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Happiness and Wellbeing: The Pillars of a New Development Paradigm

Over the last 50 years, there has been a series of different development strategies driven by the single paradigm of rapid economic growth to address the poverty reduction issue. However, the approaches, i.e., the means—building physical and financial capital—became the ends and the objective of poverty alleviation and human development became secondary.

Development strategy in the 1950s and 1960s was centred on strategic state intervention and industrialization. Some have referred to this as a period of high modernism, emphasising accelerated economic growth, top down service provision and bureaucratic transformation. Large investment in physical capital and infrastructure was the favoured instrument for fast economic growth and poverty reduction. Development economists and practitioners widely believed that the benefits of rapid economic growth rates diffuse automatically across all segments of society.

This view was based on the trickle-down theory that implies a vertical flow from the rich to the poor with an assumption that the benefits of economic growth go to the rich first, and then in the second round the poor begin to benefit when the rich start spending their gains. Thus the main concern of policy makers and development economists in the 1950s and 1960s was therefore to enhance growth by means of increasing domestic savings and investments.

In the 1970s questions were raised on the assumption of an automatic link between economic growth and poverty reduction. Following on the Kuznets (1955) hypothesis of an inverted U shape of the relationship between economic growth and income inequality, studies such as Adelman and Morris (1973) and Chenery, et al (1974) raised doubts about this automatic trickle down proposition. For example, in 1974 Chenery and others argued, “it is now clear that more than a decade of rapid growth in underdeveloped countries has been of little or no benefit to perhaps a third of their population”.

Consequently, the basic needs approach became the dominant thinking among economists and international organizations in the 1970s. The emphasis shifted to the identification of re-distributive mechanisms to reduce poverty without hampering growth. This emphasis was short-lived and abandoned with the debt crisis of the 1980s in many developing countries which resulted in the structural adjustment programmes (widely referred as the Washington Consensus) propounded by the World Bank and IMF. The so-called Washington Consensus – with an emphasis on very low inflation, a reduced state role and outward orientation –sought macro-economic stability by reducing public spending and balance of payments deficits.

The 1980s saw the full realization and implementation of the “Washington consensus.” Emphasis shifted from state-dominated planning models to decentralized decision-making with the market as the efficient invisible hand. High priority was placed on macroeconomic stabilisation and structural adjustment such as fiscal prudence, trade and financial liberalization and privatisation of the economy. The sudden opening of markets caused many countries with little market experience to go through some

difficult and traumatic times. Recognising that the cost of stabilization and structural adjustment policies appear to have been borne largely by the poor, there was wide consensus that public policies need to influence both the process of generation and distribution of income in such a way as to benefit the poor relatively more. Consequently major questions were raised about structural adjustment policies such as unbridled trade and financial liberalization and privatization.

In the late 1980s and early 1990s, many countries were just starting to abandon state-led development strategies and to adopt free market reforms in the hope of making their economies more dynamic and competitive. The Berlin wall was crumbling and the Soviet Union was about to dissolve. Student demonstrations demanding political reform were taking place in Beijing. The Shanghai and Shenzhen stock exchanges opened. Many formerly socialist countries in Eastern Europe experienced acute output collapse and financial crises. Much of Latin America saw a popular backlash against economic reforms and a resurgence of economic populism. Many African nations were devastated by the AIDS epidemic. Many developing countries experienced some type of conflict – war between states, civil war or another type of internal conflict. Many countries have also witnessed rapid increase in income inequality and persistence of various forms of horizontal inequality. The rapid spread of mass communications and the rise of the Internet have expanded possibilities for learning about, and from, others.

Key changes have also taken place in the political arena. Widespread reforms led to a sea change as multi-party electoral systems became the predominant form of political organization worldwide, and civil society activity blossomed. Extensive environmental degradation represented new threats to the livelihoods.

These various trends – greater globalization and exposure to risk, ease of communication, the weakening of some social hierarchies and growing political empowerment – have created a whole series of broader changes and disruptions. However, there is a widespread sense that economic liberalization has failed to deliver and that some key aspects of well-being that people care about have worsened. There is also a growing realization that the threat of humanly-induced climate change, with potentially catastrophic consequences. While some of these changes provided a renewed thrust to the advancement of free market based economic policies with its sole emphasis on maximizing GDP, some others called for an alternative development paradigm.

In this context, in the early 1990s, the United Nations Development Programme (UNDP) introduced a human development approach to provide an alternative to the single-minded concentration on GDP then prevalent among international development community. It is worth recalling the broader context. UNDP's first Human Development Report (HDR) launched in 1990 provided a clear and fundamental articulation of the concept of human development. The first chapter, entitled "Defining and Measuring Human Development," opens with: "People are the real wealth of a nation. The basic objective of development is to create an enabling environment for people to live long, healthy, and creative lives. This may appear to be a simple truth. But it is often forgotten in the immediate concern with the accumulation of commodities and financial wealth."

The report goes on to emphasize that development is about freedom, both human choice (opportunity freedoms) and development as a participatory process (process

freedoms). The report stated that “human development is a process of enlarging people’s choices. The most critical ones are to lead a long and healthy life, to be educated and to enjoy a decent standard of living. Additional choices include political freedom, guaranteed human rights and self-respect – what Adam Smith called the ability to mix with others without being “ashamed to appear in public.”

UNDP’s Human Development Index (HDI) represented a strategic element in the emergence of the new approach. It symbolized the shift in thinking, even if not fully capturing its richness. The HDI, as a composite measure of income, health and education, can assess and track progress using a conception of development much broader than that allowed by per capita income alone. The HDI surged to become a popular benchmark of national wellbeing, eagerly awaited by civil society, governments, the media and other stakeholders. The media coverage over time illustrates the power of the concept and the index. In 1990, the UK’s Guardian predicted that “people in the centre of development’ will surely become one of the catchphrases of the 1990s.” By 1999, Singapore’s Straits Times described the HDR as the “benchmark for judging universal human development standards.” In 2003, The New York Times praised the HDI as UNDP’s “finest achievement,” steering analysis away from a sole reliance on GDP per capita.

UNDP’s human development approach reaffirmed the concept of human development, emphasizing empowerment, equity, and sustainability in the expansion of people’s choices. It showed that these key aspects of human development do not always come altogether. It highlighted the challenges in addressing these issues. And it raised the question of how countries can promote sustainability, equity and empowerment so that they are mutually reinforcing.

Consequently there was a major shift of investment funds from physical infrastructure projects to those that focused on the development of human capital. The Asian financial crisis in the late 1990s and the recent global financial crises not only contributed to doubts about unbridled capital and trade liberalization and complete financial deregulation, but also highlighted importance of accountability and participation. These crises’ impact on development thinking is not yet clear, but the pendulum is clearly swinging back toward a more active role for public policy particularly on good governance - implementation and institutions.

Moreover, following the success of some East Asian economies in reducing poverty through their development policies, in recent years, a shift also occurred in the policy literature for an explicit intervention in the design and implementation of macroeconomic policy. In the recent years, a number of studies have also demonstrated that although economic growth is necessary for poverty reduction, it is not sufficient. In this regard, some studies emphasised the pattern and sources of growth as well as the manner in which its benefits are distributed.

Why we need a new paradigm

At this juncture, the central concern is how human progress can be maintained while taking into account the needs of those currently deprived. In other words, how we can identify intersections between greater equity and sustainability. Concerns with equity and sustainability are similar in one fundamental sense: both are essentially concerns about distributive justice. Inequitable processes are unjust: people’s chances at having better lives should not be constrained by factors outside their control. Similarly,

ensuing sustainability is important because there is no reason why future generations should be disadvantaged by their time of birth. In this context, any future development paradigm needs to consider equity and sustainability jointly.

Currently there is no dominant consensus about development policy. There are competing strands in thinking about development, with some complementarities, but the general trend favours heterodoxy and a diversity of approaches rather than the narrow pursuit of a neo-liberal agenda. But there is the surge in interest in happiness and subjective well-being. This has been stimulated by the finding that happiness levels are not fully explained by income or by broader measures such as HDI.

Looking back at the evolution of society, economy and politics over the past 50 years reveals several undesirable outcomes: (a) distinct lack of social harmony manifested by a number of internal conflicts of varying degrees (b) a proliferation of financial crises clearly triggered by uncontrolled markets (c) a substantial rise in inequality across several socio-economic dimensions (d) a degeneration of climate, eco-systems and the environment. These are sufficient grounds to call for a serious rethinking on the current development paradigm and replace it with a much more balanced approach to life on the planet.

Gross National Happiness as foundation of a new paradigm

The Gross National Happiness approach has enduring relevance in making sense of our world and in addressing present and future challenges. The nine domains of Gross National Happiness including psychological wellbeing, health, education, time use, cultural diversity and resilience, good governance, community vitality, ecological diversity and resilience, and living standards provide a well-balanced framework on which the new paradigm can be based.

It removes the solitary focus on GDP as the primary engine of development and creates space for the much neglected metaphysical dimensions of well-being and happiness, also keeping in mind the natural limitations of planet earth and other living beings.

“High GDP growth” is the mantra of the ruling paradigm: it means fierce competition in the market with a view to improving economic efficiency. It asserts that equity – a fall in inequality – will follow automatically. We know, beyond doubt, it has not happened.

One of the main reasons for rising inequality is that the playing field is not level for everyone – across and within nations. Unless, with the help of comprehensive human development approach based on the GNH domains, a level playing field is created, there cannot be any reversal of the trend of rising inequality.

Therefore, the mantra of the new paradigm would be something akin to “investing in people and the planet”. Among other things, this would imply a reinforcement of the “welfare state”: a concept that diluted away in the past 30 years.

The current paradigm is materialistic, scarred with high inequality, unfair competition and frequent crises and conflicts. The GNH-based paradigm is expected to be more equitable, holistic, invest in people’s capabilities and preserve social harmony.

Policy articulation

The old policy prescriptions need to be replaced by something that will enable governments to realize the objectives of the GNH-based paradigm. While the details will have to be worked out by various stakeholders, some broad directions for international policy making may be as follows:

- De-militarization of nations is essential to free up resources for better usage of people and the planet.
- Eradication of the arms and ammunitions industry follows naturally. No one can be happy if the production of fatal weapons continues.
- Rehabilitation of the cooperative structure in society is essential to foster a spirit of sharing. This would involve both restructuring of how business operates, and also how families are structured.
- Redirection of science and technology towards the production of public goods, and not goods that can only be consumed individually.
- Adoption of a common primary education curriculum across the world incorporating the essence of GNH is critical in imbibing the spirit into our youths, who will carry forward the new paradigm.