

SUMMARY PAPER 6



'Towards Ethical Economics: An Initial Exploration'

Dr Rajiv Kumar, Chief Executive, Indian Council for Research on International Economic Relations, New Delhi

Overview:

In this lecture Dr Kumar invited us to consider alternative approaches to the conundrum of addressing global poverty and ecological stress simultaneously. He presented data establishing the case for a new approach before going on to explore some suggestions for change based on need rather than demand. He also discussed new approaches to the sharing of global resources, combining geopolitical dimensions with the need for individuals to reconnect with themselves and others on the meaning of their lives.

Key ideas:

- **Ethical economics:** a perspective on economics which includes elements of political economy and philosophy and which goes beyond the pretence that economics is a science with inexorable laws beyond human control or values. Dr Kumar suggested it involves moving beyond the focus on the Benthamite utility function (in which consumption is the measure of utility) to one where community and collective wellbeing, meaning and nature can also be considered.
- **Swatantra:** from the Hindi 'swa' meaning own and 'tantra' meaning instrument, used in this context to refer to connecting with one's inner self and needs and being guided by these independently rather than only by external forces such as marketing, social pressure, fashion, etc.
- **Sustainable:** the ability to continue a defined behaviour indefinitely. In environmental contexts this refers ultimately to the carrying capacity of planet earth.
- **The Stern Report:** A report written by Sir Nicholas Stern for the UK treasury in January 2007. It highlights the economic costs of climate change if existing patterns of economic development continue. Available at <http://tinyurl.com/ye5to7>.
- **IPCC 4th Assessment Report:** The fourth report on climate change by the Intergovernmental Panel on Climate Change, published by the World Meteorological Organisation and the United Nations Environment programme. The report is currently being finalised. A summary for policy makers was published in February 2007 and is available at <http://www.ipcc.ch/>, by clicking on the appropriate highlighted text.
- **Business as usual:** Used in this context to signify courses of action which exhibit no major changes in approach, thinking or action to the challenges presented by climate change and global poverty.
- **Inertial effects:** Used here to describe the delay in the response of ecological systems, like climate, to actions designed to alter them. For example, actions taken now may take 50 years to have an impact on climate change, since the factors affecting the rate of climate change today were introduced into the system some time ago.
- **Global Commons:** That which no one person or state may own or control, and which is central to life. It usually includes forest, oceans, landmass, atmosphere, cultural identity. Dr Kumar asked us to consider what the Global Commons consists

SUMMARY PAPER 6

of, and how this might be extended to include other factors like technological development and global poverty.

- **GDP:** Gross Domestic Product – the main measure by which economic growth is measured. It is a monetary measure of the volume of transactions which take place within a country. It does not distinguish between activities, thus a crime wave adds to GDP as surely as a cure for cancer. The figure is often presented as the average GDP per person i.e. GDP per capita.
- **GNI:** Gross National Income – GDP plus net income from other countries

Summary

In his preamble, Dr Kumar suggested that he was delighted to be exploring ethical economics in Glasgow since he felt that it was a concept close to the original ideas developed in the city by Adam Smith.

Dr Kumar's lecture had two main parts. The first sought to establish the need to think differently about our aspirations. It explored some of the challenges thrown up by the real material global circumstances, highlighting that 'business as usual' is not a sustainable option. In the second part of the lecture, having established this ground, Dr Kumar asked how we might begin to think differently within economics as a way to aid taking a different and more attractive direction.

The need to think differently

Dr Kumar highlighted three sources of information which indicate the need for change:

1. The Stern Report suggests that business as usual is likely to lead to irreversible planetary damage, the consequences of which are largely unknown currently.
2. The IPCC 4th assessment report indicates that over the past century there has been a rise in global average temperature of 0.8 degrees Celsius; a significant increase, the inertial effect of which indicates that human made damage is already occurring and will continue for some time. To reverse this trend will require considerable and conscious effort.
3. More graphically, Al Gore's film "An Inconvenient Truth" has had a significant impact on thinking in the USA on climate change. For example the Supreme Court ruled on the day of this lecture that the US Environmental Protection Agency must rethink its approach to emissions and take their effect in climate change more seriously. Ecology is likely to be a central issue in the presidential election for the first time.

To illustrate these points further, Dr Kumar showed that India and China are projected to have stable populations of 1.6 billion and 1.5 billion respectively by the year 2050, all with western levels of economic aspiration. Currently India consumes about 25% of the combined total US and UK consumption of oil at about 5% of the per capita level of consumption, implying a huge growth in consumption if western patterns of development are followed. Thus, existing patterns of consumption and development are unsustainable and yet we have few alternatives to GDP, GDP per capita, income per capita, etc as ways to think about our economic aspirations.

In addition to the emerging environmental pressures, there is also the continuing challenge of global poverty and its corollaries. For example 26% of people in India live on less than one dollar per day, 20% are undernourished and mortality among under fives is 85 per thousand live births.

SUMMARY PAPER 6

This presents a conundrum not easily approached by what we already know how to do: How do we improve the quality of life for the large proportion of the world's population who need this in a manner which is sustainable?

Thinking differently

Dr Kumar highlighted a range of common responses to this conundrum:

- the problem is just over-hyped, technological development will resolve it as in the past;
- in the developing world people often say this is a problem for the developed world, not for us;
- people in the developed world have the right to raise income and consumption levels; and
- in any case we can always clean up any damage later on.

In responding to these points he suggested that, based on the evidence, the risks of inaction are too great. For example, cleaning up afterwards is not possible as some environmental degradation already shows. He suggested that a more fruitful way forward is to acknowledge that we all live on the same planet. This makes the idea of "them and us" itself bankrupt, which in turn makes other approaches possible.

He suggested that a promising way forward might be to reassess what constitutes the Global Commons. Defining this in a way which reforms Intellectual Property Rights would make it possible for developing and developed nations to work together upon technological development to the benefit of each other. This would also allow for the shared development of aspirations involving more people in co-operative activity. International discourse on development might then be enabled to move beyond Aid (which, over 30 years after it was first agreed, has not yet reached anything like the agreed level of 0.7% of GNI). The diversion of this money into technological development for the amelioration of climate change would provide a way to share the costs of new technological development, and to distribute its economic and ecological benefits more equitably.

Dr Kumar suggested that some dimensions of Indian traditional thought could help to ground India's aspirations, and perhaps be helpful to others. He started by suggesting that a strong strand in Indian thinking stressed the idea of humans as a part of nature. He contrasted this with strands of western thought that suggest that it is the task of humans to conquer and command nature. This thinking, he felt, had contributed to the idea of economics as a dismal science – insatiable demands, finite resources.

He suggested two innovations. The first was to shift from a demand framework to a needs framework. This would encourage a different relationship with material resources, since needs are finite. The second was to introduce more reflection on the relationship between the individual and the group. He summarised this using the Indian term Swatantra. The combination of needs and autonomy could form the basis of a new moral framework for the fulfilment of needs. The elements of this framework could be worked out by agreement and based on a conversation about the aspirations we have as a race and how each prepares to play their part in this venture. It will require leadership from all and a different kind of approach from developed as well as developing nations.

SUMMARY PAPER 6

Dr Kumar summarised his argument with the following tentative preliminary suggestions:

- Rethink development strategies based on needs rather than demands.
- Rich countries need to lead by example, as some countries with the greatest needs are too poor to even begin.
- Develop and adopt new technologies that encourage shared development and use.
- Generate more environmentally friendly technologies.
- Identify the Global Commons and agree to share the costs of nurturing them.

The views expressed in this paper are those of the speaker and do not necessarily reflect the views of the Glasgow Centre for Population Health.

Summary prepared by the Glasgow Centre for Population Health.