The background of the entire page is a high-angle, aerial photograph of the Earth's surface, showing a mix of blue oceans, white clouds, and brownish-green landmasses. A semi-transparent green rectangular box is centered in the upper half of the image, containing the main title text in white, all-caps, serif font.

ECONOMIC DEVELOPMENT,
HUMAN DEVELOPMENT,
AND THE
PURSUIT OF HAPPINESS

*The Pardee Center Conference Series
Spring 2004*



Frederick S. Pardee

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Longer-Range Future was established at Boston

University in late 2000 to advance scholarly dialogue

and investigation into the future. The overarching

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ECONOMIC
DEVELOPMENT,
HUMAN
DEVELOPMENT,
AND THE PURSUIT
OF HAPPINESS

April 1, 2 & 3, 2004

Co-hosted by

Frederick S. Pardee Center for the Study of the Longer-Range Future
and the
Institute for Economic Development, Boston University

Co-organized by

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Sponsored by

Frederick S. Pardee Center for the Study of the Longer-Range Future
Boston University



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SESSION ONE

Presenter: Vinod Aggarwal

Responder: Robert Gilpin

Presider: William Grimes

Vinod Aggarwal

This idea of competitive liberalization is quite popular, in a variety of modes, whether with sectoralism or regionalism or bilateralism or interregionalism. Sectoralism is where you move forward on a sectoral basis, such as with the information technology agreement, basic telecom agreement, and so on, that we have seen negotiated in the last few years. Regionalism is what everybody worries about. “We’re going to have a fortress Europe, a fortress America, a fortress Asia...” and maybe regionalism will dominate and other things will be subordinate. Then there is a fourth option, where there is some combination of globalism, regionalism, and sectoralism.

I distinguish between unilateral, bilateral, minilateral, and multilateral accords, and then divide things up between agreements involving few products or many products, then also whether the agreements between countries are geographically concentrated or geographically dispersed. They are also classified as either protectionist arrangements or liberalizing arrangements. Why these different kinds of agreements, and how are they likely to evolve? And how do they fit together? In Washington, I always hear, “Bilateralism was great. Look at the 19th century. It led to free trade.” To look back at the 19th century and say, “This has all worked out well, let’s proceed with this,” is potentially the misuse of history.

Let’s look at another approach, which concerns liberalizing, not protectionist, arrangements. These were developed in ’96, ’98, and ’99, respectively, and many people said that this was the way to go and nicely fit the “bicycle theory” of trade among economists; that is, if you don’t keep moving forward, you fall off your bicycle. Therefore, liberalization is good all the time, and it doesn’t matter what form it takes. I suggest this is wrong. From a systemic perspective, it narrows the number of issues. You may liberalize the strategic industries, but the

downside is that these may be in conflict with the WTO in spirit, and from an economic perspective, liberalism encourages investment in protected industries. So you liberalize in one, but then capital flows into protected industries because there are benefits to them because they get protection. We haven't bought off the losers; we have bought off the winners, ironically, and so, in fact, it makes it more difficult to move forward, bicycle theory notwithstanding. I think this vision is wrong.

The question is: Why do you get unilateral regional liberalization? What are some of the systemic reasons? At the domestic level, again, it may be politically easier to get a regional agreement, but I argue it may harm future efforts to gain support for broad-scale liberalization. What are some of the systemic reasons for these agreements? There may be competition to link up. There may be power asymmetries and it may help bolster them, but it may leave out weak regions. Who is running to link up to poor regions? If you ask the EU why they are doing this, their explanation is always this last one, which I'm skeptical of. They always say, "We want the world to look like us. We have been very successful in going from Coal and Steel Community to EEC to EU, therefore we want the rest of the world to look like regions. Then we link up with them and everything will be fine, unlike the American way, which is not very effective. We therefore are trying to create groupings in our own image." It is kind of an ideological cognitive-driven model, as opposed to power-based or economic-based or lobbying by corporations and the like.

The last type of arrangement is bilateral arrangements. We have seen 90 to 100 agreements in the last five years. One of the reasons: countries can exert power through bilateralism much more than regionalism and interregionalism. It is quite clear that if you are negotiating with a powerful country like the US, EU, Japan, China, you will do anything to get market access. Small, developing countries will essentially give up whatever they can or whatever they need to, just to have guaranteed market access. Of course, that is a fleeting asset, because as soon as the next agreement is negotiated with a neighbor, investments move away from that grouping and, therefore, they lose out.



Robert Gilpin

I am going to deal with three aspects. One is the effect of regionalism on economic welfare, otherwise known as economic development. The second is the determinants of inequality in the contemporary world. The third is the role of political factors, especially in shaping the international economy or division of labor.

Economists did not pursue the question of economic unification much, because they assumed that any move toward economic unification was a positive move. We are moving the world toward free markets. That's good. This whole subject was transformed by Jacob Viner in a book called *The Customs Union Issue*. He said that economic integration can be either trade creating or trade diverting. It means that rather than a European country trading with a country outside Europe, it is instead trading with a country within Europe; that is trade diverting. For an economist, that's bad because it is contrary to the whole notion of efficiency.

The second view in economics is focused on the question of an optimum currency area. What would be the optimum size of regionalization? There was a big debate over this regarding European monetary unification, and it is yet to be determined whether or not Europe is an optimum currency area. If you had one monetary policy that benefits Germany, will that same policy benefit Greece or Spain?

The third thing that economists have focused on and argued is that economic growth tends to create inequalities. It is inherent in the nature of economic growth because it initially tends to benefit certain groups or regions of the country. For example, the seaboard of China is benefiting, but the rest of China is out of the game. If the country does not take on redistributive policies to help those regions that aren't gaining as much, then there is going to be a lot of political friction within a society. Opening your borders is going to change your economy. There is going to be shifting of division of labor within a country.

The second body of literature is on political economy, mixing politics into these economic arrangements. Political economists tend to fall into three camps. The liberal view is that there is a force in history moving toward an open global-

ized world economy. This is what you find in Adam Smith. The second position is Marxist, although a lot of people do not use the Marxist language. But their argument is that political and economic unification comes about because of the pressures of the capitalist class that wants to expand its market, its base, and increase its profits. Everything is driven by economics. The third position is that you have to introduce the political conflicts among nations and groups. Economics is always subordinate, and the driving force in the world is security or political expansion. This is a universal pattern. I cannot think of a single example where economics propelled politics.

The Europeans are trying to do it the other way around, which has never been done. Monetary and economic union will precede and lead to political union. This only happens when the dominant powers see these economic arrangements are in their interests. The EU would work much better if the Soviet Union still existed.

In the future, I would be worried about these three things. Increasing regionalization of the world will be based on and determined by the great powers, with a lot of conflict over it, in part because economic growth creates inequalities. There is going to be much greater economic conflict among the states. I do believe that this can be ameliorated. But that will require American leadership and American cooperation with the other major industrial powers. Unfortunately, the United States is part of the problem, not the solution.



SESSION TWO

Presenter: Lawrence Katzenstein

Responder: John Gerring

Presider: Walter Connor

Walter Connor

It is remarked that cultural factors either favor or inhibit economic development. Was that true, to a significant extent, in the past? Will that be true in the future? Will it be equally true of human development? What choices have to be made by societies in which cultural biases do not, to the maximum extent, encourage economic or human development? What options will such societies have? Should parallels be drawn to the effect of political and governmental factors on development? I just have to say that this evokes one thought for me, and it has to do with the ongoing, continuing reorganization—and maybe hyperorganization—of Europe. For most of its existence, the EU has been a club of Northwest and Western Europe, a club whose religious basis is all tied up in Western Christianity and the conflict between, and then the coexistence of, Protestantism and Latin Catholicism, with the one exception of the addition of Greece. What is happening with the eight-country expansion into the former Soviet bloc is that only countries that basically carry this Western culture, even after Communism, are being added. And is it not to a degree about religion and culture, more broadly, that the issue of whether Turkey is ever going to be able to enter the EU comes in?

Lawrence Katzenstein

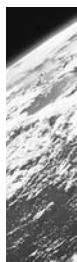
I will discuss the question of a relationship between culture, economic development, and human development. Particularly, one of the key questions is whether culture encourages or discourages development. Frequently, culture is used as a residual category that people draw explanations from if they can't figure out what else is going on. Clifford Geertz says that culture is a set of shared public meanings that offer templates, or toolkits, or recipes on how to live successfully. He compares myths and the symbols that compose myths, which are reinforced by rituals, which help ground members of the culture in the meanings

and practice of everyday life. The thing that makes symbols work is that they are ambiguous and multi-vocal. They therefore appeal to a broad population and, in effect, keep peace and harmony within a broad population. We regard them as the reality of everyday life, and we use them like they are part of reality. But what they are is a set of shared social meanings that determine our reality to some extent.

The nice thing about the symbolic approach is that it is not static. We don't know where values come from and how they change. The symbolic approach allows us to look at how meanings change. Very often, if material society changes, and particularly if a new generation is coming along that can't find jobs, or that group feels disaffected, then they might change the meanings of symbols in society and alter them so that the new meanings will become part of the corpus of ideas in that society.

It seems to me that nation-states and societies that are most adaptive under varied conditions have the capability of coming up with solutions that work to increase their economic well-being and are adaptive in terms of being able to sell it politically, so that the society buys into it. We have found some of the most adaptive cultures for meeting economic challenges in the United States and Japan. What both have in common is that they are at the periphery of cultural systems, rather than at the center of cultural systems. They were used to looking elsewhere, whether it was to Europe or to China, and it was then easy for them to adapt new things when the need came along.

Japan was at the periphery of the Confucian system, and yet it was able to drop that system and its occupational classes when necessary during the Meiji Restoration. Japan then went out to the rest of the world, as many of us know, and adopted the best institutions it could. The Japanese took the best of what they saw, and in doing so were able to create these institutions and adapt them to their culture. They were also able to motivate their people to work toward these goals by saying, "Look at all these other countries. It is shameful that we're down here," and invoking hierarchical themes that would sell well in their own society, saying, "We're down at the bottom. We should be ashamed of ourselves. We should be able to compete with the West." After World War II, Japan was able



to adapt to the new realities of the world and grow once again into one of the major leading economic powers of the world.

I will leave you with the thought that societies that are not able to develop an adaptive framework are rigid; cultures that don't allow adaptation work to the disadvantage of both their economic and social growth.

John Gerring

I believe it was Harry Eckstein who said that trying to study culture was like trying to nail Jell-O to a wall, and it is kind of a nice entrée into this subject. A sort of a sign of the times is that things we used to label as culture we now label as institutions. I think the benefit of a term like "institutions" is that it gives us a sense of causal agency when we are trying to identify a causal factor. In the area of human development, it has now become quite standard to include some kind of measure of Islam, because this is correlated with high illiteracy, particularly among women, and with high fertility rates and high infant mortality. We generally interpret Islam as having some cultural components, although what's culture and what's not is really an open question.

With respect to the provocative arguments about cultures of adaptation versus cultures of orthodoxy, part of me also wonders, well, is it adaptation or openness? Is it cultures that basically just roll over and die? I'm thinking particularly of Japan, which has managed to maintain a lot of its traditional features and nonetheless is one of the most outstanding successes. Modernization clearly has something to do with combining the traditional with the modern. The United States is perhaps the most forward-looking when it comes to questions of markets and capitalist development, and one of the most orthodox, backward-looking status quo countries in the world when it comes to questions of politics and religion and lifestyle.

Culture has been around for a long time as a kind of explanatory category, but I don't think we've really done a very good job of bringing to bear the tools of social science on this very difficult question. I think that, just empirically, what's going to happen is that we're going to get more and more cross-national polls,

and the quality of those polls is going to improve. You can see this in the World Values Survey. This will allow us to have more of an empirical handle on how countries actually differ and how they change through time.



SESSION THREE

Presenter: Abhijit Banerjee

Responder: John Harris

Presider: James Dewar

Abhijit Banerjee

For 50 years, economists have sought to assure themselves and others that faster growth will not come at the expense of more misery for the poor. While there may be some transitional phase, once we really get into growth, it will redeem us all. There are three parables that economists tell, each of which ends with a related but not identical message.

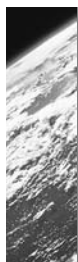
The first is the trade parable. Once there was a poor country, and, when it discovered trade, there was growth. Trade is wonderful, because it allows the country to sell what the country is best at to the whole world. So you are good at something and you sell it to everybody. Unfortunately, all the recent evidence suggests that when poor countries open up to trade, inequality goes up or stays the same. The poor countries do not benefit more than others. If anything, they benefit less than the rest. The problem seems to be that in these countries, the sectors that gain from trade don't necessarily expand very fast because markets in these countries don't work very well. The sectors that should grow because of trade don't grow very much. As a result, poor countries end up sometimes paying the cost of the shrinking and not getting the benefit of the expansion. Expansion takes time and requires resources to be shifted.

A different story is attributed to Simon Kuznets, who was a Nobel Prize winner in economics in 1957. Once there was a poor country where everyone lived in a village. Everyone was poor, but equal. Then one day, there was a new road to the city, and in the city there were opportunities. So some people went to the city and got rich. But some people stayed back in the village, so there was inequality. When everyone had moved to the city, they were all equal again and they were all rich. You paid with some inequality along the path, but once you got where you wanted to get to, everybody was rich and equal. Average income and inequality should have an inverted U-shape relationship. The inequality is a growing pain in this world.

Alas, the countries for which data became available after Kuznets's study just didn't behave. In other countries, we see a U shape that goes the other way. Inequality first goes down and then goes up. Anything else in between has been found as well. Making matters worse, there are a bunch of people who have been looking at what actually happened in these countries that Kuznets had been studying. Contrary to Kuznets's view, growth had very little to do with the fall of inequality. It was driven entirely by other factors. Conversely, there are a variety of reasons why these countries that started on the path to Kuznets's paradise didn't get there.

The third parable is from my colleague, Bob Solow. Once there was a poor country that set out to develop and found it could do better than all those rich countries because it had unused manpower and resources. To be a poor country, in Solow's vision, is to be a country that hasn't taken advantage of the resources it has. Therefore, once it starts getting developed, it has all these resources sitting around that it hasn't taken advantage of, so it could really do well. Solow argued that the return on capital in these countries should be very high; this will encourage people to save and invest, so the country very soon will catch up or almost catch up with the rich countries. However, it turns out that the return on capital isn't that much higher in poorer countries. Second, investment rates and savings rates are actually lower in poorer countries, unlike what Solow hoped for. Poorer countries absolutely do not grow faster than richer countries. There is no assured redemption, no guarantee that the poor will benefit disproportionately from growth.

Many people give a new paradigm that growth is distribution-neutral. Growth is neither bad for the poor nor good for the poor, so let us forget about distribution and focus on growth. However, a sharp increase in inequality is not something that leaves the growth process alone. A sharp increase in inequality can affect the social compact. When some people get rich, other people get angry. If the inequality is too large and if enough people feel completely excluded from the process, that anger unleashes forces that might eventually stop growth. To say that we are going to promote growth and that we don't really know what happens to inequality, so we're going to ignore it, is somewhat hypocritical. We



know exactly who will be hurt by a reduction in cotton tariffs. I think the most important of these points is perhaps that sometimes we do understand what goes wrong, and we can do something about it. So if we don't worry about it, we don't worry because we don't want to, and not because we can't.

So what can we do? Give people skills, health, education, all kinds of available opportunities that open up with growth. Provide the physical, legal, intellectual infrastructure. I think the cost is actually constantly overestimated. India is growing at 8 percent a year. At 8 percent a year, there is lots and lots of redistribution you can do.

The real issue here is the politics of those who cannot be bothered. That is what really shows up in the discussions of growth vs. poverty alleviation; poverty alleviation is not the enemy of growth, nor is growth the enemy of poverty alleviation, but those who want to forget about poverty are the enemy of the poor.

John Harris

Inequality and poverty are two somewhat different measures. Another important set of concerns is what is happening to absolute living standards of the poor. Indeed, the Human Development Index is basically a measure of levels of life expectancy, infant mortality, education rates, etc. What happens more often in growth is that the poor are generally getting a little bit richer. In many societies, the rich are getting a lot richer, so that we're increasing inequality, but the absolute poverty level is decreasing. I think it is very useful to concentrate particularly on the matter of what leads to reductions in absolute poverty.

There are at least two countries that I have worked in recently that have been relatively successful in terms of a reduction in poverty. One is Indonesia. The other is Uganda. What appeared to be the actions that led to these sharp reductions in absolute poverty? If you take Indonesia, the poverty rates fell from about 55-60 percent of the population in 1970 to less than 15 percent by 1995. Again, we're talking about a base of a couple of hundred million people, so these are many millions of people whose absolute standards of living have been raised. It has shown up in life expectancy, it has shown up in other health measures. All the other kinds of quality-of-life indicators, at least with a material base, showed

fairly similar improvements over a period of time. There are a series of policies at work in Indonesia. One is a major program of providing limited amounts of resources to local areas to hire landless people to do labor-intensive public works programs in the slack seasons. The labor was used to increase the productive assets in terms of feeder roads, of clearing tertiary canals, later of building schools, of building health clinics, and a range of other activities. There was agricultural intensification—basically rapid dissemination of Green Revolution-type techniques in agriculture—and a relatively egalitarian distribution of land. This was not a country with a very large dominant class of landholders.

The other thing that had a huge impact was the opening up of sweatshops, the opening up of trade to labor-intensive exports. The decrease in absolute poverty levels corresponds directly to the enormous increase in female labor being drawn into the garment, shoe, and other export industries. Why did it come about? During a Communist scare of sorts, the military played an important role. Economic technocrats working with some of the generals persuaded them that economic development in the rural areas was the most important security program the military had. There was also some pressure from international agencies, and finally there was a political concern with the new regime wanting to establish legitimacy and to prove that they could do somewhat better in the area.

The other recent case was Uganda, which had hit bottom. A new regime came in 1986. The formal economy had virtually disappeared. The vast majority of the population was basically in subsistence agriculture, less than 13 percent in urban areas, and within rural areas there was very little hiring of labor. A key issue was freeing up the exchange rate, particularly as it affected farmers. There was a decline again from about 55 percent of the population under the poverty line in 1991 down to less than 35 percent by the year 2000. The declines were more than proportional in rural areas. Prices to farmers went from 23 percent of the world price to 85 percent of the world price. And the crucial part is, almost everyone there has access to land. They have resources, so they were able to respond to the incentives. As a result, there has been growing demand for increasing schooling levels and improving rural transport.



Why did they follow the set of policies that they did? Particularly, dismantling some of the marketing controls was a contentious, important policy. First, you had a new revolutionary group, and the people who benefited from the old regime no longer had political standing; it was easy to do things so that they would lose out, and then you could appeal to the larger population. The other part is that international pressure was important. Uganda needed access to external loans. Part of the quid pro quo on this was undertaking a number of these liberalization policies that at least in this case seemed to work quite positively. Then there is a set of issues around increased participation and accountability. In Uganda, when they were stepping up funds for local schools, the evidence is that about 15 percent was actually reaching those schools. Just providing information to various local committees as to how much had been allocated for those areas would help.

SESSION FOUR

Presenter: Adil Najam

Responder: Ralph Buultjens

Presider: Charles Stith

Adil Najam

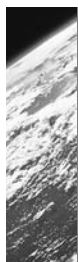
The focus of my remarks will be on the Millennium Development Goals (MDGs). Every type of number that you can imagine generating around them has been generated. The bigger question is the last question that David set for us: What are the types of goals that we would set if we could set goals that could possibly be met? All of those are open assumptions, but one has to dream.

The UN goals are a very long enterprise. I will give a brief assessment of the MDGs, and then revisit an old but good idea about “if you could set goals, what would you set them about” and focus on one particular aspect of that good idea, which is the link between national security and human insecurity. Finally, the last question of how much it would cost, what would it take? I’d like to move away from the cost in dollars, which many people have calculated. It’s considered to be somewhere between \$35 and 70 billion to implement the Millennium Development Goals.

Here is a very brief primer on the Millennium Development Goals. They are good goals, in general. The best that summits can usually do is to take what is already there and give it the legitimacy of coming from a summit. That is not an inconsequential thing to do.

There are eight elements to the MDGs. The first, and probably the most important one, is poverty and hunger. Essentially, the goal is to halve the number of people who live on a dollar a day and halve the number of people living in acute hunger and poverty by the year 2015. All the goals are set around 2015. There is a conceptual theoretical base behind the goals, and in some ways they each build on the other. The achievement of any goal actually makes the achievement of other goals easier, so they are not distinct.

The second goal is to ensure that all girls and boys receive full primary schooling. That is interesting, because in 1978 the UN set a goal to do exactly that by 1990, and in 1990 to do that by 2000. The wording was slightly different,



but the goals were generally the same. The third of the mega-categories is gender equity. What that means in numeric targets is that female enrollment equals male enrollment. The fourth goal concerns child mortality. The target here is to reduce the Under-5 Mortality Rate by a third. The U-5 MR is a particularly interesting target to have. If you are looking at child mortality at age five, you are now also incorporating nutrition and health.

The fifth of the goals is about maternal health. The primary target here is to reduce maternal mortality by three quarters, again by 2015. For disease, the sixth goal, the aim is to halt and reverse the incidence of HIV-AIDS and malaria and other diseases. At first it was only HIV-AIDS, but malaria was added after a long political fight, particularly by a number of African countries that had malaria outbreaks going back into the early 1950s. AIDS is more frequently in the news, but the two diseases have many similarities in the policy aspects and both also build upon each other in many contexts, particularly in Africa, and now in Asia.

The seventh goal is environmental sustainability. At the Johannesburg Summit in 2002, they added a new goal to this, which was to halve the number of people without safe drinking water.

Then, finally, is the eighth, calling for a global partnership for development, which is in some ways the most interesting. It is the longest in the text of the declaration. If you note, one through seven are things that the poor are supposed to do. The argument is essentially, "You behave and you do this. This is what your job is for the next 15 years." Eight says, "We'll try to help if we can." There is an implied argument here, which is that they A) could not come up with this themselves, had we not told them about it, or B) are not interested in it themselves, which is why we have to tell them about it. There is no money allocated for doing this.

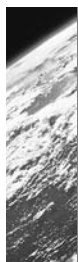
So how are we doing? The world would be a better place if any of these goals were to be met. My cynicism is not about the goals. For most of the goals, most countries are behind. Most assessments are that we won't reach the goals, but that this is still okay. The goals are goals and as long as we keep trying, any progress is better, and we might actually achieve some of them a little later. And there is the issue of needing to build momentum. This is really not a lost cause.

But the point I really want to talk about is that what the goals tell me about is the poverty of imagination of our species in the year 2000. After centuries of evolution, this is the best we can do. For the richest generation on Earth, which has the ability to actually meet each one of those goals and beyond, the best we can aspire to—and the UN argues that these are ambitious goals—is this.

So let's assume that these goals are met. What will the world look like if in fact the assessments are wrong and we meet each one of these goals? Eight hundred million people will still live on less than a dollar a day. That is, if we meet the goals, 2.3 billion will still live on less than \$2 a day. This is the *good* scenario. This is the best that we, after centuries of evolution, can come up with. A billion people will still live hungry and malnourished by WHO standards. Eight hundred million will still live without safe drinking water. If the goals are met, we will have at least as many and probably more people living with HIV-AIDS in 2015 as today. This is *if* we meet them. I think it is less a question of faith in our ability and more a question of our lack of desire.

That brings us to the question: if not this, is there an alternative? That is what I want to talk about, the good ideas. What can be done? Here is my proposal: life, liberty, and the pursuit of happiness. It wasn't a bad idea when it was first proposed. We have corrupted it within the last two hundred and some years. Life translates to security. "Liberty" here means "rights." Each one of them is under threat, all across the world, including places where these ideas first originated. "Pursuit of happiness" means livelihoods. For most people in the world, livelihood is what they understand. In a number of areas, including environment, that becomes important.

One way to think about organizing the insecurity discussion, which is different from the security discussion, is this: people who deal with security are concerned with security, and people who deal with development generally tend to be much more concerned about insecurity. In South Asia, this is sort of a big moment with the development of the IT industry and people from there working all around the world. But it still remains the world's poorest region, home to 40 percent of the world's poor. More than 500 million people live below the poverty line. This is what many consider to be the most vibrant region of the world and



one of the motors of the future of the world, and this is what it looks like. It also happens to be one of the most militarized places on Earth. That is where the national security dilemma comes in.

The security costs of insecurity are real. I mentioned the total cost of MDG is estimated to be \$700 million. The total expenditure on armaments in the world is estimated to be \$899 billion. So you could take 10 percent of that, which would still leave us enough to kill every person on Earth about seven times over by the method of his or her choice, and meet the Millennium Development Goals. What I'm arguing here is that there are policy tradeoffs that societies make. Want a tank? Want immunization? Make your choice. It has an impact on your development; it has an impact on your security.

These numbers are not out of a hat. Let me put them in context. A couple of years ago, Pakistan bought three submarines. There is no way Pakistan is fighting a sea war against anyone. It's a simple trade-off if you're a policy maker. We could have gotten, for that amount, for one year, primary education for all 17 million children who are now unenrolled, safe drinking water for all 67 million people who don't have clean water, and, in addition to those, family planning services for nine million citizens. That is a very straightforward policy choice that policy makers have to make. There is a real human insecurity cost to national security. The total number of all Indians who have died in all military skirmishes of any sort with Pakistan is less than the number of children who will die in any given month in the city of New Delhi because of dirty water. It does not matter whether the insecurity comes from the barrel of a gun or from the end of a smokestack.

Ralph Buultjens

I think what we have talked about and what Adil is also addressing is a very major shift in development strategies. Today we talk about development, not simply economic growth, but all sorts of things like participation, increase in purchasing power, gender. These can become the victims of fads. But there has been some realistic expansion so that development today concerns the whole field of human endeavor. I look upon that as a positive thing.

As this has expanded, so has development participation. Development was originally financed by local investments, but today a large number of people, institutions, and participants are involved in this. Foreign aid is a “big business.” The military gets involved in development. That is what nation-building is supposed to be. Regional institutions get involved in it. Theoretically that should mean a much better development outcome, but the expansion and the increasing involvement of people hasn’t produced commensurate results, and that has been much of our discussion today. What is missing? There are the conventional answers: there is corruption, mismanagement, and so on. But so much of this expansion has missed the political dimension. You can change the goals; you can expand the participants. But if you don’t change the power structure, you’re not going very far. We had a very impressive presentation a little while ago on how the military has been an agent of development. Is the advance of democracy one way of changing the power structure? I’m not sure. Is some kind of international monitoring a way of changing this? I’m not sure.

The second question concerns delivery mechanisms. The expansion of development objectives will not go very far unless we begin to examine delivery mechanisms. In many countries there is a lack of a suitable administrative cadre to carry this out. We have seen the best intentions fall apart, and I think that is why, in some cases, the military has been successful. They have a system to deliver this.

Thirdly, we have to contemplate the vast transfer of resources. The Millennium Development Goals are like a laundry list of good intentions without delivery mechanisms, without change in the power structure, without transfer of resources. I think that one of the problems with these goals is that they are set by governments. They are not set by people. We have seen examples of where nongovernmental activity is effective. Microfinance is one.

South Asia, with all these dreadful figures, in what is also regarded as one of the most vibrant areas of the world, reveals the paradox of the human condition, which is the coexistence of these things. At least we are beginning to realize the depth of the misery and we are beginning to see some hope. When I was growing up in that part of the world, there were people who simply believed that their



children would grow up like them and so would their grandchildren, and so on. Now there is some feeling that, “Well, we must send our children to school because we want them to be a little better.”

What can we do about the human condition? Internationalism hasn't done very much. Religion hasn't done very much. Socialism hasn't done very much. Communism hasn't done very much. Is capitalism the answer? What is the mechanism that we can use to have at least some kind of success? I would argue that we have it already. In some ways we have had a certain amount of success. Things on the ground have improved, but we have to find new ways and new means of changing this and delivering this.

SESSION FIVE

Presenter: Vivien Schmidt

Responder: Strom Thacker

Presider: Dilip Mookherjee

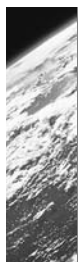
Vivien Schmidt

With Europe, it seems there simply aren't the same problems of growth, poverty, inequality; but there *are* problems of growth, inequality, and poverty. They simply aren't at the same level. It's important to see that Europe is a case study of regional development where there continue to be tremendous differences; for all the talk about convergence toward a single neo-liberal model, that is not the case in Europe. If it is not the case in Europe, then certainly it won't be the case in developing countries. Institutions matter, cultures matter, interests matter, discourse and ideas matter, and this can help explain very different developmental patterns.

The EU is the first of the great regional states. As a matter of comparison, I would say that the US is arguably the last of the great nation-states. The EU is clearly not anything like a nation-state. Sovereignty is not indivisible; in the EU, it is shared with its member states through the pooling of sovereignty. It is both socially constructed and relational. This is because it depends upon both internal acceptance by member states, policy area by policy area, and external recognition by other nation-states. There is no way that the EU is now a sovereign region. It will be a long time before it becomes that; however, it may very well move in that direction.

As a regional state, we don't know where the EU will end territorially. Will Turkey be absorbed? If Turkey comes in, why not the Ukraine? Will the EU ultimately go from Cornwall to Vladivostok? I don't think so, but these are all open questions. But much more important is not the issue of fixed boundaries but of policy area. What you already see is that the EU consists of overlapping policy boundaries.

As a regional state, its identity is a composite in terms of culture and nations. Only four percent of citizens put the EU as their primary identity, and



most of them probably live in Brussels and work for the EU. The state has often, in the past, sought to construct symbols of statehood. The EU is no different in terms of passport, anthem, currency, but all of this is much more difficult for the EU. The EU depends on the member states to build a sense of Europe, and because Europe is imagined through the different lenses of national identity, it remains very different in their projections. On top of that, there are tremendous cultural differences across Europe, and major challenges in terms of culture and identity that have to do with how religious minorities are accommodated within national cultures.

The most important question, before I switch to economics, is one of democracy and legitimacy. This is a problem for Europe now. Representative politics by and of the people is very weak in the EU because there is no directly elected government. Direct representation for Parliament is the weakest link. The Council of Ministers is stronger, but it is indirect representation by member state executives. On top of that, partisan politics is submerged in the EU because of the Council of Ministers, which is dominated by national-interest politics.

This absence of EU-level politics is really an indirect cause of national problems of democracy. The buzzword for the past 10 years has been the “democratic deficit” in the EU. There is discussion that if there is a constitution, the democratic deficit will be solved. In fact, that’s no way to solve the democratic deficit, because the real democratic deficit is at the national level. People hold national leaders accountable for policies for which they are no longer responsible, and to which, in many cases, they are not even politically committed. The EU has effectively changed the traditional workings of national democracy since the real locus of power and authority has moved up to the EU level for increasing numbers of decisions, even as we have seen a significant devolution of power from national governments to the subnational, and increases in subsidiarity. The last thing that national leaders are going to do is say that they no longer have the power that they used to have, though that is exactly the case. What you see increasingly is a sort of greater instability at the national level because of the kind of pressure that the EU puts on national politics. There is a way out, which is to tell the truth. But that is very hard to do.

The more you have to engage in economic adjustment, the more the issues of democracy come up. For the EU, what's important is that the economy is highly differentiated despite monetary integration. You have at least three varieties of capitalism with different patterns of business, labor, and state relations. You have three to four families of welfare states with different problems with regard to poverty, unemployment, and sustainability. There is no question that globalization has made a difference. It has pushed all countries to become more market-oriented. This doesn't mean that they are all converging.

Strom Thacker

I want to focus on this question of the democratic deficit. What about the credit for the good things that happen? It may be that the choice isn't between being impotent and being blamed, but the net effect of the whole endeavor is viewed as being a positive one in general. And, do people not recognize where these effects are coming from? In other words, why would they blame President Chirac in France and not their representatives in Brussels, for example?

Looking at the issue of levels of development and the differences between Europe and developing countries, there is the impact of democratic politics and social policies on human development. Would social democratic policies be more effective in developing countries or developed countries? On the one hand, these kinds of policies are most vitally needed in developing countries. But those services are probably the least effectively developed in those countries as well, so you may be getting a canceling-out effect there. Looking at the level of democracy reveals much more consistent results. For example, immunization policies and public investment in education and health care are more effective in democratic countries.



CLOSING REMARKS

Joel Rosenthal

Charles Griswold

Joel Rosenthal

Gandhi once said, “Do not speak unless you can improve upon the silence,” which is good advice for many of us who are in this profession. There is a moral imperative to speak out on some of the issues in this conference. We can’t afford to be silent about them.

The idea of the pursuit of happiness is not a throwaway line. Two people come to mind: Thomas Jefferson, who coined the phrase, and Aristotle. Each of these gentlemen had something to say about this idea of happiness. Jefferson was talking mostly about this idea that individual freedom is key to the pursuit of happiness as he was penning the Declaration of Independence and as this became a formative idea for the American Constitution, to allow every individual to develop to their fullest potential. An interesting aside that occurred to me as I was pondering this was the difference between the American creation of life, liberty, and the pursuit of happiness and the French derivation of liberty, equality, and fraternity—a very different approach.

The connection to today is to the work of Amartya Sen, who was really working in the background of many of the discussions we had today. He thinks about development as the removal of unfreedoms. Those unfreedoms are radical inequality and lack of access to basic needs, and the first step is the removal of unfreedoms, an enabling of human capabilities, enabling of the fulfillment of every person. That is a political enterprise.

Aristotle’s is a very different approach. It is a philosophical question. What do we mean by happiness? Maybe it is better for us to think about wealth as instrumental, wealth as a means but not an end. The first way is in looking at the structure of the economy itself, or, as development economists would say, the social arrangements or the institutions. Are they just? Are they fair? There are other agents within that system—governments, businesses, NGOs, international institutions, and so on—that are operating within a set of arrangements. All I

want to suggest is that from an ethical point of view or a moral point of view, we need to be evaluating both.

Peter Singer wrote a book called *One World: The Ethics of Globalization*, making a very basic philosopher's point that the world has been joined together by this connection through a world economy and also through the media. This creates a global community, and the relevant community for justice is global. We can't just justify our actions to our own group. Tom Friedman says the problem with globalization is that everybody is connected, but nobody is in charge. How do you solve a collective action problem? It has to be forward-thinking, and it has to be understood in that way, so that some big structural changes are necessary to make a difference.

Charles Griswold

On the pursuit of happiness, there are a number of different levels worth discussing. One is whether the topic of happiness has any ethical import. Kant, for example, said it depended whether you viewed it in an objectivistic way, such that happiness as analogous to health is something that you could predicate on yourself and be mistaken in so doing. Then there are probably two main ways to go. One is to a tranquility theory, which says that happiness is fundamentally tranquility. The enemy of happiness, in this view, is anxiety. I believe that this is the kind of view that Locke and Jefferson had in mind.

The other view is the Aristotelian view, which is active interest, and it means something like flourishing. If you were to understand happiness along either of those two objectivistic lines, then it has ethical content. It doesn't follow from that that it has political content. For the notion to have political content, one would want to be able to use it as a normative criterion for the success or failure of a society. Intuitively it seems to us that there is some kind of relation between the happiness of the citizenry and the success of the society. But classical liberals, such as Adam Smith, argue that what later came to be called capitalism is actually based on what he called the deception of the imagination. The illusion comes down to something very simple, which is something that moralists have said since day one, namely, that wealth will not make you happy.



But he goes on to say that this is a necessary and a useful illusion that nature has imposed upon us, the endless effort to better our condition.

There is a substandard traditional distinction between commutative justice being something like the rules of fair play, and distributive justice, in this modern sense, having to do with the distribution of goods, whether held in private or in public. Again, classical liberals basically tried to shift the problem of distributive justice to the market, and they did this on the basis of a theory of commutative justice, or what we would call rights and natural equality. Does that kind of solution work or not?

Finally, on the issue of stewardship, obviously in addition to the problem of future generations and sustainable development, there is the problem of the environment. As a philosopher, the central issue in environmental ethics is how we ought to treat the nonhuman environment, both animate and not, which is an abysmally difficult topic. If you ask yourself, what if we don't destroy all of it, and how much of it are we entitled to destroy, if any? The two big answers are the utilitarian answer and the animal rights answer. I take that to be one of the most difficult and most pressing issues facing any reflective person today.

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