based community development models discussed above. The Appalachian Center for Economic Networks (ACEnet), for example, defines "healthy communities" as an approach that focuses "not on problems, but on existing resources, positive outcomes, and creative community processes so that all residents have access to the opportunities needed to meet personal and family needs, develop gifts and potential, and contribute to the prosperity and health of the community," and specifically references the work of both Sherraden and Kretzmann and McKnight.[24] Similarly, the Colorado Healthy Communities Council (CHCC) defines healthy communities as dedicated to a comprehensive understanding of health that includes "a clean and safe environment, a sustainable ecosystem, quality educational opportunities and a diverse vital economy," in conjunction with a commitment to "broad based participation in community decisions." In addition, many of the CHCC's 15 current initiatives are employing the Kretzmann and McKnight approach to community development.[25] "Healthy communities" is also an important paradigm in the work of many of the newly-created health conversion foundations.

IMPLICATIONS FOR BUILDING LOCAL ENDOWMENTS FOR COMMUNITY DEVELOPMENT

Although the literatures and related conceptual frameworks discussed in this section do not directly address the project of building local endowments for community development purposes, they do present ideas and initiatives that are useful to consider in this regard. Community foundations, for example, should find it easier to raise funds for community development purposes to the extent that they are actively involved in building social networks and identifying community assets. Community foundations, health conversion foundations, and family foundations might also serve as important partners in the creation of new community institutions that have their own dedicated endowments, along the lines of the proposed Neighborhood Trust Corporation. Finally, health conversion foundations, many of which appear to be interested in engaging in collaborative projects, may be particularly willing to establish or contribute to an endowment modeled on the thematically compatible "healthy communities" concept.

[23] Ibid., also see *Communities by Choice: An Introduction to Sustainable Community Development* (Berea, KY: MACED, 1997). An extensive list of organizations, publications, and other resources employing the sustainable development model can be found at the Sustainable Communities Network (SCN) website.

[24] "Asset Building for Healthy Communities: A Concept Paper" (Athens, OH: ACEnet 1997), 1-2.

[25] Colorado Healthy Communities Council, letter to Marcia Smith, Program Officer, The Ford Foundation, 3/25/98, and attachments.