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# The Economic Value of Community Capacity Building

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Scoping Review

Improving the evidence base for adult social care practice

## The School for Social Care Research

The School for Social Care Research is a partnership between the London School of Economics and Political Science, King's College London and the Universities of Kent, Manchester and York, and is part of the National Institute for Health Research (NIHR).

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# CONTENTS

**Summary** 1

**Keywords** 2

**Acknowledgements** 2

**What is community capacity?** 6

**What are the benefits of community capacity?** 8

The impact of community capacity on well-being 9

Improving the operation of markets 10

Overcoming market failure 11

The negative impacts of community capacity 13

**The economic value of community capacity – examples** 14

Increased economic output 14

The value of time – volunteering 15

Public sector cost savings 15

Improved quality of life 16

**The economic value of community capacity – the theory** 18

Neo-classical approaches to value 18

Critique of the neo-classical approach 20

Economists' response – capturing social relations in economic methods 21

Summary – implications for valuing community capacity 23

**References** 27

# SUMMARY

What is the economic value of community capacity? This is a question that warrants attention for a number of reasons, including: recent government initiatives to promote community capacity, such as the Big Society; a trend toward commissioning based on outcomes; as well as a paucity of evidence with which to answer this question. This review argues that many of the benefits associated with community capacity are compatible with the notion of economic value, and that further research should be undertaken to estimate the economic value of these benefits.

Community capacity is taken to mean the networks and relationships, and the consequent shared norms, trust, habits, and values that enable people to act collectively. This conception of community capacity implies no necessary relationship between community and geography, and is taken to be synonymous with associated phenomena, such as social capital.

The literature identifies a number of benefits associated with community capacity. These include outcomes for individuals such as: improved health and child development; a better functioning economy through the promotion of trust and the dissemination of information; and the promotion of norms that facilitate collective actions that help allocate public goods.

The economics literature has to date paid relatively little attention to the benefits of community capacity. Studies that have focused on the economic value of community capacity have adopted a number of approaches, including:

- estimating the impact of community capacity on economic output;
- valuing the time of volunteers;
- estimating the public sector cost savings associated with community capacity;
- estimating the willingness to pay for health and other outcomes generated by community capacity.

This research provides valuable insight into the economic value generated by community capacity. The economic notion of value is, however, broader than these approaches would suggest. Economic value is commonly misconceived as reflecting market prices. When economists talk about ‘value’ they are referring to the broader notion of ‘utility’. Furthermore, economists have demonstrated that market prices, under certain assumptions, are able to capture the utility generated by certain goods and services, but certainly not all. They have developed a range of valuation techniques to capture values not reflected in market prices, which elicit people’s willingness to pay for non-market outcomes. These have been applied to a wide range of outcomes, such as crime, pollution and health.

Part of the benefit generated by community capacity could be amenable to monetary valuation using such methods, including: better functioning markets due to higher levels

of trust; improvements in income due to better education; avoided public sector costs due to improved health, avoided crime. Other benefits are, however, less amenable to monetary valuation in this manner, such as stronger reciprocal relationships, and the development and reinforcement of social norms. Such outcomes are incompatible with monetary valuation – if you were to buy a norm, such as trust, you would have some doubts about what you had bought. This does not mean, however, that these benefits sit outside the realm of economic value, only the subset of such values that can be reflected as willingness to pay. Recent developments in economic methods have focused on providing alternative means of measuring this broader notion of utility. For instance, measures of subjective well-being are gaining increasing attention amongst policy makers and academics.

The existing literature on the economic value of community capacity is, thus, still relatively small and focused on a relatively narrow part of benefits relevant to economic value. It leaves a number of lines of enquiry for future research. First, before the economic value of interventions to build community capacity can be estimated, it is important that high-quality research is undertaken to determine the impact of these interventions. This research should involve experimental research designs and quantitative measures of community capacity and related benefits.

Second, it is important that more evidence is generated on the economic value of community capacity and that this research should be undertaken, where possible, in correspondence with HM Treasury's Green Book guidance. This should include further work on the impact of community capacity on the costs of public services. It should also include studies on the relationship between community capacity and broader notions of economic value, such as subjective well-being, as well as the impact of community capacity on the private sector.

Finally, further research is required to consider the role that alternative currencies to money can play in the quantification of the economic value of community capacity. Alternative currencies have developed to allow people to 'trade' in a social space characterised by community and social relationship. That such currencies reflect the values of reciprocal relationships that sit outside traditional markets provides economists with a potential mechanism for capturing such values. This raises the question: How should they be 'combined' with the traditional economic values generated by the market when they exist precisely because they cannot be captured by such values?

## KEYWORDS
Community capacity, social capital, social relationships, economic value, economics, utility

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# INTRODUCTION

What is the economic value of community capacity – the networks and norms that allow people to act collectively? This is an important question to ask for a number of reasons. First, the empowerment of local communities is central to the current Government's policy agenda in the form of the promotion of the Big Society. A key part of the Big Society agenda is encouraging people to take an active role in their communities, and the promotion of the capacity of these communities.[1] The Government's *Vision on Adult Social Care* was introduced by a ministerial foreword that emphasised a similar point: 'Care must again be about reinforcing personal and community resilience, reciprocity and responsibility, to prevent and postpone dependency and promote greater independence and choice' (Department of Health 2010). Its recent White Paper reinforced this message:

> Supporting active and inclusive communities, and encouraging people to use their skills and talents to build new friendships and connections, is central to our vision for care and support. Strong communities can improve our health and wellbeing, and reduce health inequalities. There are many different examples of this approach, such as local area coordination, connected care or asset-based community development. We want to build on these examples, so that approaches that promote support within communities are strengthened and developed across the country (Secretary of State for Health 2012 p.22).

This focus on community is not the specific concern of only the current UK Government. The previous UK government also embraced the community agenda, for example. This was reflected in, among other initiatives, the establishment of the Department for Communities and Local Government, the introduction of Community Support Officers, the production of initiatives including 'Confident Communities', Neighbourhood Management Programmes (Cabinet Office 2001) and a £70m fund to empower communities called 'Communitybuilders' (Hemming 2011).

Underlying both the current and the previous Government's focus on community is a belief that the UK can be improved through building community capacity. In its more sensationalist forms, this belief is manifest in claims by the Prime Minister that Britain is "broken", a "demoralised society" characterised by greater levels of social inequality, violence, poverty, ill health, family breakdown, and worklessness.[2] Furthermore, this "demoralisation" of society is caused by its lack of community spirit, or a weakening of social glue and cohesion, and the movement of Britain towards a more atomised society.[3] Whether one buys into this more extreme rhetoric, there is a general concern that

1. See, for instance, http://www.number10.gov.uk/news/big-society/

2. David Cameron, speech at Glasgow East by-election, 7th July 2008, reported by Gerhardt (2010)

3.See http://www.sasi.group.shef.ac.uk/publications/index.html community capacity is declining and that arresting this decline will bring social benefits. While, therefore, there is an acknowledgement of the positive effects of community, further effort is required to demonstrate these effects in terms of economic value.

Second, attempts by the Government to develop community capacity have coincided with another key policy priority – the dramatic shrinking of public sector spending in order to reduce the public sector deficit[4], the implication being that there is greater competition for scarce public funding. Allied with HM Treasury's focus on the appraisal of policies (HM Treasury 2003) , there is a risk that initiatives to build community capacity are not funded if they cannot demonstrate their economic value.[5]

Third, there is an increased focus on outcome-based commissioning. The need for new investment, both philanthropic and commercial, in the supply of public services, has combined with an interest in better interventions to produce a number of initiatives aimed at generating a market in outcomes. This is manifest in the promotion of new commissioning approaches, such as the Social Impact Bonds being developed by Social Finance.[6] More generally, there is a drive to payment by result or performance, with an increased emphasis on providers demonstrating their outcomes, and the social value of these outcomes. The same emphasis has been evident in social care (Malley and Fernandez 2010), and efforts to more clearly conceptualise and measure outcomes are beginning to generate better tools for the purpose (Netten 2012).

Fourth, there is limited evidence on the economic value of community capacity or interventions designed to generate or sustain community capacity. A recent analysis of three interventions that aimed to build community capacity concluded there was insufficient evidence to understand the full economic value of such interventions, as the current evidence tended to focus more on process than outcomes, and to rely more on qualitative than quantitative data (Knapp *et al.* 2010. A revised version is published as Knapp *et al.* 2012). These characteristics of the evidence base are perhaps understandable in that most community initiatives are bottom-up, complex, dynamic and idiosyncratic, encouraging researchers to favour 'softer' outcomes and case studies rather than quantitative indicators. Further work to better understand the full value generated by community capacity could therefore helpfully inform policy-making in the social care field.[7]

It is perhaps not surprising that there is little evidence on the economic value of community capacity. For many people the notion of the economic value of community

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4. See for instance: http://www.hm-treasury.gov.uk/spend_sr2010_speech.htm

5. This in turn raises the question: Does government spending crowd in or crowd out community capacity. That is, is government expenditure to boost community capacity in fact self-defeating, as community capacity building is by definition something that needs to be drive from the bottom up?

6. http://www.socialfinance.org.uk/work/sibs

7. The NIHR School for Social Care Research has recently commissioned a study by Martin Knapp, Annette Bauer, Margaret Perkins and Catherine Wilton to examine the economic case for building community capacity in social care.

capacity may contain an element of contradiction. Economics is commonly associated with the notions of individualism and consumerism inherent in market capitalism, and thus perceived to be in conflict with notions of community. Correspondingly, economic value is equated with market, or financial values, which are considered incompatible with the value of the relationships that underpin communities. That is, to value people or relationships or norms in the same manner as we value the objects traded in markets could – it is argued – only undermine those relationships, or at best result in impoverished or shallow relationships.

This perspective is, however, to misinterpret the notion of economic value, which is more than the values that can be captured in a market price. Economic value is commonly misconceived of as those values reflected in market prices. When economists talk about 'value' they are referring to the broader notion of 'utility'. Furthermore, economists have demonstrated that market prices, under certain assumptions, are able to capture the utility generated by certain goods and services, but certainly not all. They have developed a range of valuation techniques to capture the values not reflected in market prices, which elicit people's willingness to pay for non-market outcomes. These have been applied to a wide range of outcomes, such as crime, pollution and health. For instance, Dolan *et al*. (2005) estimated the economic value of the psychological and physical suffering of victims of crime. This review will introduce this broader view of economic value, how it can be used to demonstrate the value of community capacity, and thus help make the case for initiating, funding or implementing policies that develop community capacity.

It is important to state what this review does not attempt to do. It is not the objective of the review to consider whether levels of community capacity are increasing or decreasing, how they are distributed, or how community capacity is and can be measured. While the valuation of changes in community capacity first requires that this change is measured, this review does not concern itself with methods for undertaking this measurement. Neither is it the objective to comment on how community capacity can be generated, developed or maintained. The starting point here is the idea that community capacity produces a range of benefits. And it is the objective of the review to consider whether and how the economic value of these benefits can be captured.

With this objective in mind, to provide more background and context, the next two sections discuss the definition of community capacity and the benefits that it generates, drawing on previous literature. Subsequent sections then outline what is meant by economic value and how this relates to the benefits generated by community capacity, and provide examples of attempts to generate estimates of the economic value of community capacity. The concluding section summarises the arguments put forward in the paper and identifies a number of pertinent research questions that will help move forward attempts to understand and estimate the economic value of community capacity.

# WHAT IS COMMUNITY CAPACITY?

Before considering the benefits and economic value of community capacity, it is important to consider what we mean by community capacity. This section provides a brief introduction to the notion.

Community capacity is taken to mean the networks and relationships, and the consequent shared norms, trust, habits and values that enable people to act collectively. In doing so, there is no necessary link implied between community and geographical proximity. It is possible for this definition of community to develop in, for instance, a virtual space. Furthermore, there is overlap between the notion of community capacity and the associated phenomena of social capital and community cohesion. These concepts are, therefore, used interchangeably for the remainder of this review.

This definition corresponds closely with that identified in a number of relevant policy documents. For instance, it is similar to the definition of social capital adopted as part of the Social Impact Taskforce's recent development of a framework for understanding the impacts of policy (Harper and Price 2011) . This defines social capital as the stock of social networks together with shared norms, values and understandings that facilitate cooperation within or among groups. Furthermore, it is similar to the definition included in the endorsements of the importance of social capital by such leading agencies as the World Bank (Woolcock and Narayan 2000).

There are more specific elements of community capacity implied in this definition that are worth highlighting. Woolcock and Narayan (2000) identify different perspectives on the definition of community capacity that point to these elements, including:

- a *communitarian perspective* that equates community capacity with local clubs, associations, and other civic organisations;
- a *networks perspective* that focuses on the importance of both vertical and horizontal associations between people. It is from this perspective that emerges the distinction between *bonding capital* (horizontal associations) and *bridging capital* (vertical associations). The former are sometimes referred to as intra-community (or "strong") ties that are needed to give a community a sense of identity or common purpose. It has, however, been argued that without vertical associations (or inter-community, "weak" ties), horizontal ties can become the basis for the narrow pursuit of sectarian interests;
- an *institutional perspective* that argues for the importance of political and legal institutions for the development of community capacity.

It is not the objective of this review to explore in detail these different perspectives, their relative validity, and their implications for policy-making. Given the focus of this review on economics and community capacity, it is, however, important to note the role of economists in the development of such notions of community capacity. James Coleman, a sociologist, and one of pioneers in the study of community capacity, explicitly identifies the economics of education, specifically human capital theory, pioneered by Schultz (1961) as a key source for the development of the notion of community capacity (Coleman 1988). Woolcock (1998) has also linked the notion of community capacity back to the writing of the classical political economists, such as Mill, Bentham, Ricardo, Jevons and Marshall. For instance, Adam Smith, for many the father of modern economics, considered concerns for fairness and justice, enforced through social sanction, to be the "main pillar that upholds the whole edifice. If it is removed, the great, the immense fabric of human society … must in a moment crumble to atoms" (Ashraf *et al*. 2005).

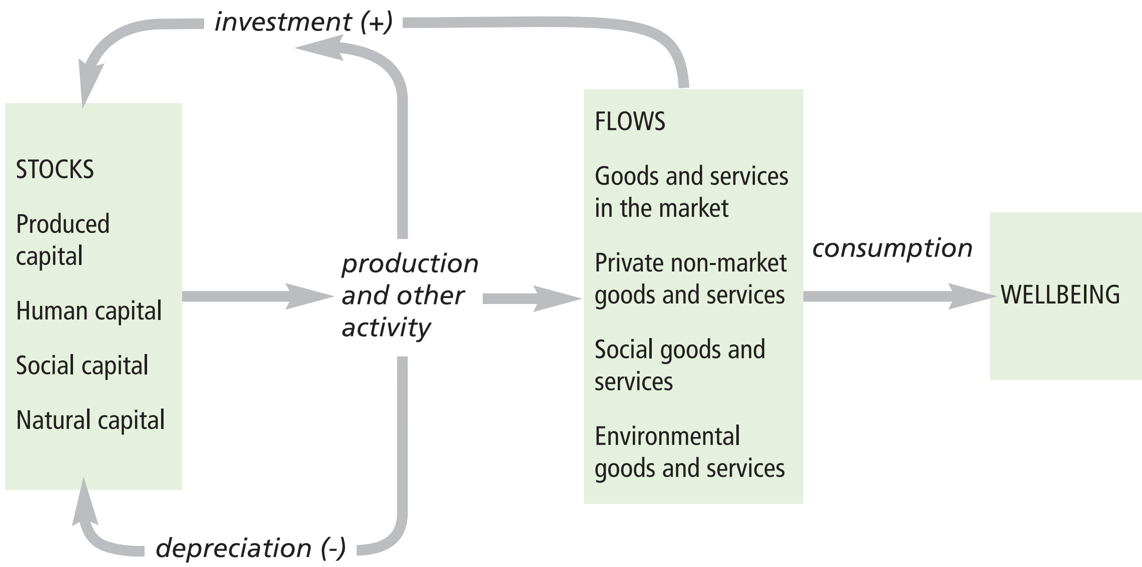
# WHAT ARE THE BENEFITS OF COMMUNITY CAPACITY?

What are the benefits generated by community capacity that would need to be captured by any economic valuation? There has been a lot written about the benefits of community capacity. This section provides an overview of what is a broad literature. The literature on these benefits has been summarised elsewhere (Putnam 2000; Halpern 2010).

One way to structure the literature about the benefits of community capacity is to adopt the framework recently developed by the UK's Social Impact Taskforce (Harper and Price 2011). This conceptual framework is reproduced in Figure 1. It identifies the logic by which changes in community capacity might generate benefits. Within the framework, an increase in community capacity can be expected to increase the stock of social capital. In turn, this increase in social capital will impact the level of production and other activities. These activities will generate flows of a range of different benefits, including improvement in the supply of market or non-market goods and services. The provision of these goods in turn generates improvements in well-being This logic is used to organise a summary of the literature on the benefits of community capacity. Specifically, the literature is organised into the following types of studies:

- studies that estimate the impact of community capacity on well-being directly;
- studies that focus on part of the following mechanisms by which community capacity can influence well-being:
  – improving the operation of markets;
  – overcoming market failures.

**Figure 1. The UK social impact taskforce stocks and flows framework for capital, goods and services and wellbeing (reproduced from Harper and Price (2011)**



## The impact of community capacity on well-being

There is a growing body of literature on the impact of community capacity and associated social phenomena, such as trust and relationship, on well-being. Putnam (2000), for instance, argued that regular club attendance, volunteering, entertaining, or church attendance is the happiness equivalent of getting a college degree or more than doubling your income. Putnam provides a range of examples of the mechanisms by which community capacity can influence well-being, including:

**Health**

Putnam identified the following findings from the literature:

- the positive contribution to health made by social integration and social support rival in strength the detrimental contribution of well-established biomedical risk factors, such as smoking, obesity, and physical activity;
- if you belong to no groups but decide to join one, you cut your risk of dying over the next year in half.

**Child development**

Community capacity influences a child's opportunities and choices, reducing child abuse rates, and improving educational outcomes. Putnam points to two possible explanations for the relationship between community capacity and educational attainment. First, in areas with high community capacity, parents are more engaged in their children's education, resulting in children paying greater attention to their studies. Second, in areas of high social involvement, children are naturally drawn into more productive uses of their leisure time.

There have also been studies pointing to the benefits of volunteering, including better physical and mental health, and strengthened social connections (Van Willigen 2000; Grimm *et al*. 2007 review the literature on health benefits).

Perhaps the most prominent of recent attempts to emphasize the importance of well-being in policy making was French President Nicolas Sarkozy's commission into measuring progress, which was led by a number of eminent Nobel Prize-winning economists (Stiglitz *et al*. 2009). The Sarkozy Commission concluded the following about the importance of community capacity for well-being:

> Much evidence at both the aggregate and individual level suggests that social connections are among the most robust predictors of subjective measures of life satisfaction. Social connections have a strong independent effect on subjective well-being, net of income. Moreover, the available evidence also suggests that the externalities of social capital on wellbeing are typically positive, not negative [...]. In other words, increasing my social capital increases both my own and my neighbours' subjective well-being, and thus represents a coherent strategy for improving QoL [quality of life] for the country as a whole (p.183).

In his *The Hidden Wealth of Nations,* David Halpern (2010) went a step further than this, arguing that community capacity, or hidden wealth, helps explain "perhaps the biggest puzzle of contemporary economics" – the fact that richer nations are happier, yet economic growth within nations seems to have little impact on our happiness. He proposed that a third factor – hidden wealth, or levels of trust – causes both the higher levels of happiness and the higher income levels in rich countries. That is, it is social trust that both oils the wheels of the economy (see the next sub-section) and predicts levels of well-being.

However, Paul Dolan and colleagues, having reviewed the literature on what makes us happy, struck a more cautious note, identifying a mix of findings on the association between community involvement and subjective well-being (Dolan *et al*. 2008). They identified some evidence that being a member of an organisation is associated with increased subjective well-being, but concluded that:

> While some observers have claimed that greater community involvement is a win-win situation, providing better outcomes for the community at large and making those involved feel better about themselves, the evidence we review [...] suggests more caution is needed (p.104).

Thus, while the literature points to the potential for community capacity to impact positively on well-being, further research is required before this relationship can be proven definitively. Dolan and colleagues concluded that:

> The role of social capital and contact with local community has been under explored within the literature, [...]. Future research is needed to understand the link between contact with friends, family and neighbours and well-being and critically the direction of causality in this relationship (p.112).

## Improving the operation of markets

Economic theory suggests that a well-functioning market produces an efficient allocation of resources. Economists, especially those from what is referred to as the Austrian School, such as Friedrich Hayek, point to the ability of the price system (the market) to economise on the information that people need to make decisions. That is, the market efficiently provides information to support decision making in the form of prices that alternative systems, such as socialist systems, are unable to offer (see, for instance, O'Neill 1998).

There are, however, a number of reasons why markets fail to function well. One such failure results from information problems. An example of such an information problem often quoted in textbooks is the benefit associated with education (see, for instance, Le Grand *et al*. 2008). When deciding how much education to accrue, individuals struggle to comprehend the full benefit they will get from education over their life-course. This is particularly the case given the age at which most people make decisions around whether to invest in education. Although parents have more information on the benefits of education, the incentives of parent and child are not always perfectly aligned. Similar arguments would apply in relation to many social care decisions, where individuals with more profound needs might not have enough information or the necessary cognitive abilities to make the kinds of decisions considered to be 'rational' for markets to function well.

It is argued that community capacity can help overcome these problems, speeding the flow of information, and thus improving the working of the market (Putnam 2000; Halpern 2011). That is, communities are a conduit for the flow of information about, for instance, the availability of opportunities in the job market, the availability of care and support arrangements to meet need, and so on.

For example, social relationships are a source of information about opportunities in the job market. The work of sociologist Mark Granovetter during the 1970s documented the counter-intuitive phenomenon of casual acquaintances being more important for people's job prospects than close friends (Granovetter 1974). The reason for this is that friends and family – "strong ties" – are likely to know the same people and thus hear of the same opportunities. More distant acquaintances – "weak ties" – are more likely to identify unexpected opportunities. Putnam (2000) summarised the literature that identifies this impact of community ties on employment prospects across a range of groups across the globe, from Chinese immigrants in New York to Korean business owners. One can see the parallels in a social care context in the 'navigating' roles played by a number of community organisations – some of them user-led or carer-led – in channelling information to individuals about entitlements, opportunities and services (Turning Point 2010).

Another way in which community capacity is thought to improve the workings of the market is by reducing the cost of doing business as a result of increased levels of trust and trustworthiness (Putnam 2000; Halpern 2011). Economists have long acknowledged the importance of trust as a lubricant of exchange, economising on the cost of gathering information about trading partners. Kenneth Arrow (1974), the Nobel Prize winning economist, puts it as follows:

> Virtually every commercial transaction has within itself an element of trust, certainly any transaction conducted over a period of time. It can be plausibly argued that much of the economic backwardness in the world can be explained by a lack of mutual confidence (Putnam 2000 p.288).

Thus, community capacity improves our ability to get on with our fellow citizens, oiling the working of markets.

## Overcoming market failure

Markets can also fail in their ability to deliver a range of goods and services – that is, some goods are not traded on the market. One such instance is the existence of public goods, which are goods or services which it is not profitable for the market to provide because it is not possible to limit people from consuming them, and where the consumption or use of a good or service by one person does not preclude its consumption by others. Examples of public goods include environmental resources such as the seas and the atmosphere, and a number of goods provided by governments, including street lighting and defence.

Why are public goods problematic? The reason is that they represent a collective action problem: the individually optimal strategy regarding such goods will lead to a communally sub-optimal outcome. People would be better off if they co-operated, but they have incentives to free-ride (i.e. not to cooperate with one another). They would be better off if they shirked their responsibilities, as long as everyone else co-operates. For instance, we all benefit from the preservation of environmental resources, but it could be argued to be easier and less costly for an individual to pollute while everyone else maintains the environment. However, if everyone knows this, they will all shirk their responsibilities, resulting in everyone being worse off.

The Nobel Prize-winning economist Ronald Coase (1936, 1960) explained these market failures as a consequence of *transaction costs* – the resources spent in the process of market exchange, such as the cost of writing a contract or negotiating the more general terms of exchange. In a world of perfect markets there are no transaction costs, and markets produce efficient outcomes. For instance, in those circumstances, polluters and those bearing the cost of the pollution can with no cost negotiate an exchange that results in an optimal amount of pollution.

However, this is not realistic. The real world is not characterised by zero transaction costs: people cannot negotiate costlessly. Furthermore, the costs of negotiation often exceed the benefits of doing so, discouraging or preventing such negotiation from taking place. For instance, it is difficult for the many victims of environmental pollution to come together and negotiate with a polluter.

Coase’s concept of transaction costs helps to explain how community capacity can help overcome the failure of negotiation or exchange inherent in market failures. Community capacity, and the norms and common understanding generated by it, can help resolve such collective action problems more easily. Such norms represent an institutional mechanism for ensuring compliance with collectively optimal behaviour. They overcome the need for continual and costly negotiation, and ensure a more optimal outcome where transaction costs would prohibit such negotiation. For example, the norms to recycle and not to pollute ensure the preservation of environmental resources. Other examples include norms to ensure people support the government through the tax system, or limit their use of lawn sprinklers during arid summers (Putnam 2000), or endeavour to address antisocial behaviour through neighbourhood watch or similar efforts.

The role that community capacity can play in the generation of welfare-enhancing norms is also illustrated by its impact on crime and safety. Higher levels of community capacity are associated with reduced crime. For instance, there is a strong relationship between community capacity and fear of burglary and feeling unsafe (Putnam 2000). Putnam traces our understanding of the relationship between community capacity and safety to the scholar Jane Jacobs. Jacobs observed that regular contact with neighbours, local shop owners, as well as local events and facilities, developed a sense of continuity and responsibility in local residents, and thus a feeling of public identify, respect and trust.

## The negative impacts of community capacity

While the literature identifies many of the positive effects of community capacity, it is also important to be aware of the negative impacts of greater community capacity. There are some forms of bonding generated by community capacity that can produce negative outcomes. Examples of negative forms of community capacity-building are terrorist groups, gated communities or strong lobby groups.

Putnam (2000) posed the question as to whether community capacity is at odds with liberty and tolerance. That is, certain types of community have been associated with restricting freedom and encouraging intolerance. Greater bonding between groups of like-minded individuals can produce a 'them-and-us' dynamic, and a consequent intolerance towards those outside the group. Putnam concluded that bonding social capital is likely to have illiberal effects, quoting Amy Gutmann:

> Other things being equal, the more economically, ethnically, and religiously heterogeneous the membership of an association is, the greater its capacity to cultivate the kind of public discourse and deliberation that is conducive to democratic citizenship (p.358).

Putnam concluded that different types of capital are good for different things:

> For ensuring that children get the stimulation and structure they need, bonding social capital may be optimal. Here a little "familism" would go a long way, no matter how civically "amoral" it might be. For improving public schools we need social capital at the community level [...]. For other issues – such as deciding which sort of safety net, if any, should replace the welfare system – surely it's social capital of the most broad and bridging kind that will most improve the quality of public debate (p.363).

Thus, while community capacity is associated with a number of positive benefits, it is important that the potential negative effects of community capacity are also acknowledged. This will allow either the generation of community capacity to be undertaken in such as way as to avoid these effects as much as possible – such as through the promotion of bridging capacity either instead of or as well as bonding capacity – or to ensure that the trade-off between positive and negative elements of community capacity is made explicit.

# THE ECONOMIC VALUE OF COMMUNITY CAPACITY – EXAMPLES

Previous sections have demonstrated that community capacity generates a number of benefits. Empirical estimates of the economic value of these benefits are, however, limited. For instance, a search of EconLit, a database of economics journals, identified no such studies.[8] This section provides some examples of methods used to estimate the economic value of community capacity in relevant studies identified in the broader literature.[9]

## Increased economic output

One approach that has been used to value community capacity is to use econometric techniques to estimate the impact of community capacity on income. For instance, Knack and Keefer (1997) examined the relationship between community capacity and economic performance in 29 countries. They concluded that community capacity has a significant positive impact on economic performance. Specifically:

- a 10% increase in trust generates a 0.8% increase in economic growth;
- a 4% increase in civic norms generates a 1% increase in economic growth.

These authors derived the data used in the analysis from internationally comparable administrative and survey data. For instance, both the estimates of community capacity are derived from variables in the World Values Survey, which contains data from thousands of respondents across numerous countries. It allows community capacity to be measured based on the following questions:

- "Generally speaking, would you say that most people can be trusted, or that you can't be too careful in dealing with people?". Trust is then measured as the percentage of respondents replying "most people can be trusted". The mean trust value was 38.5% across respondents.
- Civic norm is measured by asking respondents to measure from a scale of 1 to 10 (1 = never justified and 10 = always justified) each of the following:

  – claiming government benefits which you are not entitled to;

  – avoiding a fare on public transport;

  – cheating on taxes if you have the chance;

8. The search comprised the term 'value' in combination with one of a number of terms relating to community capacity (community capacity, community cohesion, social capital, or community development)

9. This included searches of the PSSRU website, Bath Social Policy, Social Exclusion Task Force, and Google Scholar. Other than Bath Social Policy website, these searches produced many hits, sometimes running into the many millions. The five examples included in the paper we identified by reviewing all the 168 hits from the Social Exclusion Task Force, the top 50 hits from each of the PSSRU and Google Scholar websites.

– keeping money that you have found;
– failing to report damage you've done accidentally to a parked vehicle.

Responses to these questions are aggregated into an estimate of civic norms with a maximum value of 50 points. The mean value for across the countries was 39.4.

These data are used in combination with regression analysis to evaluate the relationship between community capacity and annual growth in per capita income. The authors attempt to control for other explanatory variables such as education levels, starting per capita income at the beginning of the period, and price level of goods relative to the US.

## The value of time – volunteering

Ironmonger (2006) estimated the total value of volunteering time in Queensland to be nearly 16.2 billion Australian dollars in 2004. These estimates are based on determining the total number of volunteer hours in Queensland from Time Use Surveys conducted by the Australian Bureau of Statistics. This time is then valued at the wage rate that the volunteers could have expected to have earned should they have spent this time in paid employment.

Using a similar method to that employed by Ironmonger, the National Council for Voluntary Organisations used data from the Office of National Statistics to estimate the number of volunteer hours in the UK. The average wage rate was then used to value this time at nearly £22.7 billion in 2007–2008 (ESRC Seminar Series 2009).

## Public sector cost savings

Several studies have focused on the economic value of the public sector cost savings generated by improvements in community capacity. For instance, focusing on health costs savings, this was the approach adopted to estimate the value of the Croydon Partnership for Older People Service (POP). The POP programme was started in 2007-2008 as a two-year pilot programme to target health inequalities experienced by those in North West Croydon. Compared with South Croydon, older people in North West Croydon were expected to live five to six years less. The programme involved the use of volunteers to reduce older people’s isolation and improve their access to services.

Users highlighted a number of benefits such as greater independence, higher quality of life, reduction in pain and anxiety, access to a wider range of services and benefits, and social aspects of such as going out and meeting people. The Croydon project was one of a larger number of initiatives launched across England to reduce the inappropriate use of hospital in-patient services (the Partnerships for Older People Projects (POPPs) Programme). Across the whole of the POPPs programme, the economic value of these community initiatives was estimated in terms of its impact on the number of emergency beds no longer required. It was estimated that a £1 investment in POPP services generates, on average, a £1.20 benefit in terms of savings on emergency hospital admissions (Department of Health 2009; Windle *et al*. 2010).

Other studies have focused on the impact of community capacity on criminal justice costs. For instance, the Department for Communities and Local Government (DCLG) examined the relationship between community capacity and crime, and ultimately the cost savings associated with reduction in crime (DCLG 2009). They concluded that a 1% increase in community capacity generates £530 million in potential savings due to crime reduction.

Community capacity was defined by DCLG as a sense of community, similar life opportunities, respect for diversity, political trust and sense of belonging. These factors were measured using the *Citizenship Survey*. A prior study undertaken by the Home Office found that this measure of community capacity was strongly linked to violent crime, burglary theft of a motor vehicle and theft from a motor vehicle (Wedlock 2006). DCLG combined these estimates with the Home Office's estimates of the economic and social costs of crime (Home Office 2005) to estimate the cost of crimes avoided as a result of increases in community capacity.

A small-scale study of a small number of community capacity-building approaches in social care showed the potential for quite marked savings in public sector costs, as well as economic and other benefits to individuals and communities in terms of quality of life improvements and productivity gains (Knapp *et al*. 2010, revised and published as Knapp *et al*. 2012). Employing a cost-benefit approach and decision-modelling techniques to examine potential costs and economic consequences, the study found that there could be sizable savings to the public purse – in the short-term at least – when investing in relatively low-cost community capital-building initiatives such as time banks, befriending schemes, and community navigators. Follow-up research commissioned by the NIHR School for Social Care Research is now examining these potential economic pay-offs in more detail, extending the coverage to a wider range of community initiatives.[10]

## Improved quality of life

The DCLG study into the economic cost of crime avoided as a result of increases in community capacity not only captures the impact of community capacity on public sector costs. The estimates of the cost of crime used in this analysis also allows the impact on quality of life to be estimated. Specifically, these estimates contain the impacts of crime on victims' physical and mental health. Combined with estimates of willingness to pay to avoid negative health outcomes of this kind, this calculation provides an estimate of the monetary value of the physical and mental suffering of victims of crime.

Similar approaches have been taken to estimate the value of the health-related quality of life generated by community capacity more broadly. For instance, Mayer estimated the economic value of community capacity in South Australia (Mayer 2003). The study involved two phases. First, the author identified the relationship between community capacity and mortality rates using previous research by Kawachi and Berkman (2000). Using regression analysis Kawachi and Berkman identified that per capita group

10. Further information from Annette Bauer (a.bauer@lse.ac.uk) and Margaret Perkins (m.a.perkins@lse.ac.uk).

membership is significantly related to age-adjusted all-cause mortality. Specifically, a 1-unit increase in per capita group membership (a 1-unit increase in the average number of groups and associations to which people belong) is associated with a reduction in mortality rates of 0.07%. Based on this relationship Mayer estimated that group membership in South Australia results in 1,671 fewer deaths per year.

Second, Mayer identified another study that estimated the value of a human life using the human capital method – i.e. based on income earned over a lifetime – at 616,000 Australian dollars in 1992 (Watson and Ozanne-Smith 1992). Adjusting the value of a human life using the price inflator, it was estimated that the economic value of the 1,671 deaths avoided in 2001 due to increased group memberships was nearly 46.1 million Australian dollars.

# THE ECONOMIC VALUE OF COMMUNITY CAPACITY – THE THEORY

The previous sections identified some of the benefits generated by community capacity, as well as the finding that the existing literature contains few attempts to estimate the economic value of these benefits. There are, however, likely to be philosophical objections to attempts to reflect the value of community capacity in economic terms. This section argues that this concern is misplaced, presents a broader view of economic value than that which is commonly perceived, and considers the implications for methods for capturing the economic value of community capacity.

## Neo-classical approaches to value

Concerns about the compatibility of community and economic values focus on the individualist notion of human nature underpinning neo-classical economics. The emphasis on individualism and subjectivism in neo-classical economics emerged after the 'marginal revolution' in the 19th century launched by Jevons and Marshall in Britain and the Austrian school of economists. The crux of the individualist idea underlying neo-classical economics is that each individual is a rational agent, maximising their utility, taking into account only his or her own preferences and his or her own budget constraints.

This understanding of economic agents has a number of important implications. First, utility is seen as the satisfaction of individual preferences. At the heart of economic theory lies utilitarianism, a philosophy that requires every choice be judged by the consequent states of affairs. Specifically, economists identify utility as the consequence of interest (Dolan *et al*. 2007). Before the 1930s, many economists accepted the possibility of interpersonal comparisons of utility, i.e. that one person's change in utility can be compared to the change in utility of another person. In his *Essay on the Nature and Significance of Economic Science*, Lionel Robbins (1949) attacked this idea. Based on ideas of individualism and subjectivism, Robbins rejected the notion that interpersonal comparison of utility was possible. The consequence was that economics adopted a narrower notion of economic value – individual preferences.

In turn, this focus on individual preferences has implications for policy and method. Policy should focus on economic growth, as this leads to increased welfare as higher incomes are able to satisfy more individual preferences.

Methods for measuring economic value focused on the amount that people are willing to pay for something. This narrow notion of economic value has been adopted in the methods that economists use to value policy outcomes. For instance, it corresponds to HM Treasury's (2003) guidance on measuring economic value, which states that economic value should be elicited through one of two methods:

- *revealed preferences approaches* should be used to identify the value of non-market goods through analysis of market prices. In other words, what values do people reveal through their actual behaviour. For instance, variation in house prices can be used to estimate the amount that people are willing to pay to avoid, say, being a victim of a crime under the assumption that people relocate to find safer places to live (Gibbons 2004). Other examples of the revealed preference approach include the analysis of variation in salaries to determine the extra amount that people need to be paid to perform dangerous or unhealthy jobs, and thus to estimate the value that they place on health outcomes (see for instance, Australian Safety and Compensation Council 2008);

- in the absence of market data from which to estimate people's revealed preferences, HM Treasury suggests that *stated preference approaches* are adopted. In this approach, people's willingness to pay for non-market goods is elicited directly through surveys.

Second, the individualist notion of human nature has implications for how social interaction enters economists' standard models of the economy. This is not to say that such models ignore social interactions. Some mainstream economists have expanded the character of people in their models to endow them with social characteristics. Specifically, economists reflect social characteristics in their models using what are referred to as 'interdependent preferences' – preferences that are influenced by the purchasing, employment and other decisions of other people. For instance, if my fellow workers accept enthusiastically to work overtime, I may be more receptive to this idea as well (Clavaeu 2009). In doing so, they do not, however, diverge from the notion of agents as being motivated by the satisfaction of their preferences.

The theory of relative or interdependent preferences can be traced back to James Duesenberry's relative-income hypothesis. Duesenberry (1949) argued that individuals do not derive satisfaction from their absolute level of consumption (the amounts purchased and enjoyed) but from their consumption *relative* to that of other people in their peer group.

The Nobel Prize winning economist Gary Becker captured such interdependent preferences in *Social Economics* (Becker and Murphy 2000). He developed an *extended utility function* to include social capital, which in the model represents the social influences, such as others' choices, on utility through stocks of social capital.[11] In other words, Becker argued that individuals derive utility (satisfaction) from both their own and others' actions.

Economists describe interdependent preferences in the language of *externalities*. Individuals do not take into account the full welfare effects of their actions on others, thus private value varies from social value. Continuing the focus on individual preferences, the standard policy implication based on this description of the problem is for the government to ensure that prices are put on these externalities to ensure that they are internalised in

11. The extended utility function can then be written as: $U = U(x; P, S)$. Where x is a vector of typical variables generically labelled as 'goods', P is "personal capital" – potentially including past consumption and other personal characteristics – and S "represents social influences on utility through stocks of 'social capital'.

peoples' decisions. For instance, Frank (2007) argued that, as the welfare gain from much conspicuous consumption is relative, we work too many hours, save too little and spend too much of our incomes on goods that confer little additional satisfaction when all have more of them. Thus, he proposed a tax on conspicuous consumption to ensure that this effect is taken into account by consumers.

## Critique of the neo-classical approach

The previous section described how neo-classical economists' methods for modelling the economy and for valuing outcomes are based on the idea of utility as the satisfaction of preferences, and of these preferences as the determination of behaviour. One critique of this approach focuses on the elements of social experience other than preferences, such as social norms, which act as motivators for behaviour and sources of values. It is this critique that is at the heart of concerns about the ability of economic value to capture the value generated by community capacity.

It is often argued that there are certain goods and services that cannot be captured in people's willingness to pay. Several authors have identified that moral values and economic values based on willingness to pay are incompatible (Keat 1997; Etzioni 1988; Sagoff 1988). The incompatibility of moral norms and market values is well captured by Kenneth Arrow (1974) in his remark on trust: "If you have to buy it, you already have some doubts about what you've bought". A number of the values associated with community capacity – feelings of trust, social norms, relationships, identity – would likely fall into the group of values that would be considered incompatible with notions of willingness to pay.

This distinction between market preferences and social norms is mirrored in Halpern's description of the 'economy of regard', a social space characterised by community and social relationships, rather than monetary exchange (Halpern 2010). It is the promotion of this social realm that is one of the benefits of community capacity. Halpern emphasises that the interactions in the economy of regard are qualitatively different to those in the real economy. They are motivated by a sense of regard or connection, undertaken with an unknown and uncertain distant reward. While the concern of market exchange is the objective quality of the good and its price, with little regard for the reason people are entering into an exchange, exchange within the economy of regard focuses on the relationship between the giver and the receiver, and thus reason for the exchange is central.

Thus, Halpern describes the economy of regard as involving a different form of currency than the money that defines the market economy. The currency of the economy of regard is reciprocity or gift-based exchange. Based on this distinction, a number of complementary currencies have developed to support the functioning of the economy of regard. Halpern describes one of the most popular such currencies, Local Exchange Trading Systems (LETS) – sometimes referred to as time banks, as follows:

> Instead of having to go to the bank, users effectively create their own cash or credits when they need it. Mrs Brown gets Mr White to fix the roof, and he

> ends up with a credit which he can use to 'buy' cakes from Mrs Brown and vegetables from Mr Black. It is more flexible than bartering, because the transactions can form a much longer loop than a simple trade between Mrs Brown and Mr White.
>
> Such schemes can become very large. St Louis has a LETS scheme with around 12,000 people in it. A more common pattern has been the emergence of lots of small local LETS banks within a country or a region. For example by the early 1990s there were estimated to be more than 200 LETS banks across Australia, and 400 in the UK (p.106).

## Economists' response – capturing social relations in economic methods

That preferences and norms may be qualitatively different sources of motivation and value, as referred to in the previous section, is reflected in a number of strands of economics research. First is Bruno Frey's distinction between extrinsic and intrinsic motivations (Frey 1997). Extrinsic motivations are external to the individual, such as monetary incentives or commands. Intrinsic motivations are self-determined – people doing something because they enjoy doing so. Frey went a step further than distinguishing between these types of motivation and argued that extrinsic motivations can crowd-out intrinsic motivations.

Frey observed that offering monetary incentives for behaviour that had previously been undertaken voluntarily can cause the amount of this behaviour to reduce. For instance, blood is often given for altruistic reasons. Offering to pay for these donations can undermine the intrinsic motivation that produces this altruistic behaviour, causing donations to reduce. By implication, the intrinsic motivation or moral norm that causes people not to commit a crime, may be undermined by policies that emphasise punishment as deterrence. Frey's observation mirrored the arguments of Richard Titmuss (1970), who pointed to the value of altruism to a healthy society in *The Gift Relationship*. Observing the different blood donations systems, he argued that a system of voluntary donations was both safer and economically efficient.

Second, this incompatibility between intrinsic motivations and monetary values has been the subject of several experiments undertaken by behavioural economists. Ariely (2008) summarised some of this literature, and concluded that when market norms enter our consideration, social norms depart. Furthermore, just thinking about money causes people to be more self-reliant and less likely to ask for help, and less willing to help others. For instance, a few years ago a study demonstrated that implementing fines on parents who were late to collect their children from nursery in Israel actually caused more parents to be late (Gneezy and Rustichini 2000). The authors concluded that introducing a monetary incentive undermined the social norm that had previously regulated behaviour. A market norm had replaced a social norm. Parents were now paying for the 'privilege' of being late.

Third, another Nobel Prize-winning economist, George Akerlof, has suggested that the use of interdependent preferences may be insufficient to capture social relations in economists' models of the economy. Akerlof and Kranton (2000) argued that social interactions not only influence our preferences, but also our identities. Identity includes, for instance, behaviour appropriate for people in different social categories. Identify is, however, qualitatively different from preferences. For instance, Akerlof and Kranton argue that, if an individual's actions are determined by their identity then preferences – economists' traditional explanation for behaviour – will have less influence over actions. Correspondingly, changing the cost of satisfying preferences (prices) will have only a limited impact on their behaviour. Thus, for instance, increasing the cost of being caught committing a crime (increasing the punishment) will have only a limited impact on offending behaviour.

Similarly, Claveau (2009) argues that economists' attempts to capture social relationship in their models should be built upon a better empirical understanding of how these relationships influence behaviour. In the standard models employed by economists, social interactions could be captured through three channels: external constraints; information (beliefs); and preferences. However, given their focus on preferences as the source of actions, economists have tended to focus their efforts at incorporating social relationships into their models on the concept of interdependent preferences, rather than the other ways in which they might adapt their models – external constrains and information. Further empirical work is required to determine whether this focus is correct.

Fourth, acknowledging the narrow notion of utility inherent in willingness to pay methods, there is increasing recognition that economics needs to develop methods based on a wider concept of utility (Dolan *et al*. 2007). Two different approaches to extend economics to incorporate a broader set of values are exemplified by the work of two further winners of the Nobel Prize for economics.

The work of Armartya Sen is associated with the objective list approach to estimating well-being (see Sen 1987; Parfit 1984). This involves the production of lists of attributes and characteristics that are taken to constitute well-being. Sen's *capability approach* emphasises attributes that people enjoy as citizens: freedoms such as democracy, free speech and tolerance.

The work of Daniel Kahneman is associated with the *mental state account approach* to measuring well-being (Kahneman and Krueger 2006; Kahneman and Sugden 2005). Mental state accounts draw on an individual's assessment of their life or subjective well-being (SWB). In correspondence with neo-classical economic theory, the use of measures of SWB to value policy outcomes accepts the idea that value judgments should be based on an individual's welfare. Contradicting neo-classical theory, however, it rejects the idea that an individual's preferences are the best way to assess welfare. Instead, the focus is on people's experiences and how these experiences are related to their evaluations of their lives or experiences.

The SWB approach involves measuring how people's self-assessment of their well-being varies as they experience outcomes targeted by policy. Well-being assessments are elicited, for instance, in responses to questions such as how satisfied an individual is with their life overall. Answers are generally recorded on scales ranging from, for instance, 1 for not satisfied at all to 7 for completely satisfied. There was initial scepticism among economists about whether responses to such questions could be sensitive enough to capture the effect of policy outcomes. There is, however, a growing body of evidence – both within economics and from a range of other disciplines – on the sensitivity and validity of responses to life satisfaction questions, including:

- responses yield consistent and intuitively appealing associations between well-being and life experiences, such as health and employment (Peiró 2006; Dolan *et al*. 2008);
- responses have been shown to be associated with actual behaviour, e.g. suicide, and key physiological variables (Bell 2005; Lyubomirsky *et al*. 2005; Dolan and White 2007; HMT 2009).
- psychological studies show how people with higher scores are more likely to be rated as happy by friends and less likely to show signs of mental disorder (Peiró 2006).

The use of SWB estimates to measure and value policy outcomes has recently gained some attention. For instance, in November 2010, the UK Prime Minister asked the National Statistician Jill Matheson to lead a national debate on measuring the nation's well-being. The National Well-being Project aims to provide a fuller picture of 'how society is doing' than is given by traditional economic indicators such as GDP (Dolan *et al*. 2011).[12] Furthermore, the possibilities of SWB measures are also being recognised by President Nicolas Sarkozy's commission into measuring progress (Stiglitz *et al*. 2009).

The use of SWB measures as a tool for valuing the outcomes of public policy is also receiving increasing amounts of academic interest (Dolan *et al*. 2008). Layard (2005), for instance, states the case for using measures of SWB as expressing the benefits of policies in a manner that accords to what should be the primary goal of modern governments – reducing those things that make us unhappy and increasing those things that make us happy. A recent HM Treasury (2009) position paper stated that SWB methods had the potential to support policy analysis and that the approach accorded with their strategic objectives.

## Summary – implications for valuing community capacity

Concerns about the ability of economic value to capture the benefits generated by community capacity reflect the individualism inherent in neo-classical economics and the valuation methods associated with this tradition. Reflecting the origins of a longer tradition of economic theory, many economists would, however, adopt a broader notion of value than that inherent in these methods – willingness to pay. Recent developments in economic theory and methods, such as the use of SWB measures, offer the possibility of capturing this broader value. Further research should focus on applying these methods, as well as traditional valuation methods, to community capacity.

12. See http://www.ons.gov.uk/well-being

# CONCLUSION

The literature suggests that community capacity is associated with a range of benefits, including: the smoother working of markets; and the generation of social outcomes, such as better health, less crime, greater independence and improved well-being. The current policy emphasis on the promotion of community capacity, as well as the need to demonstrate the outcomes and value of policies, means that it is important that the economic value of these outcomes is properly understood. Recent reviews of the literature, however, suggest a lack of studies on the economic value of community capacity.

Economics has traditionally attempted to estimate value in terms of the willingness to pay for particular outcomes. The resulting monetary values include, but are not limited to, market prices. A range of non-market valuation techniques have been developed and applied to a wide range of outcomes, such as crime, pollution and health. Part of the value generated by community capacity could be amenable to monetary valuation, including: better market outcomes due to higher levels of trust; improvements in income due to better education or helping people to move into employment; avoided public sector costs due to improved health; avoided crime; or delayed need for social care. There is, however, a potential incompatibility between willingness to pay and some of the other values generated by community capacity, such as stronger reciprocal relationships, and the development and reinforcement of social norms. The incompatibility of these values is reflected in the development of alternative currency systems to reflect exchange in 'the economy of regard'.

The incompatibility of willingness to pay and social norms does not, however, mean that the values generated by such norms sit outside of the realm of economic value. Economics defines value as utility, a broader concept than that captured in the notion of willingness to pay. Recent developments in economic methods have focused on providing alternative means of measuring this broader notion of utility. For instance, measures of subjective well-being are gaining increasing attention amongst policy makers and academics.

The economics literature has to date paid relatively little attention to the economic value of community capacity. Studies identified in the literature adopt a number of different approaches to this problem, including: estimating the impact of community capacity on economic output; valuing the time of volunteers; estimating the public sector cost savings associated with the impacts of community capacity; and estimating the willingness to pay for health and other outcomes generated by community capacity. This, however, leaves several lines of enquiry for future research, particularly in social care.

First, before the economic value of interventions to build community capacity can be estimated, it is important that robust research is undertaken to determine the impact of these interventions. This research should follow accepted standards for effectiveness study design, such as those recommended by the National Institute for Health and Clinical

Excellence (NICE 2008) or the Maryland Scale of Methodological Rigour (Sherman *et al*. 2007). These standards should include, but not be restricted to the following precepts:

- the research should be based on a clear definition of the intervention being evaluated, and an understanding of the objectives of the intervention;
- the evaluation of this intervention should then be undertaken wherever possible with an experimental research design, as this is the only sure way to determine the causal effect of the intervention;
- the evaluation should measure quantifiable outcomes that are centrally relevant to the aims of the intervention, and preferably outcomes that are amenable to economic valuation (Netten 2012).

One of the things highlighted in this review is the broad range of benefits that are potentially generated by improvements in community capacity. When evaluating interventions designed to produce such improvements, it is important that consideration is given to how these benefits are produced (and over what period) and whether and how they may trade off against one another. For instance, it is important to consider both the positive and the potential negative impacts of community capacity.

Related to this point is the need to consider the distribution of the benefits of community capacity across the community. There is evidence from, for instance, studies of public health interventions that the benefits are disproportionately experienced by non-disadvantaged groups (Matrix Evidence 2008). These people have the networks, experiences and understanding of the health care system to take advantage of the services offered. It may well be the case that the same can be said for community capacity interventions. That is, perhaps those people who are already well-networked in their community are best placed to benefit from what is available. Further research is required to determine whether these distributional impacts are likely with community capacity-building initiatives, particularly given that many people with social care needs are among the more socioeconomically disadvantaged members of their communities.

Second, it is important that more evidence is generated on the economic value of community capacity. This research should be undertaken by reference to HM Treasury's Green Book (HM Treasury 2003). The valuation research identified in the previous section provides examples of the type of work that could and should be being undertaken. For instance, how does building community capacity impact on public sector costs? What is the relationship between levels of community capacity and the demand for public services, such as local authority-brokered social care or criminal justice? What is the impact on demand for other services, such as those offered by voluntary and community sector organisations, or on self-funded care and support? To what extent can community capacity support unpaid family and other carers? Answers to these questions might be generated through a number of different methods. For instance, existing national surveys, such as the British Household Panel Survey (BHPS), contain data on community capacity, as well as data on engagement with primary healthcare. Econometric analysis of these data could potentially identify changes in primary care use (and its cost) associated with differences in community capacity.

Further research should also focus on filling gaps in current knowledge on the impact of community capacity on a broader set of types of economic value:

- Further work should be undertaken on the impact of community capacity on subjective well-being. The BHPS contains a number of well-being metrics that could be used for this purpose, including life satisfaction. These data should be exploited further to understand how different types and extents of community capacity influence well-being. As noted above, a recent review of studies on the factors that impact well-being concluded that: "Future research is needed to understand the link between contact with friends, family and neighbours and well-being and critically the direction of causality in this relationship" (Dolan *et al*. 2008, p.112).
- Evidence is required on the benefits of community capacity to the private sector. For instance, the benefits of community capacity in the form of support for carers could result in them being able to stay in the labour market, reducing staff turnover costs for companies, or needing to take less time off work, so increasing productivity levels. Further work is required to identify the types of benefits that might accrue to the private sector before these can be quantified. And, of course, many of these benefits could accrue to public sector employers too.

Finally, there is a gap in our knowledge about how alternative currencies can be used in the quantification of the economic value of community capacity. Economists have traditionally valued policy outcomes using conventional currencies (money). The incommensurability of certain of the values of community capacity and these conventional currencies have led to the production of alternative currencies to facilitate the trade of services provided by community capacity, clearly illustrated by time banks. The use of these currencies in economic value methods will, however, need to overcome obstacles. Most obviously, they cannot be traded for or, therefore, combined with conventional currencies.

In summary, many of the benefits associated with community capacity are compatible with the notion of economic value. Further research is required to estimate the economic value of these benefits. This research will support policy initiatives to promote community capacity while at the same time encouraging economists to grapple with a number of challenges posed by their current concepts and methods.

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