Social Capital and the Growth of the Nonprofit Sector

This paper examines the extent to which nonprofit organizational foundings are determined by various forms of social capital. Our hypothesis is that, controlling for other relevant social, political and economic factors, communities with higher levels of social capital should experience more extensive growth in their nonprofit sectors. To test our hypothesis, we create a data set of nonprofit organization foundings for 283 counties in the year 2000 using the following sources: (1) Harvard’s Social Capital Community Benchmark Survey; (2) the Internal Revenue Service’s Business Master Files on all 501(c)(3), or “charitable,” organizations with annual revenues greater than $5,000; and (3) the US Census Bureau’s County and City Data Book. Using a negative binomial event count model, we find that two core dimensions of social capital—political participation and “bridging” social ties—have a significant impact on county-level nonprofit foundings. Surprisingly, a key element of social capital in the literature, the level of interpersonal trust, does not lead to an increase in foundings of new not-for-profit organizations. Overall, the different dimensions of social capital do not have a uniform effect on the growth of the nonprofit sector.