

Race, trust and social capital

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April 2008

Abstract

In a recent paper, Robert Putnam presents findings that racial and ethnic diversity erodes trust among neighbors. Given trends in global immigration, coupled with the centrality of trust to social capital, these findings are particularly disturbing. However, there may be reason to believe that Putnam's new findings are a false alarm; that individuals and families base their choice of residence in part on the racial and ethnic composition of cities and neighborhoods. If this is the case, then many agents will naturally prefer to live near members of their own race – a group with which they are likely to have a high level of trust. While such endogenous sorting into racially homogeneous neighborhoods may affect the formation of social capital, it does not imply that the objectives of diversity and social capital are mutually exclusive. In this paper, I present evidence that this type of sorting does indeed occur, creating the appearance of a negative effect of diversity on trust between neighbors.