Capital and the Determinants of Poverty and Social Exclusion

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Abstract

Types of capital which determine the ability of individuals, of communities and of nations to avoid poverty and social exclusion are analysed. This analysis draws on changing explanations of economic growth and the recent literature on social capital. Five forms of capital are distinguished – financial capital, physical capital, human capital, public infrastructure and social capital – and their inter-relationships are discussed. The theoretical and policy implications of the different forms of capital are considered.

Keywords: poverty, social exclusion, social capital, economic growth
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1. Introduction

The purpose of this paper is to put forward a conceptual framework, which seeks to illuminate the determinants of poverty and social exclusion and to clarify the causes of the dynamics of poverty. It analyses the nature of capital and its importance for poverty at individual, community and national level. It discusses the relationship of different types of capital and considers implications for policy.

Most research on poverty and social exclusion in Britain has been concerned with the definition of the terms, the extent of these phenomenon, and the characteristics of those who are poor or socially excluded. The focus of this paper is on the causes of poverty and social exclusion. The approach adopted is not to ask why some people, communities or nations are poor. Instead the question posed is why do most avoid poverty or escape from poverty. In examining the basis for avoiding poverty and social exclusion it follows the thinking of Jane Jacobs.

> To seek 'causes' of poverty…. is to enter an intellectual dead end because poverty has no causes. Only prosperity has causes. Analogically heat is a result of active processes; it has causes. But cold is not the result of any processes; it is only the absence of heat. Just so, the great cold of poverty and economic stagnation is merely the absence of economic development. It can be overcome only if the relevant economic processes are in motion. (Jacobs, 1969: 118)

This paper does not discuss the definition of poverty and social exclusion, on which much attention has been focussed. For the purposes of this paper, people may be defined as poor:

> If they lack or are denied resources to obtain access to these conditions of life [diets, amenities, standards and services which allow them to follow the customary behaviour which is expected of them by virtue of their membership of society] they may be said to be in poverty. (Townsend, 1993: 36)

An individual is socially excluded:

> if he or she does not participate in key activities of the society in which he or she lives. (Burchardt *et al.*, 2002: 30)

It is clear the concepts of poverty and social exclusion as defined here overlap to a large extent.

The primary focus here is on the resources or types of capital which determine the avoidance of poverty and social exclusion - or not . The focus is, in other words, on what determines the ways of avoiding poverty and the aids to escaping from poverty - and how these types of capital are related.

It is concerned with theory and explanations rather than empirical evidence. It seeks to develop a framework applicable at different levels – individual, community and national.

The next section considers theories of economic growth and economic approaches to poverty. Then the concept of social capital is discussed in section 3. Drawing these perspectives together, a framework for understanding economic and social performance at different levels is presented in Section 4. The inter-relationship of different forms of capital are then discussed in section in section 5. The particular challenge of boosting positive social capital is discussed in Section 6. Finally some conclusions are drawn in section 7.

2. Economic Growth

Adam Smith over 200 years ago appreciated that the wealth of nations depended on their level of physical capital, on the skills of the labour force, on the technological processes used, and on the prevailing moral values. His writing encompassed most of modern thinking on economic growth. Sadly however, it is only recently that all these aspects of his thinking have been recognised. For long periods, while he has been used to add authority to many causes, this has been done highly selectively. Over the last half century a number of distinct perspectives have dominated the economic literature.

In the 1940 and 1950s, the predominant model emphasised the accumulation of physical capital – factories and equipment, houses and physical infrastructure. According to the Harrod model the "warranted" rate of growth depended on the level of savings and investment in the economy and on the capital: output ratio (Harrod, 1948). In the 1960s emphasis shifted away from capital investment towards the long-run determinants of growth. The "natural" rate of economic growth was the sum of the rate of population growth and the rate of technical progress. The latter was assumed to occur automatically and exogenously. As a tree grows – "another year, another ring" – so technological advances were steadily incorporated allowing higher levels of output.

The most significant development in the mid-1960s in understanding both economic growth and income distribution was the development of human capital theory led by Chicago economists Schultz and Becker. Just as physical capital could be accumulated, it was realised that human capital in the form of education and skills could be accumulated and could result in higher output and higher earnings. Becker wrote:

> The principal characteristic that distinguishes human from other kinds of capital is that, by definition, the former is imbedded or embodied in the person investing. This embodiment of human capital is the most important reason why marginal benefits decline as additional capital is accumulated. One obvious implication of embodiment is that since the memory capacity, physical size, etc of each investor is limited, eventually diminishing returns set in from producing additional capital. (Becker, 1967: 5)

Investment in skills had a cost not only in the direct cost of the education and training:

> Closely dependent on the embodiment of human capital is the importance of an investor's own time in the production of his own human capital. Own time is so important that an increase in the amount invested in good part corresponds to an increase in the time spent investing: in fact the only commonly used measures of schooling and training are years of schooling and training, measures entirely based on the input of own time. The cost of this time has been measured for several kinds of human capital, shown to be

> generally important, and given the name ‘foregone earnings’. (Becker, 1967: 6)

Human capital theory has made an enormous contribution to understanding economic growth and income distribution but it is not without its problems and limitations some relating to the theory, some to its operationalisation.

First, it adopts a highly individualist approach, neglecting wider social influences on educational achievement such as poverty or peer group attitudes. Second, the emphasis has been on formal schooling; Becker wrote: “Education and training are the most important investments in human capital.” (Becker, 1993: 17). The scale and importance of parental inputs into a child’s upbringing, particularly in the pre-school years which are now seen to be crucial to later performance, was largely neglected. Third, the difficult task of measuring the quality of education was largely neglected; instead expenditure or years of schooling were used as convenient measures of educational inputs. Fourth, there has often been a circularity of argument. Educational achievement and subsequent earnings are affected not only by investment in education and training but also influenced by ability or ‘economic talent’. Becker suggested:

> a reasonable first approximation would say that if two persons have the same investment capital in human capital, the one who earns more is demonstrating greater economic talent. (Becker, 1993: 98)

On this argument, having controlled for levels of human capital investment, more earnings indicate more initial economic talent. This is a self-fulfilling theory. Were there to be equal educational inputs, any difference in outcome can, on this basis, be ascribed to differences in individual ability, neglecting any broader social influences.

Yet, despite the limitations of the theory and its applications, human capital is undoubtedly one crucial determinant of economic performance and of the dynamics of poverty.

In the 1980s, the determinants of technological progress were explored by Romer (1986) among others, giving rise to a new literature on endogenous growth theory. Concern with the determinants of technical progress was not new: Kaldor (1957), for example, had hypothesised that technical progress depended on levels of investment. But in the 1980s such thinking took off. Romer argued that capital accumulation results in learning which cannot be internalised and emulation then raises efficiency in the economy as a whole.

> The creation of new knowledge by one firm is assumed to have a positive external effect on the production possibilities of other firms because knowledge cannot be perfectly patented or kept secret...knowledge may have an increasing marginal product. (Romer, 1986: 1003)

Some of this thinking followed the earlier writing of Jacobs who, in *The Economy of Cities* (1969), described the development of new products and the growth, or lack of growth, of cities. Endogenous growth theory has been tested in a number of studies. For example Glaeser found that:

> The evidence suggests that cross-fertilisation of ideas across industries speeds up growth. The growth of cities is one manifestation of this phenomenon, but there may be others. The results would imply, for example, that open societies, with substantial labor mobility across industries, will exhibit a greater spread of ideas and growth. Similarly, the cross-fertilization perspective argues in favor of such labor flows as immigration and migration across areas. If Jane Jacobs is right, the research on growth should change its focus from looking inside industries to looking at the spread of ideas across sectors. (Glaeser, *et al*., 1992: 1151)

In the 1990s a new dimension entered into discussion of the growth of economies and societies – or more accurately a dimension largely neglected since Adam Smith's *Theory of Moral Sentiments (1790)*. The success of western and far eastern economies was not attributable to physical and human capital alone: it also depended on informal relations and the ethos of the society. With the end of state socialism in Eastern Europe and the Soviet Union some expected the introduction of markets to produce a rapid improvement in economic performance; in most cases this did not occur. While many explanations have been offered, some have emphasised the lack of trust and informal institutions that are fundamental to the working of a market economy.

The World Bank's latest *World Development Report* (2002) was entirely concerned with building institutions for markets.

Thus, as this short overview of approaches to economic growth shows, the focus of attention has shifted over time; at different times different paradigms have dominated. Yet some more reflective economists have recognised that many components are important. For example, Harry Johnson (1964) identified four types of capital as being important for economic growth; these were:

- physical capital for which the return is normally to the owner;
- human capital where the return is, at least in part, to the individual;
- social or collective capital that is paid for by taxation;
- intellectual capital or knowledge which, once created, is a free good whose use by one does not affect its availability to others

3. Social Capital

From entirely different directions – primarily sociology and political science – ideas have developed of "social capital". The ideas have been rapidly taken up and the literature on social capital has grown at a remarkable rate in recent years. Social capital is quite distinct from physical or human capital but it overlaps with ideas of trust and aspects of endogenous growth theory.

A recent review of the concept of social capital described the concept as follows:

> Social capital – broadly, social networks, the reciprocities that arise from them, and the value of these for achieving mutual goals – has become an influential concept in debating and understanding the modern world. It features in much scholarly discourse, across a variety of disciplines; it also reverberates through the politics of the centre-left, as well as in new thinking about international economic development and social renewal. An idea that draws attention to the importance of social relationships and values such as trust in shaping broader attitudes and behaviour is clearly highly attractive to many people. (Field, Schuller and Baron, 2000: 1)

Field, Schuller and Baron traced the concept to three key authors. First, Pierre Bourdieu defined social capital as:

> the aggregate of the actual or potential resources which are linked to possession of a durable network of more or less institutionalised relationships of mutual acquaintance and recognition…which provides each of its members with the backing of collectively-owned capital. (Bourdieu, 1997: 51).

Second, the American sociologist James Coleman in analysing the acquisition of educational credentials criticised the dominance of human capital theory over contemporary policy thinking. He argued instead that social capital had a profoundly important effect. He wrote that:

> Social capital is defined by its function. It is not a single entity but a variety of different entities, with two elements in common: they all consist of some aspect of social structures, and they facilitate certain actions of actors – whether persons or corporate actors – within the structure. (Coleman, 1988: 98).

He wrote:

> What I mean by social capital in the raising of children is the norms, the social networks, and the relationships between adults and children that are of value for the child's growing up. Social capital exists within the family, but also outside the family, in the community…in the interest, even the intrusiveness, of one adult in the activities of someone else's child. (Coleman, 1990: 334)

More precisely, in 1994 he wrote:

> Social capital is the set of resources that inhere in family relations and in community social organisation and that are useful for the cognitive and social development of a child or young person. (Coleman, 1994: 300)

A third key writer on social capital is the American political scientist Robert Putnam. He offers a succinct definition of social capital:

> By "social capital" I mean features of social life – networks, norms, and trust – that enable participants to act together

> more effectively to pursue shared objectives. (Putnam, 1996: 56)

In *Bowling Alone* (2000), Putnam presented evidence based on comparing US states. Where there was more social capital (as shown by indicators of association membership, trust, organised altruism and charitable giving), schools worked better, children watched less TV, violent crime was rarer, health was better, tolerance was higher, and there was more equality.

Field, Schuller and Baron, clearly summarise the differences between human capital and social capital, as shown below:

	Human Capital	Social Capital
Focus	Individual	Relationships
Measures	Duration	Membership / Participation
	Qualifications	Trust levels
Outcomes	Direct: income, productivity	Social cohesion
	Indirect: health, civic activity	Economic achievement
		More social capital
Model	Linear	Interactive / circular
Policy	Skilling, accessibility, and rates of return	Citizenship, capacity-building and empowerment

Source: Table 14.1, Field *et al*., 2000

Despite the attraction of the notion that norms, networks, relationships matter, the social capital approach is open to serious criticism. What is left imprecise – some would argue hopelessly imprecise – is which norms, networks, relationships matter and how those norms, networks, relationships can be measured. There is also a circularity in much of the discussion of social capital. If social capital affects educational performance, for example, then better educational performance is taken as evidence of "better" social capital.

The empirical evidence is open to criticism. Coleman's evidence on the lower drop-out rates of Catholic schools fails to control for the level of discipline nor for the selection of pupils that better schools can exercise (although the discipline over pupils and parents exercised in many Catholic schools may be deemed to be part of their social capital). Putnam's comparison between US states shows that the nearer the state to the US-Canada border the greater its social capital; yet differences in social origin and population characteristics that are related to geography may explain everything attributed to the level of social capital.

Furthermore, social capital may not be an unmixed blessing. As Field *et al.* (2000) wrote:

> While we agree with Coleman on the importance of social capital to the creation of human capital, then, we have tried to show that he seriously understated the complexity of this relationship. Above all, social capital can be used to exclude, or to limit participation, as well as to promote it. (p.261)

Concerning exclusion, Putnam makes an important and useful distinction between 'bonding' and 'bridging' human capital. In relation to social exclusion, bridging social capital may reduce exclusion but bonding social capital may increase it.

Trust, too, may have a negative side as Sen illustrates:

> There are social functions that an organization like the Mafia can perform in relatively primitive parts of the economy, in supporting mutually beneficial transactions. The functional roles of such organizations depend greatly on the actual behavioural modes in the legal and above-the-counter economy... The market system requires arrangements for implementation, to stop a contracting party from letting others down. Such enforcement can either come from the law and its implementation, or – alternatively – be based on mutual trust and an implicit sense of obligation. Since the effective reach of the government can be limited and slow in this field, many business transactions proceed on the basis of trust and honor. (Sen, 1999: 267-8)

The Mafia is scarcely an unmixed blessing.

Putnam's concept of social capital is that it is personal, informal, horizontal across the community, and sub-group specific – for example a Church-based reading group; it focuses on civil society. By contrast, McClennen has argued that:

> In recent years much attention has been given to one special form of such a capital resource, namely networks of social relations between persons, which have come to be characterized as "social" as distinct from, e.g., financial and human, capital. But as important as such social networks are, to define social capital in terms of them constitutes a serious and indefensible narrowing of the concept itself. In point of fact, *many* different kinds of on-going relations between persons constitute capital in this sense: formal, legal relations between persons, for example, can function in just this way, as a non-consumable resource that helps to achieve things that they desire to achieve. (McClennen, 2002)

Some of these forms of social capital are impersonal, formal, vertical, and universal – for example – laws, the police, and formal sanctions. These latter forms of social capital focussing on the state are, McLennen argues, far more important. An extreme example of the latter was the South African Apartheid regime which in effect enforced the poverty and social exclusion of the non-white population. Another example is restrictive rules on trading – for example the European Union's Common Agricultural Policy: this is not capital in the usual sense but it does set norms and rules that affect the prosperity or poverty of farmers globally – some gaining from it, and others losing from it.

Perhaps Putnam's focus as a 'social capitalist' on community is quite wrong. If we want to know about powerful norms, networks and values, do not look to the community choir. The norms and values of the local police may be far more important in determining who is socially excluded. The rules of the World Trade Organisation may determine which nations prosper.
Nevertheless, while social capital is a contested concept – at one extreme Fine (2001) argues that it is not social and it is not capital – despite all the limitations, there seems good reason to think social capital is important for individuals, communities and nations. In many respects it is focussing on features which the more recent economic literature has been recognising as important, such as the externalities that arise within

communities and economic sectors and the trust and informal institutions, networks and norms, as well as rules, that are important for the functioning of an economy.

4. Forms of Capital

On the basis of the preceding discussion, it is possible to distinguish five forms or types of capital. Each of them is something which may be accumulated and which affects prosperity and poverty. These five forms may be described as:

1. Financial Capital
2. Physical Capital
3. Human Capital
4. Public Infrastructure
5. Social Capital

1. Financial Capital

At an individual level there are those with large financial assets resulting from inheritance, business acumen, thrift or the lottery; at the negative end there are debtors. At the national level while there are some nations with large reserves in foreign currencies, the most obvious example is the negative one of the 'Heavily Indebted Poor Countries'. (While financial assets or liabilities are not a 'real' resource, it is convenient and useful to distinguish financial capital from other forms.)

2. Physical Capital

Physical capital has many forms but in this category we only include private physical capital, as distinct from public infrastructure discussed below. For an individual it may involve the ownership of land, property or factories. A community may be an exclusive gated estate. A nation may possess oil reserves of untold value, or more negatively like Montserrat it may have physical capital that is depleted or destroyed by volcanic eruption.

3. Human Capital

This comprises individual skills based on abilities, education and training. At community or national level this comprises the aggregate of individual human capital.

4. *Public Infrastructure*

This comprises drains, schools, hospitals, roads, etc. – in other words collective physical capital. It makes little sense to refer to this at an individual level. Examples of a community and nation with high quality public infrastructure are Bologna and Sweden; examples at the other extreme are Newark, New Jersey and Myanmar.

5. *Social Capital*

This category includes networks, norms, rules and social values. In other words it is the collective component of human capital and collective human values and relations. Social capital may be high in safe and supportive, friendly and tolerant, creative and open societies. Societies with high levels of crime and corruption, which are intolerant, isolated, divided and destructive suffer low levels of social capital.
(This definition follows most of the literature on social capital but, confusingly, the World Bank use 'social capital' to refer to what is here called public infrastructure. Richardson and Mumford (in Hills *et al.*, 2002) use the term 'Social Infrastructure' to embrace both what are here called 'Public Infrastructure' and 'Social Capital'.)

This categorisation encompasses many glaring differences. Financial and Physical Capital can be traded, the other forms cannot be. Physical Capital and Public Infrastructure are tangible, the others are not. Financial and Human Capital are mobile, the others are not – although Human Capital movements affect Social Capital. But all are capital in the sense that they require investment to build them up and they are determinants of future levels of living. Low levels of some or all of them results in poverty and social exclusion.

This breakdown of forms of capital is broadly consistent with the analysis of poverty presented by Sen:

> Undernourishment, starvation and famine are influenced by the working of the entire economy and society – not just food production and agricultural activities. It is crucial to take adequate note of the economic and social interdependences that govern the incidence of hunger in the contemporary world. Food is not distributed in the economy through charity or some system of automatic sharing. The ability to acquire food has to be *earned*. What we have to concentrate

> on is not the total food supply in the economy but the "entitlement" that each person enjoys: the commodities over which she can establish her own ownership and command. People suffer from hunger when they cannot establish their entitlement over an adequate supply of food.
>
> What determines a family's entitlement? It depends on various distinct influences. First, there is the *endowment*: the ownership over productive resources as well as wealth that commands a price in the market. For much of humanity the only endowment that is at all significant is labour power. ... Second, an important influence consists of *production possibilities* and their use. This is where technology comes in: available technology determines the production possibilities, which are influenced by available knowledge as well as the ability of the people to marshal that knowledge and to make actual use of it. …Third, much would depend on the *exchange conditions*. (Sen, 1999: 162-3)

Sen's 'endowment' is determined by physical and human capital; 'production possibilities' are determined by both of these and also by public infrastructure. Exchange conditions are determined, at least in part, by social capital.

In general it seems clear that if individuals, communities or nations are to survive and thrive they need a combination of different forms of capital. This can be illustrated if the consequences of the total lack of any one of the forms of capital is considered. Without any financial assets (or liabilities) there would, in effect, be no money to act as medium of exchange; the economy would only function on the basis of barter – until some other medium of exchange developed, which would in turn constitute financial capital. The absence of either physical or human capital would ensure zero output. Without any public infrastructure – with no water or power supply – urban living would be impossible. In the absence of any social capital, with a complete breakdown of norms and trust such as has occurred in riots or civil war, economic functioning becomes impossible.

Yet, while all forms of capital are necessary, most analysis of economic growth or of social capital focuses on only one or two forms of capital.

Such narrowness may promote academic careers but it does little to contribute to a broader understanding of poverty and social exclusion. It is to the interaction between these forms of capital that we now turn.

5. Capital: Complementarity, Substitutability, and Inter-relationships

Central Park, New York, represents public infrastructure. Some time ago Damon Runyon wrote:

> There are quite a number of these old victorias left in this town, a victoria being a low-neck, four-wheeled carriage with seats for four or five people, and they are very popular in the summer-time with guys and dolls who wish to ride around and about in Central Park taking the air, and especially with guys and dolls who may wish to do a little off-hand guzzling while taking the air… King O'Hara has many regular customers among the citizens of Broadway, but who loves to ride around in the Park on hot nights just to cool themselves out. (Runyon, 1938: 432-3)

Now, Central Park is a dangerous place to go after dark. This is not the result of changes in the park itself – the public infrastructure is little changed. What has changed is the state of social capital at night – what can be termed negative social capital. In effect, for the park to be safely useable a combination of the public infrastructure and the positive social capital is necessary.

In many ways different forms of capital are complements. The past position of the landed gentry could be said to have depended not only on ownership of physical capital but also on the networks and norms of social capital. A brain surgeon with high human capital can do nothing without the physical capital of a hospital and appropriate equipment.

Another example of complementarity occurs at national level. Development requires both physical and human capital. The recognition that the capital: labour ratio differs greatly according to the level of development has led to a concern for "appropriate technology" which has focussed on what types of physical capital are most productive.

Equally, there is a need for appropriate human capital with skills that suit the needs of the economy.

Financial and physical capital can both be owned and traded and are thus ready substitutes. Financial or physical capital may enable some to escape from the limitations of poor public infrastructure: private water supplies, education, health services, or security guards are examples. Human capital may enable people to manage with very limited physical capital. For example, aboriginal people in Australia have skills which enable them to survive in the harshest of environments; now, living in urban reservations, these traditional skills count for little.

In considering the relationships between different forms of capital it is not only the amount or level of each form of capital that is important but also its distribution throughout the population that matters. The distribution of human capital is likely to affect of the distribution of financial and physical capital. The distribution of financial capital, of physical capital, and of human capital are all likely to affect social capital. In addition, the nature of the physical capital and the public infrastructure – the design and accessibility of housing and public amenities for examples - may also affect social capital.

It is also important to recognise that low levels of capital may be bad for society in general but there are those who gain. Lack of public water supplies benefits those who control private water supplies. High crime and corruption benefit those who are criminal and corrupt. Social capital has external effects but, unlike the rain, they do not fall equally on the just and the unjust.

Just as there are distinct, if interacting, forms of capital, so too are there many levels or layers of living. Individuals live in communities which exist within nations, as Figure 1 illustrates. Nations exist within a wider, global setting but they also depend on the communities and individuals of which they are made up. All these levels interact. This is most obvious in relation to physical survival:

> one can properly think of most human lives as caught in a precarious equilibrium between the microparasitism of disease organisms and the macroparasitism of large bodied predators, chief among which have been other human beings. (McNeill, 1977: 6)

In general it is the case that the more capital there is of the different types, the higher will be the level of economic and social living.

When considered in dynamic terms, this is complicated because the structure of societies and of the layers within which we live is not constant. Individuals can change the households, communities and nations within which they live. (By contrast, communities and nations tend to be geographically rather static). This gives rise to clear conflicts between individual, community and national interests.

Because human capital is embodied and bodies can move, usually taking financial capital with them, migration can help individuals and nations but this may be at a cost to some communities and nations and to the benefit of other communities and nations. Migration from poorer to richer areas may promote economic growth and equalise incomes. On the other hand, the movement of skilled labour may boost human capital and growth in the destination while undermining it in the place of departure. At a community level, mobility and migration are not uniform. It is the more skilled people who tend to leave deprived areas. This has a direct effect on income and spending but a more serious long-term effect on the growth of the deprived area. One example of this is poor communities with high unemployment and social problems (described, for example, by Lupton and Power, 2002). With low human and physical capital, poor public infrastructure and low social capital, the out-migration of those with the highest human capital may further undermine social capital and the internal prospects of prosperity.

This illustrates a more general dilemma affecting social capital. Human capital is intrinsically mobile being embodied in people. Mobility undermines stability – networks, norms and trust that have been built up are lost. This instability therefore undermines community and national social capital. Reduced social capital increases poverty and social exclusion

Thus, what is good for the individual may harm the community or nation.

6. Boosting Positive Social Capital

It has been argued here that all types of capital matter for generating growth and reducing poverty and social exclusion. Social capital is certainly not the only important type of capital and ‘bonding’ social capital may exacerbate social exclusion. But in this section we concentrate on it if only because it has, up to now, received least attention.

As has been discussed, social capital is not independent of other forms of capital but in many ways is complementary. The level and distribution of human capital affects social capital. Physical capital may also be important: the decline of mining and manufacturing has had a serious impact on male voice choirs and brass bands – among Putnam's favourite examples of social capital.

What then would boost social capital?

Putnam (2000) suggests the deliberate promotion of community-based associational activities of an informal kind. At a more formal level, policies which promote involvement, a sense of ownership, control and stability in relation to schools, housing and other public services are likely to boost social capital. At a community level this needs "voice and loyalty" – which require continuity, representation and participation to promote both bridging and bonding social capital. There is always the danger, however, that this may lead to exclusion – for example of children of travellers or asylum-seekers. What can destroy social capital at a community level are central direction, management restructuring and boundary changes – features common in British public services in the past few decades.

If inequality in society, particularly in human capital, is inimical to social capital then measures that reduce inequalities should encourage more social capital. The Thatcher years saw both more inequality and in many respects a reduction in social capital – hardly surprising given her association with the view that "there is no such thing as society".

If migration can damage social capital in the place of departure then this points to the need to discourage migration so that there is less “exit”. Housing policies to promote more mixed communities so that individuals who prosper have alternatives to leaving their community may do this; upward mobility without dislocation can create more diverse and robust communities. At a national level, rich nations, which give lip service to international development, should become less dependent on their depredation of the most educated in far poorer nations.

If social capital is as important as has been suggested for individuals and societies then policies that deliberately try to boost it seem appropriate. Within institutions – schools, universities, hospitals – deliberate attempts are made to boost bonding and bridging to enhance social capital. Efforts to do this at community and national level are rarely tried and usually ridiculed. If social capital is important, relying on its unplanned emergence and continuance may be unduly optimistic. An industrialist who took such an attitude to physical capital would not expect acclaim.

7. Conclusions – Tackling poverty at individual, community and national levels

This paper has emphasised the importance and interactions of different forms of capital. It may appear to be an attempt at an all-encompassing framework, a general theory of everything. This is not the intention. There has been no discussion of how each form of capital has come to be distributed as it is – such an investigation involves history, politics and power relationships. The more modest aim has been to discuss how the different forms of capital are important for future prosperity or its absence in the form of poverty and social exclusion.

At a theoretical level, the discussion points to the limitations of too narrow a focus in the social sciences. While there is a voluminous economics literature on 'capital', this is largely confined to physical and human capital with little attention, until very recently, to social capital. Social policy analysis has been focussed on human capital, in part because of the importance of education and health in social service development. In political terms, Marx's three volumes on *Capital* have perhaps deterred some from investigating what capital means and how it matters because of what has been done in his name.

The conclusion of this discussion is that there are not only gains from but also a need for broadening the concept of capital in order to understand poverty and social exclusion better. If capital is broadly conceived, it is possible to think about poverty and social exclusion at individual, community or national level using the same broad framework, and there are benefits from doing so. Further, there may be benefits from applying some of the ideas from the economic literature – relating to the growth of knowledge, technical progress in industry, and the externalities of knowledge – to the promotion and diffusion of knowledge about living together in civilised societies. How may social capital best be promoted, particularly bridging social capital?

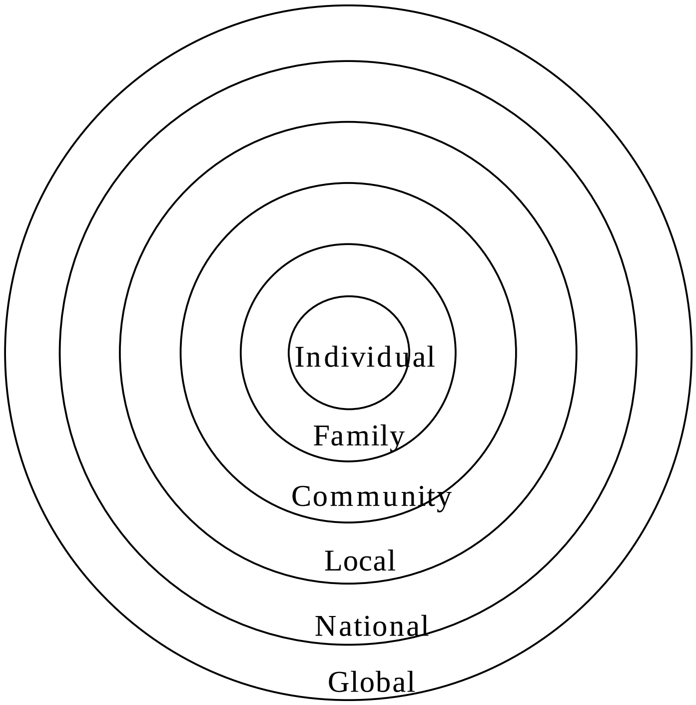
In terms of policy, the conclusion from the discussion in this paper is that *all* forms of capital matter. At different times policies to improve opportunities to prevent poverty have had very different emphases. At some times the distribution and ownership of private wealth has been emphasised, at others the state of the public infrastructure. Currently in Britain, with government priority for education and health services, human capital is receiving most emphasis. While human capital certainly matters, as does its distribution, other forms of capital matter too. For example, the positive and negative externalities of social capital are equally important in terms of quality of living. As Richardson and Mumford (2002) concluded:

> Even where problems are too big for community action to tackle alone, community support can help protect other investments (by local and central government for example). Indeed, without it, those investments may be wasted. (Richardson and Mumford, 2002: 225)

Investments in physical capital evidently require complementary investments in human capital – ships require navigators, schools require teachers. Equally, if less clearly, investments in human capital require investments in public infrastructure and in social capital – children require space to explore and play, opportunities for all depend on social attitudes and values as well as on social services. Concentrating predominantly on human capital without considering the distribution of financial, physical and social capital seems unlikely to end poverty and social exclusion.

The overall lesson for tackling poverty and social exclusion at all levels – individual, community and national – is that all the forms of capital discussed here matter. The processes that prevent poverty and social exclusion depend on capital of many forms.

Figure 1



Individual: e.g. age, gender, race, disability ; preferences, beliefs and values

Family: e.g. partnership, children, caring responsibilities

Community: e.g. social and physical environment, schools, health and social services

Local: e.g. labour market, transport

National: e.g. cultural influences, social security, legislative framework

Global: e.g. international trade, migration, climate change

Source: Figure 1.1, Burchardt *et al.*, 2002

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