The purpose of this article is to introduce a new concept in planning. There certainly is no shortage of concepts in planning. They range from ideas that see planning as: a) a process or methodology for arriving at a desired future state – the so-called Theories of Planning; b) ideas that see it as a body of substantive theories about how communities emerge, evolve, grow and decline—the so-called Theories in Planning and c) ideas that see planning as a tool or instrument designed to steer change toward a set objective or objectives – the so called Theories for Planning.

This division between process, form and contents of planning notwithstanding, planners have often brought them together for successful practices designed to solve specific or broad development problems. Yet going beyond problem solving has proven most difficult, particularly when the case has involved dealing with comprehensive development of a given territorial scale, e.g., building a community – that is a nation, a region, an urban place, or a locality.

What has failed planners in community building is not so much their inability to synthesize planning methodologies, instruments and theories, but rather their lack of a better understanding of what constitutes a successful community, and by extension, what is needed for building one. The problem, however, cannot just be blamed on planners, as its root cause is located in the disciplinary nature of the substantive theories that planners often borrow from social science fields, including economics, sociology, politics and geography.

For some years now, planners have been crying for an interdisciplinary approach. Until now, however, no serious interdisciplinary theory of planning or conceptual tool that integrates methods, theories and instruments has emerged. While conventional disciplinary fields handicap planners in this direction, the problem could have been mitigated if they were able to define a core concept for the field to which other disciplinary concepts could be integrated. For example, of the four disciplinary fields from which planning draws most of its understanding, economics is primarily based on matter, sociology on values, politics on institutions, and geography on space.

Complicating the job of planners is the phenomenon of globalization. It is often assumed that “local” – where planning practice has traditionally focused – has disappeared with globalization, and that planning needs to become globalized as well – at least in terms of its educational and theoretical contents. Yet globalization, as many have observed, has revived “locality,” often making it the only relevant spatial scale for the field of planning. Parallel with this development, the concept of governance has increasingly become popular and applied at local levels – the so-called devolution movement. This is particularly interesting because globalization
has localized its operational requirements and its polarization effects, largely due to growing significance of information technology, as well as the emergence of knowledge-based or learning communities.

By “learning community” we mean the locality itself, which includes individuals, organizations, institutions and networks within it. This “localization of global polarization” and “localization of global operational requirements” is at the heart of the recent popularity of “community development” concentration in almost all planning schools. But the new focus on “community development,” like its predecessor planning concentrations, lacks a core-organizing concept to move forward. Thus, one might ask: “What would be the core organizing concept of planning as a field of study and practice?”

Assuming “community” as the most appropriate focus for planning, analyses and practice, we would like to suggest “community capital” as such an organizing concept. While the concept of capital is not new, “community capital” as a planning concept is. This is because “community capital”, specifically, is not just another form of capital. It is not like economic capital, human capital, social capital, physical capital, digital capital and the like. The concept brings together the core concepts of the four disciplinary pillars of planning – matter, value, institutions, and space – into a single interdisciplinary conceptual framework. So why do we use the term “capital?” Because it has a particular meaning – it is a self-generating being that all can identify with, and along with community, it captures the relationships of what is included. We are trying to expand the meaning of capital to social relations and culture.

Yet, the concept of “community capital” cannot be viewed as a simple constellation of these and other forms of capital, nor are they accidentally constellated. Rather, they represent the integrated nature of the concept and are in fact the only concept that can actually bring all of these components into a single whole. Why is this the case? Several reasons might be given: First, “community capital” has a built-in spatial dimension, but here “space as community” is a societal unity, not simply a container of resources, activities and the like, as in the case of geographic space or space in the traditional spatial planning field. In fact, “community capital” identifies resources in all these areas and represents a new factor of productivity. One cannot separate any one of the pieces out – they are all interrelated.

Second, the societal concept of space allows for a multi-dimensional conceptualization of the spatial unity as well as for its temporal understanding. Time and space are integrated here, creating the context for material, social, institutional, and even spiritual aspects of community life. Third, the built-in capital conception of “community capital” captures the significance of many otherwise underutilized community assets, including even the non-codified knowledge that is often exchanged at various community places and gatherings. We could take the poorest community in the world and reshape the way it sees itself by identifying its potential and its advantages. Every community does have its advantages, even the poorest. It is
simply a matter of looking hard enough, a practice that we planners are not accustomed to doing.

Finally, the conceptual “community capital” directs attention towards what a community actually offers, or should offer, for a better quality of life. In other words, it invites attention towards assets that are needed to build a successful community. This practical implication of the “community capital” concept makes it attractive to the community organizer and planner as policy makers, and thus helps mobilize the community for development, not just problem solving.

Here is a list of what the “community capital” concept includes:

a) geographical location  
b) endowment of resources  
c) natural and business climate  
d) traditions and customs  
e) quality of life  
f) agglomeration economies.

It may also include areas that reflect the importance of regional investment such as:

g) business incubators and industrial districts  
h) business networks that reduce transaction costs

Little discussed, however, are what are referred to as the “untraded interdependencies,” such as:

i) understandings  
j) conventions  
k) informal rules and trust systems  
l) solidarity, mutual assistance and co-opting of ideas

These last factors are often referred to as social capital and they differ with each and every community. Yet the list does not end there. Another very important element is “the environment” or the intangible factor of “something in the air”. These include the outcome of a combination of institutions, rules, practices, producers, researchers and policy-makers that make creativity and innovation possible.

Think about a desert and building a community there. What would be needed? We would have to take into consideration all of the different dimensions that a community is comprised of: its economic needs or what is produced and consumed; the spiritual needs, which are part of every community; its social life, that is, the interactions between people - parties, weddings, divorces; its political life - voting, civic participation, regime changes, revolutions; and its spatial relations or the space bound within a place. All of the above are intertwined with the space needed to operate. All have spatial configuration and networks, and all are built as networks within a geographic boundary. Therefore, social, spatial, economic, political, spiritual and cultural relations are built within the same dimensions.
Over the past thirty years, with the changing production systems, community capital has grown in importance. Initially, the mass production/consumption system sought cheap labor. As wages declined relative to the overall costs, and telecommunication and transportation improved, companies were able to relocate easily as needed. This era was followed by the period of “flexible specialization” where the consumer’s needs for more personalized items were met by small and medium sized production units that could easily adapt to change of location. The place of investment in this scenario is of significant importance as investors seek to offset their economies of scale through the location of economies. Locations producing the highest returns at the lowest risk were sought. This development led to the departmentalization of territories: certain regions begin specializing in certain types of production based on their territorial resource advantage. Industrial districts with a higher division of labor soon emerged with more efficient, yet less costly, production systems. Geographical proximity and cooperation among enterprises have been shown to reduce costs even further.

The “community capital” generates a higher return for certain kinds of investments than others depending upon the area, its assets and potential. Why is that? It is because a community is looked at for what it has and what it has to offer, not for what it is missing. Therefore, being able to identify the resources and motivate and mobilize them is a key concept. After identifying a given kind of capital, whether it is potential or actual, one can then determine what type of activity is most suitable to that area. This means that space is a new factor of production. Areas have Ricardian comparative advantages, which is another way of saying that they are more competitive because of the relative costs of factors of production. In addition, they also have absolute advantages in that their assets are unique to their specific area.

Endogenous growth theories support the new focus on community capital including geographic proximity. It has been increasingly recognized that technological progress is a factor of production. Rather than being imported by companies (an exogenous variable), technology can be an integral part of the functioning of companies (an endogenous variable). “Learning” is one of the ways that this phenomenon occurs. Individuals, firms and regions all can and do learn but it is only the territorial learning that is at the heart of the new approach to community development. “Externalities” is another way, when unintended gains, such as the increased productivity, of one enterprise leads to increased productivity of another enterprise in the same field, just as one energetic employee can stimulate the energy of his co-workers. Here again community and proximity are keys to reinforcing learning of firms and individuals. “Accumulation of knowledge” is a third aspect of the benefits of geographical proximity and cooperation among enterprises. The productivity of researchers is an increasing function of the stock of knowledge, which is less costly as the accumulated knowledge increases. The productivity of enterprises is also a function of the stock and the quality of the available infrastructure in a community.
As the components of community capital above can lead to productivity gains, the generated growth is more endogenous than exogenous. This is the case in particular for agglomeration economies, social capital, and untraded interdependencies. A more extensive rather than intensive community environment research and development has also been promoted in recent years. This is due to the recognition that not only individuals, but localities, cities and regions can benefit from this type of learning, a concept known as “learning cities and regions.”

The “community capital” concept has implications for existing policy tools and introduces broad policy conclusions as well. One of the economic policy conclusions is that allowing investments to gravitate to the areas where they are most profitable ensures a better overall allocation of resources, a higher and more lasting growth for the country as a whole. Investments are better matched to areas than they would be otherwise but the trick is to first identify the deeper advantages a community offers. An old common policy tool is the use of tax or financial incentives to encourage enterprises to invest in areas where they would not ordinarily invest. Yet this type of tool does not lead to development in the long term, since it does not ensure that investments match the territorial capital or that the territorial capital remains undiscovered and thus ignored.

What is needed is a new policy outlook where public policies aimed at promoting territorial development and limiting territorial disparities work towards developing community capital first. This is in fact the best move -- one that works towards community and capacity building. After all, what is community building for if it not to improve the quality of life? Communities are rich, alive and dynamic. The neoclassical economics states that space is uniform. But in terms of resources, this is a wrong idea. A nation is made up of multiple communities that are very different from each other.

Another implication suggests that the functions of a community are inseparable from its territorial configuration. Does the area that a community is based upon exist due to its territory or by what happens within it? We would venture to say the area is defined by what happens within it. Take a university town, for example. Would the town hold the same identity and dimension were you to take the university out of it? No, it would not. The two are inseparable from one another. That space locates where things happen is a new argument. The dichotomy, therefore, territory vs. function is a false dichotomy. The economic function is related to the sector, instead.

Territory vs. sector is another false dichotomy as far as the community capital theory goes. One cannot look at a territory as a box with things in it. Rather, a territory means the network of relationships. Therefore, people versus location, is equally a false dichotomy according to the new theory we are proposing. Can people be prosperous without their place being prosperous? Of course not. Likewise, a place cannot exist without people – otherwise it would be nature. Similarly, people without a place is only an abstract; it cannot exist.
A further implication is that the concept of community capital particular to an area makes it possible to understand how better to combat regional disparities of development within the same country. As a matter of fact, enabling a country to develop its community capital will ultimately allow it to develop its activities to a point where they are more profitable there than anywhere else. This allocation of resources will eventually lead to an overall higher profitability and what we might call community specialization.

As we already know, specialization of an area enables it to achieve significant Marshallian agglomeration of economies, develop its territorial capital, become more competitive and attract more enterprises. Ultimately, a polarization of activities based on community specialization will occur nationally and globally. Many argue that the countries throughout the world will gradually specialize, as in the case of the United States, and if they do, overall regional disparities will decline. No wonder that in the United States regional disparities are less than in Europe. For example, in Europe the difference in per capita GDP across the regions is twice that of the United States. It would be highly advantageous to a more balanced regional development, if European countries and their areas would specialize in specific activities.

One of the most important implications for a community capital theory is that it can better capture the relationship between local and global in a world of increased competition and competitors. More specifically, it can address the heightened worldwide competition and number of competitors due to globalization. The competition is not limited to countries, industries and enterprises. Cities and regions also play a very important role and they compete with each other. The more competitive cities and regions have benefited from globalization in contrast to the less competitive areas, which may have actually suffered from the increased economic interdependence. This has led to a worsening of disparities between areas within the same country. Area specialization based on community capital can help here.

The community capital theory helps remedy disparities as it encourages devolution which is defined as the combination of decentralization and deconcentration of both legislative powers and economic and social policies. In modern days, two trends are commonly seen within countries. First, the more disadvantaged areas will ask the central government for greater assistance to develop infrastructure and public services in order to become more attractive. Second, the more advantaged regions will request more economic authority and greater political autonomy. Therefore, in some countries, globalization is met with increased devolution.

Some regional planners are not convinced that devolution can close the gap between regions. This is perhaps because they are working with the older concept of regional planning. They justifiably question whether or not the trend towards devolution will in fact widen territorial disparities even further. Unquestionably, the areas that benefit the most from globalization will benefit from devolution. They will be in a better position to control and increase their chance of profit. On the other hand, the opposite will occur in other regions. Devolution may actually compound their
economic difficulties since they will be less able to rely upon government assistance as in the past. This is where the importance of good governance is vital to community development.

Devolution is only possible if conditions are present, particularly with regard to the apportionment of powers and responsibilities between the central government, regions and cities in the legislative, fiscal and economic fields. According to the principle of decentralization, the objective is to achieve the closest match possible between those who enjoy the benefits of public goods and those who finance them. Under the principle of subsidiary, in contrast, everyone concerned by an issue should fall within the jurisdiction of the authority responsible for that issue. Fiscal federalism in many countries is not always implemented according to economic rationale. Governance, therefore, must be reformed in the light of territorial policy to make institutional structures more compatible with economic dynamics. Partnerships should be developed in regions and areas between public and private actors or representatives of civil society in order to address needs most significant to the community as in unemployment, economic expansion, etc. The best form of governance is that which involves direct civic participation as a whole in decision-making that benefits it directly.

The concept of community capital will also help in focusing structural, macro economical, industrial and regional policies in the direction of community resources and needs. In other words, policies utilizing the concept will need to be broadened. Implementing community structural policies, for example, is important because institutions are local and are the main source of macro growth. Supplemental community macroeconomic policy is also important in creating the general conditions needed for prosperity, which means creating growth without inflation, unemployment or other negative externalities. The chief purpose of community macroeconomic policy is to facilitate harmonious growth compatible with the various components of aggregate demand, including consumption, investments, governmental spending and net exports. A sound macroeconomic policy should hold inflation at a minimal, which requires holding public deficits to a minimal.

A major assumption, on which neo-classical macroeconomic policies are partly based, the flexibility of markets, rarely holds true for the labor market, as we know. Therefore structural policies must be developed to supplement traditional macroeconomic policies. The main purpose of structural polices is to improve market efficiency and factor productivity. Market efficiency increases if markets are able to operate freely, without constraints and shortcomings. This means that regulatory reform must continue in order to eliminate any useless legislations and administrative practices. It also means that markets themselves must be transparent and free from unfair commercial practices detrimental to competition, such as corruption, monopolies, cartels, etc. Obviously, these structural policies must be implemented directly at the regional and local level since it is at these levels that market failures and appropriate corrective measures can be assessed.
Industrial policy must also be revisited at the territorial level. In the past, industrial policy has had different objectives at different times and in different countries. These policies were aimed at the country as a whole, even if specific regions were the natural choice for the location of certain industries, due to their past history and natural advantages. Finally, over the last twenty years, another purpose of industrial policy in certain countries has been to facilitate the establishment of large industrial groups through mergers and the grouping of domestic or foreign firms. This now needs to change as well, towards the direction of more community-friendly industries needing community focused industrial policy.

The role of national governments is to protect and develop community industrial advantages while emphasizing other elements important to the community, such as education, training and innovation. In this context, cities and regions appear to be important actors in industrial development. In the location market, each area offers specific advantages that can be used to attract enterprises or even a sector of industry.

Two types of actions through industrial policy can be fruitful to community building. First are measures to reduce the operational costs of enterprises by investing in transport and communication services. Second are measures to improve the competitiveness of markets taken as a whole. Industrial policies can therefore be said to be more “community-targeted,” just like industrial policies that target industries, or “industry-targeted policies.”

The final policy area that the community capital theory can help redefine is regional policies. In the past, whenever policies targeted the most disadvantaged regions, they tended to provide for 1) massive subsidies; 2) the artificial creation of economic poles of development; 3) the creation of techno-cities; and 4) the attempt to keep declining industrial sectors alive in order to protect local jobs. Over the years, it was gradually recognized that these policies and their provisions had limits or failed entirely and a new trend began emerging in this policy area. These new trends are a further indication why a community capital focus for regional and national development is even more important, and they are based on five standards:

1. Regional policies should not be targeted at the most disadvantaged regions only, but at all regions, the richest as well as the poorest

2. Regional policies are no longer geared to simply attracting investment to regions in difficulty by granting subsidies, tax breaks or benefits in kind to enterprises. Instead, they are to ensure that all regions are able to maximize their development opportunities including those at the community capital level (endogenous development).

3. Regional policies are no longer designed to artificially maintain the same level of infrastructure in all regions, but to ensure a favorable environment for the enterprise development. Since this development depends on the specific
characteristics of the region concerned, infrastructure policies may be based on a typology of regions or even communities.

4. The new regional policy no longer sees infrastructures in tangible physical forms only. Indeed, intangible infrastructures such as knowledge, technology and innovation are even more emphasized now. Measures are therefore taken to improve the competitive advantages of regions and their attractiveness. These include assistance in disseminating knowledge (education, training and special courses), technologies and innovation; measures to develop corporate capital; and the elimination of barriers to competitiveness by means of greater market flexibility and fluidity of operations, thanks to fewer regulations and controls. These new infrastructures are believed to improve the competitive advantage of regions and their attractiveness to new businesses.

5. The fifth and last pillar of the new regional policy paradigm relates to governance. A fair distribution of responsibilities and financial resources has to be organized among the three levels of intervention (central, regional and local); decentralization of responsibilities to community must be avoided, unless tax resources accompany it.

In conclusion, as globalization has proceeded, so has localization. The key fact here is that these balancing trends are not running in parallel; rather they are intersecting phenomena. Thus, global in many ways is local as local is in many ways global. The result is new socio-spatial relations -- a web of interactions that is often solidified locally while they fade into global scene. No wonder that planners have become increasingly interested in community development where community capital is the key organizing concept.

“Think globally, act locally” has never been so apt a concept as it is today. Planning is local and local is about the people: how they live and interact. The sum total of these living experiences and interactions is the community, and building communities mean promoting such experiences and interactions. This concept of building community is reflected in the growing significance of meanings like human capital, physical capital, economic capital, social capital, political capital, territorial capital, digital capital, and institutional capital – and we have collapsed all these into the concept of community capital.

In this article I have reviewed the basic tenets of this concept of community capital offering suggestions about its meaning, constituent parts and implications for various policy areas but more importantly for building communities. I have argued that the different forms of capital are best brought together in the form of community capital and that their intersections naturally move toward a community-building conceptual framework. By community building here I have referred to a process whereby various community capitals are brought together to build a community of experience interaction, and networks. Community capital is located at the intersection of these
various forms of capital, and it is the only capital that can form the basis for a theory of community building.

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