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## INVESTMENT IN HUMAN DEVELOPMENT AS A SOCIAL DEVELOPMENT STRATEGY

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**Investment in Human Development  
as a Social Development Strategy**

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## **ABSTRACT**

Social development refers to the integration of improvements in human welfare with economic development and widespread participation in the process and benefits of development. While the notion of social development provides a useful complement to economic-oriented development, it has been criticized as utopian, wide-ranging, and theoretically underdeveloped.

After summarizing major conceptualizations of social development, this paper focuses on a particular social development issue -- investment in human development. Specifically, investment in human development refers to investments in basic needs such as nutrition, primary health care, and basic housing; and investments in human capital in the form of primary education and skills training. In addition to the intrinsic value of the fulfillment of basic human needs and increases in human capital, we suggest that investments in human development have substantial social and economic returns.

Certainly this is not the only way to conceptualize social development, but it is an approach that may be productive. Given the state of theoretical underdevelopment in the field of social development, the process of specifying testable propositions as demonstrated in this paper might serve as a model for the systematic investigation of other social development issues. Testable propositions are building blocks that can bring discipline and greater research productivity to social development scholarship.

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## INTRODUCTION

Social development is an enormous, complex, and elusive concept. As Khinduka states, it “is variously conceptualized as a perspective, a process, a product, a paradigm, a set of values, and a model for organizing human affairs...It is an incorrigibly inclusive concept” (1987, p. 22). The notion is difficult to conceptualize for a variety of reasons. First, social development activities encompass an incredibly wide range, from individual development to global geopolitical development. Second, it is the object of concern of a wide array of disciplines, each with its own perspective (Meinert & Kohn, 1987a). Third, social development initiatives are extremely complex, attempting to integrate economic, social, political, and cultural factors and activities across levels of development and time horizons (Pandey, 1981). Finally, social development inevitably involves value judgments. These characteristics are partly responsible for the current state of theoretical and empirical underdevelopment.

Despite these challenges, social development is an important area of research. Most nations have failed to harmonize economic and social development and to ensure that the fruits of economic progress benefit the entire population. Manifestations of this “distorted development,” a characteristic of both developed and developing countries, include highly skewed distributions of income and wealth, absolute poverty, inadequate housing, poor health status, and the exclusion of certain segments of the population from full participation in development. Although life expectancy, literacy rates, and access to health care have improved in many developing countries, poverty persists in the midst of unprecedented affluence (Midgley, 1995). The United Nations’ World Summit on Social Development in 1995 reflected substantial global concern for these and related issues.

Given the complexity of social development concepts, the current state of theoretical underdevelopment, and the necessity of operationalization and implementation of specific social development strategies, there is a need for clarification and specification of social development concepts and theories. The first section of this paper summarizes several major conceptualizations of social development. The second section focuses on a single social development issue, proposing that investments in nutrition, basic health, basic housing, and primary education and skills training are appropriate ways to link improvements in human welfare with economic development. In addition to the substantive content of this discussion, we suggest that identifying key theoretical relationships and specifying testable propositions, as demonstrated here, can serve as a model for systematic theorizing and investigation of other social development issues.

## **OVERVIEW OF SOCIAL DEVELOPMENT CONCEPTUALIZATIONS**

Social development may be viewed as a complement to economically-oriented development. It is generally viewed as an attempt to improve the well-being of people, to integrate social improvements with economic growth, and to ensure that all people participate in the process and the benefits of development. The term may refer to desired end-states or to process characteristics (Ingham, 1993). Because no country uses its resources to benefit all individuals, the notion of social development applies with equal relevance to both developed and developing nations, although most of the discussion to date has focused on developing nations (Jones, 1981; Midgley, 1995).

## Major Conceptualizations

The United Nations (UN) has played a significant role in the articulation and promotion of development perspectives and strategies. Although the agency first promoted development along economic lines, its emphasis turned to the elimination of poverty and social development during the second Development Decade of the 1970s. For example, in a broad conceptualization, the UN defined social development as

...the greater capacity of the social system, social structure, institutions, services and policy to utilize resources to generate favorable changes in levels of living, interpreted in the broad sense as related to accepted social values and a better distribution of income, wealth and opportunities (1969, p. 2).

J. F. X. Paiva (1977) provided another early model of social development. He identified two interrelated dimensions, the development of individuals' capacities to work for their own and society's welfare, and the alteration or development of institutions so that human needs may be met at all levels, particularly the most basic. Key concepts for the planning and implementation of social development, according to Paiva, include: 1) integration of social and economic objectives and institutions; 2) structural change, such as land reform, improved status of women, or increased access to opportunities; 3) development of institutions, to create a supportive network of social structures, processes, and norms which will sustain developmental progress; and 4) institutional renewal in response to a continuing process of feedback and evaluation. These themes are also present in more recent conceptualizations of social development.

Another major contribution to the field is a book entitled *Social Development*. The editors, J. F. Jones and R. S. Pandey, define social development as a “process of planned institutional change to bring about a better fit between human needs and aspirations on the one hand and social policies and programs on the other” (1981, p. v.). This definition implies: 1) a

need for deliberate social intervention; 2) an emphasis on changing social institutions (e.g., policies, programs, agencies, and social roles) rather than changing individuals; and 3) the inevitability of some value judgment as the basis of an evaluation of a “better fit” (Jones & Pandey, 1981).

Contributors to this book emphasize that the process of social development should involve a reciprocal influence between community and social policy at all stages (Jones & Hollister, 1981). Effective solutions to human problems must therefore assess human needs, make institutions responsive to these needs, and make structural changes in society to facilitate institutional planning (Jones & Pandey, 1981). The participation of all citizens is also integral to successful development. Thus, the political context is critical; political pressure from rural elites, urban intellectuals, party members, and business interests will impact the success of any development initiative, while the needs of the masses, if they are uneducated and inarticulate, are likely to be ignored (Jones, 1981).

The well-known basic needs approach, articulated by Paul Streeten and his colleagues, may also be considered social development. Although a full discussion is beyond the scope of this paper, this approach “attempts to provide the opportunities for the full physical, mental, and social development of the human personality...” (Streeten, Burki, Haq, Hicks & Stewart, 1981, p. 33). The strategy involves structuring national investment, production, consumption, and employment policies toward the satisfaction of the elementary needs of the entire population, particularly in education and health. An important emphasis is making the poor more productive. Advocates of this approach also seek to satisfy non-material needs, such as self-determination, self-reliance, and security; participation in decision-making; national and cultural identity; and a sense of purpose in life and work (Streeten et al., 1981).



The UN has remained active in the field of social development, and in the annual *Human Development Reports*, the United Nations Development Program (UNDP) has proposed a model of human development which is consistent with the general assumptions and objectives of social development. According to the 1990 *Human Development Report*,

human development is a process of enlarging people's choices. The most critical of these wide-ranging choices are to live a long and healthy life, to be educated and to have access to resources needed for a decent standard of living. Additional choices include political freedom, guaranteed human rights and personal self-respect...The process of development should at least create a conducive environment for people, individually and collectively, to develop their full potential and to have a reasonable chance of leading productive and creative lives in accord with their needs and interests (UNDP, 1990, p. 1).

This developmental approach assumes that human development is the ultimate objective of economic development. Consistent with the theoretical perspective of Amartya Sen (1985, 1992), underdevelopment is viewed as a lack of basic capabilities rather than simple lack of income and commodities. From this perspective, development strategies should seek not merely to produce more goods and services but also to increase the capabilities of people to lead full, productive, and satisfying lives. Advocates of human development view the growth of Gross National Product (GNP) as a necessary but insufficient condition for human development and view humans as beneficiaries of and participants in development, not simply as agents of economic productivity (UNDP, 1990). At the same time, human development is viewed as essential for economic development.

A more detailed strategy for increasing human development has recently been articulated by Keith Griffin and Terry McKinley (1994). This strategy builds upon the idea that economic benefits received by people consist of flows from stocks of capital. Among other forms, this capital may be: 1) natural, including the atmosphere and oceans, flora and fauna, soils, mineral

deposits, and sources of fresh water; 2) physical, including the produced means of production, such as equipment and infrastructure; or 3) human, consisting of the knowledge, skills, experience, energy, and inventiveness of people.<sup>1</sup> Advocates of this human development strategy assume that human capital plays a central role in economic growth. To facilitate the formulation of human capital, the human development strategy relies upon state intervention to guide the development process. (Government intervention and expenditure, however, are not considered desirable in themselves but merely as means to achieve human development objectives.)

In brief, this process involves the correction of market failures and improvements in the structure of incentives, the reallocation of public sector resources, and structural reforms.

Investments in nutrition, health, and education are critical components. According to Griffin and McKinley,

the stock of human capital, like the stocks of physical and natural capital, will deteriorate if it is not maintained. Hence, the importance of pre-natal and maternal care, school feeding and other nutrition programmes, the provision of safe drinking water, public health and disease-control measures, guaranteed employment schemes, and the like (1994, p. 3).

Finally, James Midgley's definition of social development refers to a process of planned social change designed to improve the well-being of an entire population. By emphasizing direct links between social welfare and economic development policies and programs, this approach "is not only cognizant of wider economic realities but actively promotes development," (1995, p. 2).

Midgley suggests that progress toward social development goals should be measured in quantifiable terms, and he advocates an "institutional" approach which seeks to (1) mobilize social institutions such as the market, community, and state to promote human welfare; (2)

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<sup>1</sup> "Social capital" has been proposed as another important productive asset. This notion is discussed in the second section of this paper.

integrate individual, community, and government social development strategies, while emphasizing the leading role of governments; (3) foster compromise among diverse ideological positions; and (4) create the organizational and professional capacity to implement social development strategies at local, regional, and national levels.

### **Fundamental Assumptions**

Despite the broad scope of social development conceptualizations and activities, there appears to be general agreement on a number of key ideas. Lowe (1995) captures some of these commonalities when he characterizes the social development perspective as planned, comprehensive, and economic. More specifically, there is general agreement on a number of fundamental assumptions. First, in terms of the social development process, many advocates of social development believe that economic growth does not automatically translate into improved well-being and that the benefits of growth are often unequally distributed (e.g., Midgley, 1995; UNDP, 1990). Despite these limitations, economic growth is typically viewed as a *necessary* condition for social development (e.g., Midgley, 1995; Singh, 1981; UNDP, 1990).

Second, social development advocates emphasize that the process of social development requires institutional and structural change and attempts to integrate social, economic, political, and cultural factors (e.g., Jones, 1981; Paiva, 1977; Singh, 1981). Because these objectives do not occur naturally, the process of social development requires purposeful intervention, usually from the state or non-profit organizations. Social development scholars and practitioners generally emphasize the importance of social planning as a means to integrate activities of different sectors at different levels (e.g., Jones & Hollister, 1981; Jones & Pandey, 1981; Meinert, Kohn & Strickler, 1984; Midgley, 1995; Singh, 1981).

Finally, proponents of social development stress that citizens must participate in decision-making. This objective is both an end in itself and a means to fulfill the needs of all individuals, particularly the poorest. Although social development is not limited to a single model of political development, political institutions must encourage citizen participation (e.g., Jones, 1981; Meinert, Kohn & Strickler, 1984; Omer, 1981; Pandey, 1981; Singh, 1981).

Assumptions regarding desired end-states are often vague, but it is clear that improvements in human welfare are the goals of development. Humans are seen as participants and beneficiaries; people are therefore subjects of development rather than objects (e.g., Jones, 1981; UNDP, 1990). Advocates of social development also assume that all citizens should enjoy the benefits of progress (e.g., Midgley, 1995; Pandey, 1981). Goals may be: 1) material, seeking concrete improvements in welfare, such as nutrition, health, or shelter; or 2) ideational, seeking abstract improvements related to the quality of human interaction and the meaningfulness of life (Midgley, 1995). Objectives may include improved quality of life; the promotion of economic growth; equitable distribution of income, resources, and opportunities; special measures to enable marginal groups to move into the mainstream (Pandey, 1981); social equality (Gil, 1981); and/or increased capabilities of people to lead full, productive, and satisfying lives (Griffin & McKinley, 1994; Sen, 1985, 1992).

### **The Role of Values and Ideology**

Some authors suggest that social development conceptualizations may be characterized as either normative, specifying process and end-state values, or interventive, suggesting how macro-level practice, (e.g., administration, community organization, social planning, and policy formulation) might create institutional change (Falk, 1984; Farris, 1982). In actuality, values and

strategies are inseparable; the notion of “improvements” in human welfare implies that some set of values will be used to evaluate progress. Midgley (1993, 1995) also stresses the connection between ideology and the selection of social development strategies. He suggests that ideology may be useful to classify, compare, and evaluate strategies, as well as to link strategies with broader social, political, and economic theories.

Given the significance of social development values, it is important to identify those which are fundamental. Falk's (1981) application of the Delphi method appears to be the only empirical attempt to identify these values. He identified participation and respect for human dignity as key process values, and fulfillment of basic human needs, human dignity, and equality of means (a state in which each person has equal access to social, political, and economic opportunities) as key end-state values. Beyond these, however, Falk found little consensus, suggesting that there is no generally agreed upon set of social development values. Meinert & Kohn (1987a) agree that it is difficult to identify a unified set of values from social development literature and propose as a starting point a value set that includes conscientization, distributive justice, nonexploitive rationality, detribalization, cooperation, and humanocracy.<sup>2</sup>

### **Evaluation of Current Body of Theory and Knowledge**

Social development provides a useful complement to economic-oriented development and residual approaches to human welfare. Specific strengths include the attempt to integrate social and economic objectives and to ensure that benefits of progress are shared by all; an emphasis on political context and citizen participation; a holistic, interdisciplinary, and proactive

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<sup>2</sup> The last value refers to a “centrality of social existence [which emanates] from the needs and aspirations of people and not from the demands and requirements of political and economic systems,” (Meinert & Kohn, 1987a, p. 17).

approach; acknowledgment that desired objectives will demand institutional and structural change; and concern for both short-term and long-term human welfare.

Despite these strengths, critics of social development commonly characterize the notion as utopian and wide-ranging (Midgley, 1995). With some exceptions, a review of social development conceptualizations confirms Midgley's claim that social development literature is often abstract, ideational, and hortatory. First and foremost, the utility of social development is limited by theoretical underdevelopment. Midgley observes that concepts are loosely defined and unstandardized and that representational ideas are often implicit rather than explicit. Explanatory theory is particularly underdeveloped. As a few social development scholars have noted (Meinert & Kohn, 1987b; Midgley, 1995) and as the preceding literature review demonstrates, there have been few attempts to formulate social development concepts into theoretical propositions or to develop and test social development hypotheses. On the inductive side, the process of theory-building has been limited by inadequate empirical data (Jones, 1981). Ironically, this lack of data may be partially attributed to the fact that there is little well-developed theory to create demand for such data (Sen, 1985).

Second, even to the extent that empirical data is available, there has been little integration of theory and data. As Meinert and Kohn (1987a) point out, current social development literature generally falls into two separate categories: 1) general descriptions and conceptualizations of the approach which are non-empirical and lack a foundation for subsequent arguments and conclusions; and 2) specific reports of completed social development projects which underemphasize the conceptual nature of social development and are generally found in technical reports rather than scholarly journals. This situation, which is both partial cause and

consequence of theoretical underdevelopment, should be improved through deliberate integration of theory and data.

Third, with a small number of exceptions (e.g., Griffin & McKinley, 1994; Haq, 1995; Midgley, 1995; UNDP, various years), there have been few attempts to articulate specific social development strategies and policies. While such specification is difficult, given the great social, political, economic, and cultural diversity among countries and particularly given the state of theoretical underdevelopment described above, the applied nature of social development suggests that the articulation of specific development strategies is extremely important.

While the inclusive, holistic, and integrative nature of the social development perspective (Khinduka, 1987; Lowe, 1995) is one of its most notable characteristics, we suggest that advocates of social development should work toward productive theory-building with applications to particular issues within the larger realm of social development. More specifically, research regarding particular social development issues should: 1) identify key theoretical relationships; 2) formulate testable propositions; 3) examine these propositions in the context of existing and newly-collected empirical data; and 4) identify and disseminate the theoretical, policy, and practice implications which follow from this systematic process.

The final section of this paper focuses on a single social development issue, investment in human development. In addition to the substantive content of the following discussion, identifying key relationships and specifying testable propositions, as demonstrated here, might serve as a model for systematic theorizing and investigation of other social development issues. We do not claim that this work is particularly insightful or innovative -- indeed it is rather simple and basic -- but these basic steps toward knowledge building have not always been present in social development scholarship.

## **INVESTMENT IN HUMAN DEVELOPMENT**

Consistent with the values and objectives of social development, the following propositions are grounded in the assumptions that improvements in human welfare are the ultimate objectives of economic development and that an increase in the capacities of individuals to lead full, productive, and satisfying lives is a meaningful end in itself. At the same time, increases in the functionings of individuals (i.e., what individuals manage to do or to be [Sen, 1985, p. 10]) are likely to have multiple positive outcomes for individuals, families, and communities of all sizes. Finally, it is assumed that governments and non-profit organizations have important roles to play in constructing programs and providing services which meet basic human needs.

With this normative and pragmatic social development perspective in mind, we suggest that investments in: 1) nutrition, 2) primary health care, 3) basic housing, and 4) primary education and skills training are appropriate and productive means of linking improvements in human welfare with economic development. There are likely to be significant economic and social returns to these investments (Figure 1). First, investments in nutrition, primary health care, and housing, by contributing to the fulfillment of basic human needs, are likely to contribute to increased productivity, increased economic growth, and reduced income and asset inequality. Second, investments in primary education and basic skills training are likely to have positive effects on productivity, economic growth, and equality. Third, investments in basic needs are likely to have social returns, such as increased participation, connectedness, and stability. Fourth, these social effects may in turn contribute to increased productivity, increased economic growth, and reduced inequality.



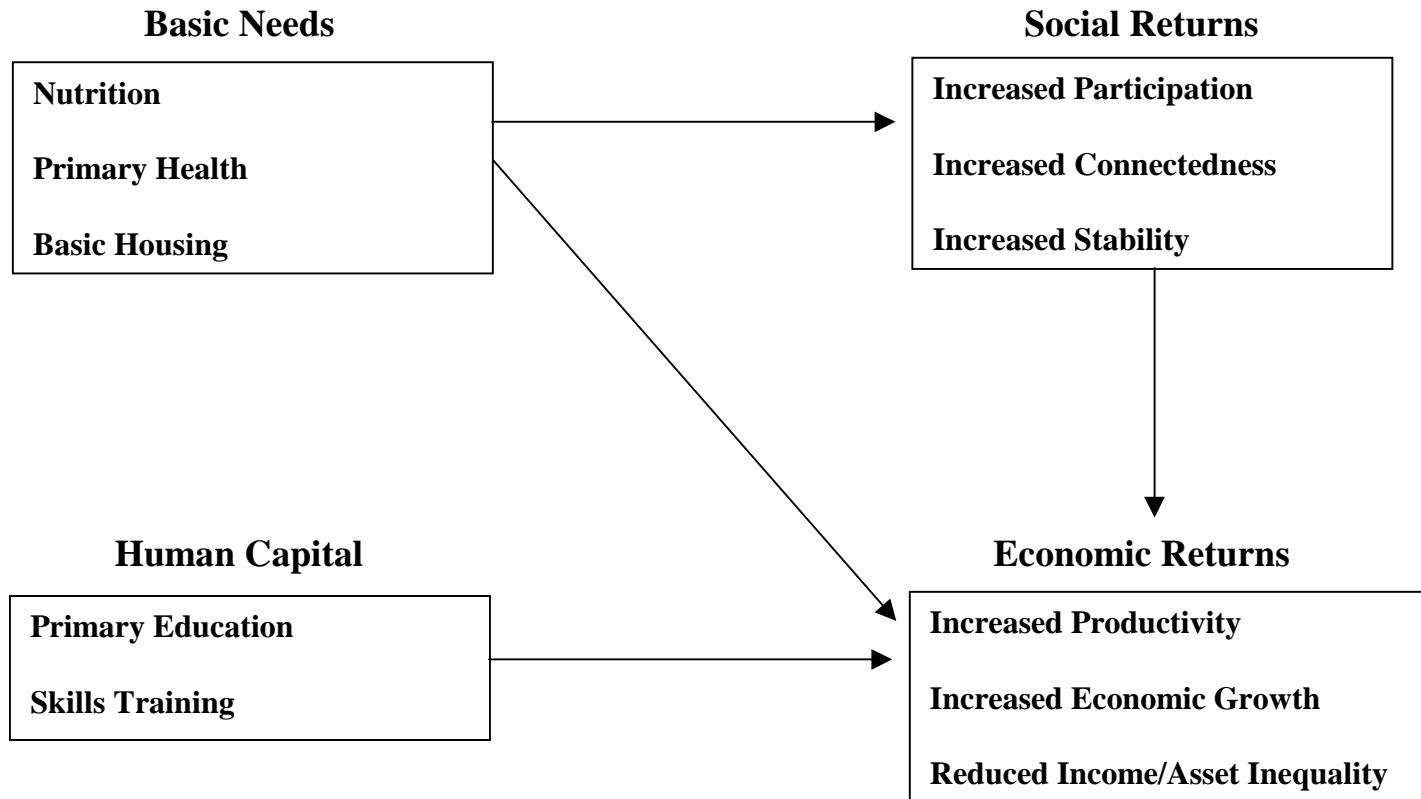
While these four propositions are quite simple, they provide a framework for conceptualizing economic and social returns to investments in human development. They also lend themselves to specification and empirical tests in a variety of settings. Given the theoretical and empirical underdevelopment of social development, the formulation of testable propositions and scientific investigation of these propositions in a variety of settings are essential steps toward productive theory-building and advancements in policy and practice.

**Figure 1**

**SOCIAL AND ECONOMIC RETURNS ON INVESTMENT IN HUMAN DEVELOPMENT**

**Investment in Human Development**

**Returns on Investment**



## **Economic Returns on Investments in Basic Needs**

There are many reasons to believe that investments in the fulfillment of basic human needs will have substantial economic returns. Most fundamentally, as the World Bank (1980) suggests, individuals who are malnourished or sick make little contribution to a country's economic growth, while those who are energetic and healthy are likely to be more productive and more innovative. More specifically, improved nutrition and health can contribute to economic growth in several ways. First, they increase worker productivity by reducing the number of work days lost to illness, by enabling individuals to obtain better-paying jobs, and by lengthening working lives. Second, improved health and nutrition increase the school enrollment of children and improve their ability to learn. Third, reducing the incidence of illness and disease frees up resources that would have otherwise been spent on treatment (World Bank, 1993).

The investments in human development proposed in this paper are targeted toward very basic human needs and primary services for several reasons. First, as discussed previously, there is a clear normative foundation for meeting the nutritional, health, and shelter needs of the poorest and most marginalized individuals. Second, improvements in health and nutrition are particularly important for poor people because they experience illness more often, rely almost exclusively on labor for their income, and have little or no savings to carry them through periods of illness (Serageldin, 1995; World Bank, 1993). Third, primary services appear to have the greatest impact on economic growth and poverty reduction (World Bank, 1995). In the 1993 *World Development Report*, for example, the World Bank (1993) argues for a reallocation of resources toward primary health care, including investment in household health and local clinics rather than specialized tertiary care (see in particular Chapter 6).

Empirical evidence supports the proposed relationships between investments in health and nutrition and increased productivity and economic growth. For example, based on World Bank research on the basic needs approach from 1978 to 1981, Streeten et al. (1981) conclude that better nutrition and health raise labor productivity and enhance people's adaptability and capacity for change. Similarly, in a review of experimental and socioeconomic survey data, Behrman (1993) concludes that nutrition has considerable direct and indirect productivity effects for poor individuals in developing countries. A World Bank (1993) analysis of 70 countries which examined the relationships between growth of income per capita between 1960 and 1990 and initial level of national income, initial educational level, and initial health status indicates that health status is a highly significant predictor of economic performance. Not surprisingly, in a very recent publication, the World Bank (1995) focuses on health and nutrition as two services that are particularly effective and provide significant returns on investments.

The links between improved housing and the proposed positive outcomes are somewhat more ambiguous. As Burns and Grebler (1977) suggest, many of the social costs attributed to poor housing are based on correlational rather than causal data, and the few attempts to identify causal relationships have not produced strong evidence for benefits to improved housing. At the same time, Katsura (1984) concludes that there is some empirical evidence for the positive impact of improved housing on health, school performance, and worker productivity, and the results of a controlled experiment involving rehousing among Korean coal miners suggest that improvements in housing can lead to improvements in health and productivity. Moreover, many studies to date may have been biased by limitations in data collection. Because the effects of housing improvements may not be observable for several years, studies which collect data only a year or two after improvements occur may not fully capture their effects (Burns & Grebler,

1977). Further empirical investigation is needed to determine whether the relationships proposed here regarding investment in basic housing exist, and if so, under what circumstances.

### **Economic Returns on Investments in Human Capital**

With regard to the second proposition, there are numerous reasons to believe that improvements in education have significant economic returns, including increased productivity, increased economic growth, and reduced inequality. There is general consensus, for example, that increases in literacy contribute to increased labor productivity (World Bank, 1980). In addition to cognitive effects, education also has noncognitive effects, including changes in beliefs, values, and attitudes. Education generally increases an individual's ability to learn, innovate, and adapt and promotes disciplined work habits and responsiveness to further training, qualities which may be directly relevant to productive economic performance. Because the introduction of improved methods of production requires a sufficiently educated and trained labor force, Griffin (1989) suggests that human capital formation is also necessary for technological change.

Productivity and income increases from education have been observed in agricultural settings and in contemporary wage and salaried positions (World Bank, 1980). In a review of empirical evidence in developing countries, Colclough (1982) concludes that primary schooling increases labor productivity in both rural and urban sectors, and the World Bank (1991) cites evidence from both developed and developing countries that a single additional year of schooling leads to significant increases in wages and farm output. Even more recently, the World Bank (1995) has claimed that economic returns to basic education are often higher than returns to investments in "hard" sectors such as industry, infrastructure, and agriculture. In reference to the

rapid economic growth of several East Asian countries, Anand and Sen (1994, p. 19) comment that “it has increasingly become clear that a foundational and immensely far-reaching role has been played by the enhancement of the quality and skill of labor.” According to the UNDP (1993), labor productivity in Japan and in the East Asian industrializing countries has been increasing at annual rates of at least 10%, half of which has been attributed to investments in education and technical skills. Similarly, 20-30% of the growth in income experienced by Western Europe between 1970 and 1980 has been attributed to improvements in human capabilities.

Like investments in health, investments in education appear to have the greatest returns when resources are targeted toward the most basic levels. For example, both Colclough (1982) and Psacharopoulos (1985) found that the returns to primary education are considerably greater than those to higher education. While it has been suggested that the returns to primary education may decline as the proportion of the labor force with primary education increases, this decline may be offset by shifts in production to more skill-intensive goods (World Bank, 1980).

Investment in skills training is another important form of basic human capital investment, and Germany’s extensive training system for non-college bound individuals is widely cited as a key ingredient in German economic success (Thurow, 1992). The provision of training in skills with wide applicability is recommended as a foundation for future on-the-job training (World Bank, 1980).

Particularly because the proposed investments are targeted toward primary education and basic skills training, these investments are likely to contribute to reduced inequality. Griffin and McKinley (1994) suggest that the benefits of human capital investment are usually more evenly distributed than other types of investment, and Colclough (1982, p.191) claims that “an

investment strategy which gives a central place to primary schooling will not only facilitate growth, but...will do so in a more equitable way than many alternatives.” (In contrast, public expenditure on higher education tends to redistribute income from the poor to the rich [World Bank, 1980]). An empirical analysis of 66 developed and developing countries suggests that education is positively related to income equality and that primary school enrollment is a more significant predictor of the income share of a nation’s poorest 40 percent of the population than secondary school enrollment (Ahluwalia, 1974). Education not only contributes to rising income but also promotes the productive use of labor, a phenomenon which is particularly important for the poor for whom labor skills are a primary asset (World Bank, 1995).

### **Social Returns on Investments in Basic Needs**

Regarding the third proposition, there is also reason to believe that investments in basic needs can have important social returns such as increased participation, connectedness, and stability. As the UNDP (1993) suggests, a broad interpretation of participation includes household, economic, social, cultural, and political participation. These forms of participation are highly interconnected, and it is quite likely that poverty and inadequate fulfillment of basic human needs serve as barriers to participation in social, economic, and political life. For example, based on a study of housing and social integration in several European countries, Arnaud (1993) concludes that inadequate housing increases the economic and social marginalization of disadvantaged young people.

Conversely, it is proposed here that investments in basic human needs can support the creation of social capital, defined as “features of social organization such as networks, norms, and social trust that facilitate coordination and cooperation for mutual benefit” (Putnam, 1995, p.

67). As Streeten (1995) suggests regarding societal level outcomes, human development can contribute to a healthy civil society, increased democracy, and greater social stability. Similar outcomes are likely at neighborhood and household levels in the form of increased participation in social, political, religious, and cultural organizations; increased social connectedness; and increased community and household stability. Given the apparent decline in social capital in America recently documented by Putnam (1995), deliberate support for social capital through investments in human development may be particularly important.

### **Social Returns and Economic Returns**

While improvements in social relationships are meaningful outcomes in themselves, they are also likely to have economic benefits. The term social capital has been adopted to reflect the productivity of social relationships. Like the forms of capital mentioned earlier, social capital makes “possible the achievement of certain ends that in its absence would not be possible” (Coleman, 1988, p. S98). Granovetter (1985) suggests, for example, that by generating trust and discouraging malfeasance, networks of social relationships play a critical role in economic transactions. Douglass North (1990) has built his theory of economic growth around social and political institutions that create certainty and trust and facilitate transactions.

Scholars in a variety of disciplines have also suggested that social capital may have a number of positive outcomes for individuals. Coleman (1988) claims that social capital can contribute to the creation of human capital. Sherraden (1991) suggests that social networks have benefits in the form of tangible support, emotional support, information, and easier access to employment, credit, housing, or other types of assets, and may enable individuals to plan more



effectively for the future. These circumstances are also likely to contribute to productivity, economic growth, and income and asset equality.

### **Additional Support for the Investments in Human Development**

There is additional support for public and private investment in human development, as means to improvements in human welfare and to economic development. Griffin and McKinley (1994) suggest that the benefits of investment in human development have been underestimated, in part because various kinds of human development expenditures are complementary. There is abundant evidence to suggest that investment in basic needs and investment in basic education reinforce one another. For example, while an inadequate diet contributes to incidences of infectious disease, learning disabilities, mental retardation, low work capacity, and so forth, improved nutrition and health increase school attendance rates and an individual's ability to learn (Griffin & McKinley, 1994; World Bank, 1993). According to the World Bank (1995), research from developed and developing countries demonstrates that integrated programs of health, nutrition, and cognitive stimulation for young children contribute to increased school readiness, decreased drop-out rates, and increased efficiency of educational investments.

Similarly, primary education often contributes to improved health and nutrition (Colclough, 1982). Empirical evidence demonstrates that adults and children in households with more education are healthier. Educated women play a particularly important role in the creation of healthy households. Education not only increases women's income and thereby enables them to live healthier lives, it also increases their ability to benefit from nutrition and health information and to utilize health resources for themselves and their children (World Bank, 1980, 1993).

Other synergistic relationships are likely as well. Human capital complements physical capital because investments in the latter will have lower returns without sufficient human capital. For example, machines require skilled individuals to operate and repair them, and modern agriculture requires farmers who can read instructions for fertilizers or repair manuals for equipment. Investments in human capital may also economize the use of physical capital and minimize the exploitation of natural resources (Griffin, 1989; Griffin & McKinley, 1994). Finally, and perhaps most importantly, because human development and economic development reinforce each other (World Bank, 1995), it is quite possible that investments in basic needs and basic education will create a “virtuous circle” wherein qualitative improvements in the lives of poor individuals lead to additional social and economic returns, which in turn lead to further improvements in human development, and so on.

Given these and other potentially reciprocal relationships, it is clearly quite possible to formulate additional propositions with the same set of constructs. For example, one might choose to emphasize participation, connectedness, and stability as investments rather than returns.<sup>3</sup> We have chosen instead to focus on a particular set of relationships which begins with investments in basic needs and basic education for several reasons. First, these investments are consistent with the social development perspective which emphasizes the participation of all individuals in the process and benefits of economic development. Second, while the failure to meet basic human needs is often associated with developing countries, many industrial nations also fail to meet the basic needs of their poorest populations. No one could argue, for example, that the United States adequately houses its poorest citizens. Third, we believe there is a need to

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<sup>3</sup> Indeed, the term social capital emphasizes this potential productivity, and such a focus would be consistent with Coleman’s [1988] research regarding the impact of social capital on human capital.

reconceptualize the allocation of resources toward basic human needs as investments in development rather than maintenance expenditures.<sup>4</sup> While improved housing, nutrition, health, knowledge, and skills can be justified on normative grounds as meaningful ends in themselves, these improvements also enable individuals to participate in the process of economic growth, and it is important to consider the potential uses people may make of their acquired capabilities (Haq, 1995). As Streeten suggests, “...human development is a means to higher productivity. A well-nourished, healthy, educated, skilled, alert labour force is the most important productive asset,” (1995, p. ix). The empirical evidence cited above regarding economic returns on investments in basic needs provides substantial support for a reconceptualization of allocations to basic needs as investments rather than expenditures.

## **SUMMARY AND CONCLUSION**

The concept of social development provides a useful complement to economic-oriented development and residual approaches to human welfare. However, given the broad range and complexity of potential social development activities and the current state of theoretical underdevelopment, it is important for scholars and advocates to work toward productive theory-building and particular applications. Specific theoretical propositions should be formulated and empirically tested in a wide range of settings. This paper has focused on investments in human development, specifically investments in nutrition, primary health care, basic housing, and primary education and skills training. While the fulfillment of basic human needs and increases

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<sup>4</sup> The notion of basic needs as investment is not new; it is, for example, a fundamental tenet of the basic needs approach articulated by Streeten et al. (1981). However, policy makers in many wealthy countries have generally ignored the effects of basic need fulfillment on development because nutrition, health, housing, and, to a lesser degree, education are often considered consumption (Midgley, 1995; Streeten et al., 1981).

in human capital are meaningful ends in themselves, they are also likely to yield significant economic and social returns, including reduced inequality and increased productivity, economic growth, participation, connectedness, and stability. At their best, investments in human development may create a “virtuous circle” because these investments complement one another and returns on these investments set the stage for additional investments in human development.

Further specification and empirical confirmation of these propositions are required to move knowledge forward in this area. Our hope is that these general propositions can serve as a foundation for guiding empirical investigation. If the propositions are generally confirmed (or confirmed in some revised form), proponents of social development and human services will be in a much stronger position to advocate for investments in people as a strategy for development rather than maintenance. Given current political pressures in the United States to cut basic expenditures for the poor, this knowledge base is desperately needed.

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