



# Policies to Promote Investment in Social Capital

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RETHINKING WELFARE: PROMOTING OPPORTUNITY AND INDEPENDENCE

# What is social capital?

- ▶ Assets constituted by and embedded in our relationships that provide value to us
  - ▶ Capital is a stock of something that provides a flow of resources
  - ▶ Capital is productive – gives us things we value
  - ▶ “Social” in that aspects of our relationships can provide more or less value to us
    - ▶ Information
    - ▶ Emotional support
    - ▶ Values
    - ▶ Preferences
    - ▶ Habits
    - ▶ Financial support

# What do we know about the importance of social capital?

- ▶ Not much!
  - ▶ Establishing causality is hard!
  - ▶ Measuring something corresponding to “social capital” is hard!
  - ▶ There is a clear logic and intuition to the idea that our relationships are valuable

# Example: family structure / stability literature

- ▶ Children of single mothers do worse than children of married parents on...just about everything
- ▶ Reasons to think that growing up with a single parent is, on average, disadvantageous
  - ▶ Lower income / greater expenses / division of labor
  - ▶ Worse parenting – disruption, psychological adjustment, less time for childrearing, greater stress, less parenting support & reinforcement, gender-specific role-modeling & cultural capital
  - ▶ Psychological impact on kids – adjustment, self-blame, social and family instability, stigma
  - ▶ Worse social capital – networks, neighborhoods, disruption of relationships, lack of access to father's relationships

# But...

- ▶ Don't know the counterfactual
  - ▶ What would have happened if single parents had stayed together?
    - ▶ Fundamentally depends on how they might have been induced to stay together – different inducements (policies) can be expected to affect different people differently
    - ▶ The outcomes of children of married parents cannot be presumed to be the same as the outcomes of children of single parents if their parents had gotten/stayed married

# But...

- ▶ Don't know the counterfactual
  - ▶ What would have happened if married parents had not stayed together?
    - ▶ How would they have been prevented from staying together?
    - ▶ Perhaps children of married parents would do worse if their (mostly satisfied) parents were induced to separate, while children of single parents would do worse if their (mostly dissatisfied) parents were induced to stay/get together

# But...

- ▶ Don't know the counterfactual
  - ▶ What would have happened if a child-producing relationship leading to single parenthood never produced a child?
    - ▶ What if the counterfactual isn't having married parents, it's not being born?
    - ▶ "How would the children of people who became single parents turn out if, instead of having a child together, they had been induced to (later) have children with other people?"

# More generally...

- ▶ May not be possible to overcome selection and omitted variable bias problems in assessing the effects of other forms of social capital
  - ▶ Anything involving effects of decision-making on the part of a person or of people in her social network (affecting her) requires assuming that the researcher knows the counterfactual outcomes of alternate decisions better than the subjects themselves
  - ▶ Probably isn't even sensible to consider AVERAGE effects – need a specific instrument that exogenously affects family structure of specific people, in which case can estimate the average effect on the people affected

# On that happy note...evidence?

- ▶ Family structure / stability : McLanahan, Tach, and Schneider (2013)
- ▶ Chetty et al.
  - ▶ Penn State Social Capital Index
  - ▶ Commuting-zone-level prevalence of single parenthood
  - ▶ Concentrated fatherlessness
  - ▶ Moving to Opportunity reanalyses
- ▶ Social Capital Project (2018)
  - ▶ Correlations of Social Capital Index (and subindices) with dozens of county- and state-level benchmarks

# Finally...policies...

- ▶ Marriage promotion and fatherhood programs
- ▶ Marriage disincentives in tax and transfer programs
- ▶ Marriage incentives (eg, Child Tax Credit)
- ▶ Parenting programs
- ▶ Youth mentoring programs
- ▶ Safety net reforms to encourage work
- ▶ Moving to opportunity
- ▶ Moving opportunity back
- ▶ School choice
- ▶ Public support for “social infrastructure”
- ▶ Leverage local institutions in program administration
- ▶ “Federalism of subsidiarity”