

Inaugural Mahbub ul Haq-Amartya Sen Lecture, University de Geneve

ADVANCING, SUSTAINING HUMAN PROGRESS: FROM CONCEPTS TO POLICIES

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Mr. Rector

Friends and colleagues

I am delighted to be in Geneva at the Universite de Geneve for a special occasion –for the inaugural lecture of the Mahbub ul Haq / Amartya Sen Lecture series.

Let me start by talking about how it all began. In 1989, Mahbub ul Haq was encouraged by Robert McNamara, the President of the World Bank to meet with Bill Draper, the UNDP Administrator. Mahbub’s objective was simple, to convince Bill and UNDP to support his ideas on development. The first meeting did not go well. A second meeting was hastily arranged which led Bill to support the initiative of producing a global report on human development.

Mahbub was that rare combination of thinker-doer. A former Minister of Finance in his home country Pakistan, he was acutely aware that theoretical debates were not enough, and that we have to think about policies that make a difference in the lives of people. Articulate, persuasive, he was a thought leader, par excellence. He knew that it was important to bring together the best people he could find to debate and promote ideas about human development. His Cambridge friend Amartya Sen became his close partner in this journey. Other luminaries like Paul Streeten, Gus Ranis, Frances Stewart joined this core group. Coincidentally Amartya won his Nobel Prize in Economic Science in 1998 for his contribution to welfare economics. In this way, two powerful South Asian voices came together- a Pakistani and an Indian, to advance the notion of human development, best captured by the first sentence of the 1990 Human Development Report, that ‘people are the wealth of nations’. A critical innovation, initially resisted by Amartya, was the creation of the Human Development Index as an alternative to GDP. Mahbub died early in 1998, at the early age of 64. But his legacy lives on. For me it has been a privilege to be part of that legacy.

Since 1990, almost every year, an annual report has been produced. Each year, a different topic is taken up. But there is a thread that unites them, a focus on people and their aspirations. In the last years, we have further developed the core

human development concepts and elaborated on their policy value in our contemporary world. With that I come to the topic of this lecture- the development of human concepts and how these conceptual innovations influence policy. Three more recent innovations come to mind:

1. From individual capabilities to societal competences

The capability approach, developed by Sen (1999) and Nussbaum (2000), provides the theoretical underpinning of much discussion of human development. Yet, it is essentially individualistic. Individuals, however, do not flourish alone: Indeed, they do not *function* alone. When they are born, the family provides their life support. In turn, families cannot function independently of the societies in which they are located. Being a member of a family, of a locality and of the larger society is an essential component of a flourishing existence. Since these groupings can provide good or bad conditions for the individual, it is not only their existence but also their nature that is relevant to human development. Thus how individuals relate to each other-referred to in the 2013 report as social competences-has to become a major task of the human development approach—which aims to assess human progress and identify the conditions for human flourishing.

Both the 2013 and 2014 Human Development Reports explore the nature of social institutions that are favourable for human flourishing, as against those that impede it.

In principle, individual capabilities and social competences complement each other. Like the capability approach, the human development approach maintains that freedom of individual choice is a central aspect of satisfactory development. As the first 1990 *Human Development Report* highlights, “human development is a process of enlarging people’s choices” (UNDP 1990). This implies that if we show that certain choices were not chosen freely, this would constitute a serious defect, even if the actual development results were deemed to be good. The 1990 report also defined development as an expansion of *individuals’* capabilities or freedoms. The objective of development is then to expand the set of capabilities of each individual. From this capability set, an individual makes choices and thus translates the potential to be or do a variety of things into actual beings or doings. In practice, measuring progress-the Human Development Index for instance-

captures the exercise of these capabilities. It is much more difficult to directly measure capabilities.

Whether we are discussing capabilities or the outcomes that capabilities generate, progress is assessed by how *individuals* are affected. In this respect, the different approaches share the views of the utilitarian approach, which they aim to replace. How then does this individualism relate to the essentially social quality of human existence? Expanding individual capabilities forms the end, or the objective, while identifying and promoting good social institutions can be seen as a means to this objective. Yet in two ways the primacy of individualism in the capability approach is at odds with the flourishing of social beings.

First, individuals are so bound up with others that it can be difficult to disentangle them and treat them as separate. As Etzioni (1993) stated: "(A) basic observation of sociology *is that the individual and the community 'penetrate' one another and require one another, and that individuals are not able to function without deep links to others*" (Etzioni 1993, p. 65, italics added). The strict means/ends nexus partially breaks down, and second, as a consequence of the emphasis on individual choice and individual flourishing, there has been a tendency in human development analysis to neglect or give insufficient emphasis the study of social institutions and competencies. Of course, Sen also hints at the more fundamental role that society plays in determining individual capabilities: "(I)n valuing a person's ability to take part in the life of the society itself, there is an implicit valuation of the society itself, and that is an important aspect of the capability perspective" (2009, p. 246).

Social institutions here can be understood as all institutions in which people act collectively, *excluding profit-making market institutions and the state*. They include formal non-governmental organizations (NGOs); informal associations, such as neighbourhood associations or social clubs; cooperatives and producer associations; sports clubs and savings associations; and much more. They influence, and are influenced by, both state and market. While both state and market have been subject to much investigation, the role of collective activities in human development outside the state and the market has been given a less central place.

Social institutions include norms and rules of behaviour. Social norms influence behaviour and are consequently important in determining the human development impact of goods and services, whether provided by the state, or the market. *Social competencies* then are defined as what such institutions can be and do—i.e., they are in a sense the capabilities of institutions, as against those of groups. We do not use the term ‘social capabilities’, leaving *capabilities* to refer to valuable things that individuals can be or do, and which they have reason to value.

Non-state social institutions can supplement state activities in areas where there are large externalities, or where the market would fail because people are too poor to buy items considered, by the state or by particular groups, essential or high priority—like universal education or health services. They also provide services that the state may regard as lesser priority (e.g., libraries or theatres). They act where the state cannot, as in political and social movements.

Turning to rules, regulations and social norms: While the state is responsible for manifold laws and regulations, informal norms, which we call here social norms, are by definition outside the control of the state. They are the outcome of social interactions over time—among individuals and social institutions, and also through market influences. They can, however, be influenced by deliberate actions by both state and non-state actors

Social institutions and social competencies are critically important in determining individual capabilities since they have a direct impact on them—since most individual capabilities could not exist without social competencies. Equally, societal institutions (in particular families) play a critical role in forming the character of individuals and consequently they (together with social norms) affect the choices people make and the behaviour of individuals towards others, thus affecting other people’s capabilities. More broadly, social institutions and competencies affect the functioning of all other societal institutions, including both the state and market institutions, and affect the power and influence of particular groups (and individuals in these groups), ‘Good’ social norms, for instance not smoking or discriminating against others, can make a large difference to behaviour, and consequently to capabilities and human development. (Frances Stewart, 2013).

The 2014 Human Development Report covers these issues in some detail. Social institutions for instance can reinforce government policy through greater coordination and stronger accountability. When civil society mobilizes to articulate the interests of the citizenry, there is a better connection between the needs of the population and the policies of government. Heller(2013) credits the pro-people politics in Brazil resulting in better anti-poverty and education outcomes in contrast to South Africa. Persistent vulnerability is rooted in historic exclusions. For example, Black people in South Africa and the United States and Dalits in India have suffered grievous wrongs, and women across patriarchal societies continue to encounter discrimination and exclusion due to longstanding social norms and cultural practices. Many countries have tried affirmative action policies or special measures. Norms and laws that favour members of these groups to improve their chances for equal opportunity can make society fairer and more inclusive.

2. A broader context: global public goods, collective action

In the mid-1990s, UNDP did some path breaking work on public goods, but intriguingly enough that work did not connect with human development thinking. The two strands remained mostly separate. Like social competences, an analysis of collective action or public goods adds to the issues that must be addressed in defining the conditions that promote human flourishing. The 2013 and 2014 reports take up the concerns of collective action and highlight their importance in human progress. The two reports view collective action and public goods, especially at the global level, as essential building blocks for expanding choices and sustaining human development.

As the 2013 report highlights, the institutions and principles of global governance that emerged during the aftermath of World War II are being tested and found wanting in addressing contemporary issues. Why? Partly because many of their arrangements were designed for a world that does not match current reality in terms of the types of challenges we face—climate change, financial instability, youth unemployment—or the shifting geopolitical structures with the rise of the South. Moreover, expectations for a better life are increasing with heightened global awareness and better education. New voices are calling for greater accountability and broader representation in global governance. There are signs of an emerging global civil society that—on such issues as aid, debt, human rights, health and climate change—has exerted visible influence on global transparency

and rule setting. Media, new communications technologies and expanded transnational legal protections are facilitating the rise of global civil society networks, routinizing linkages between local and transnational activists and allowing people to share ideas and concerns and generate collective perspectives in a global public sphere.

In this context, institutions are being called on to ensure the adequate provisioning of global and regional public goods—including stable financial systems, public health, and climate change mitigation, to name a few. These are all essential for sustaining human development progress. But collective agreements have been slow to materialize. The UN Conference on Sustainable Development in Rio in June 2012 brought into sharp relief the gap between expectations and the modest results of current international cooperation on the ground.

The contemporary system requires a rethink—or at least a recalibration—to accommodate the growing diversity in voice and power and to sustain developmental progress over the long term. Governance principles and institutions are needed that ensure the provision of public goods across diverse national contexts—that put people first and aim at a fairer, less unequal world.

The effective management of cross-border spillover effects and the adequate provision of national and regional public goods depends on a notion of responsible sovereignty, which can guide states to adopt policies without undermining the welfare and well-being of other nations or ignoring the planetary boundaries or the development options of future generations.

Taking the outside world into account goes beyond considering the impacts of national policies on the well-being of other nations; it also requires that states support international collective endeavours such as taking steps towards trade liberalization that, if designed accordingly, could have global welfare-enhancing effects. Responsible sovereignty also requires that states meet agreed-upon, universal human rights obligations toward people residing in their territories and ensure the security and safety of their citizenry. It requires states to act as intermediaries between domestic and external policy demands. But agreement on such a principle of responsible, mutually supportive sovereignty will be forthcoming only if the preconditions of global fairness and justice are met.

Global movements and transnational activist networks can challenge global governance institutions potentially making them more accountable to the global citizenry. All the more so, given the Internet revolution and the resulting hyper-connectivity of disparate groups through social media, platforms for the instantaneous spread of ideas and concerns among citizens across the globe. As Internet use has expanded rapidly in both developed and developing countries, people can speak to people, unmediated by state power or the market. This is fuelling creative partnerships and empowering individuals and social organizations, leading to new forms of solidarity. A culmination of complex historical developments, the Arab Spring attested to how social media have become a force to reckon with, which world leaders and global governance structures can ignore only at their peril.

A less unequal system of global governance for the future requires the active engagement of voices and resources from the South, adequate representation and accountability in multilateral institutions, and a system of coherent pluralism linking national and regional institutions together for the common cause of human development. Institutions must respond to the multiplicity of voices from the emerging South and around the world calling for respect, justice, sustainability and equity; making space for public discourse; acting on the world's most glaring and obvious inequities and protecting the choices of future generations. National fairness has to keep step with international standards and behaviour, ensuring that the benefits and costs of international cooperation and economic openness are shared equally at home.

3. Present choices, future choices-the challenge of sustainability

The notion of sustainability is traditionally expressed in terms of the interface between the economy and the limits imposed on natural resources. A human development perspective suggests a different approach, to situate the concept in the broader context of choices and capabilities. The basic idea of human development refers to the promotion of equal life chances for all, based on the principle that all people are of equal worth (Kant 1781). This notion of universalism implies the unacceptability of any form of discrimination based on class, gender, race, community and, importantly, the generation in which one happens to be born (Anand and Sen, 2000). Future generations should be able to avail themselves of similar choices as the current generation.

As the 1994 Human Development Report points out, there is no tension between human development and sustainable development, “both are based on the universalism of life claims”. Progress achieved by current generations thus should not impinge on or reduce the choices that are potentially available to future generations. This then implies that development progress must be achieved in a sustainable way.

But how do we define sustainability? Among the first to bring serious attention to sustainability was the Brundtland Commission Report. This report presented the crucial idea that sustainability includes an obligation to future generations, thus incorporating the notion of intergenerational justice. Sustainability is defined as “development that meets the needs of the present without compromising the ability of future generations to meet their own needs.” The 2012 Rio+20 conference took a broad stance on what should be considered as sustainable progress, arguing that this must cover all three of the dimensions that affect life chances—the social, the economic and the environmental. There is, for instance, a continuing development imperative to improve life chances for people in poor countries. There is also a growing concern about the need to protect the human development achievements of people in some advanced countries, as policies of austerity threaten the social fibre of societies and potentially reduce the choices available to future generations, not only for their own societies but potentially, in a globally connected world, for southern societies as well. As the 2013 Human Development Report puts it, “some developed countries, in response to the debt crisis, are pursuing austerity policies that could foreclose or reduce future choices and options for people in the South”.

Current definitions of sustainability are rooted in the notion of different forms of capital and its substitutability, with much debate on the conditions that define whether our past or current actions are within the bounds of ‘weak’ or ‘strong’ notions of sustainability. Under the weak sustainability concept, natural and other forms of capital are substitutable, and the depletion of exhaustible resources can be compensated for by the accumulation of reproducible capital (Hartwick 1977). According to the strong sustainability view, a certain level of natural capital is critical and its depletion cannot be compensated for by investment in other forms of capital (Neumayer, 2011). Certain levels or forms of natural capital, it is argued, have functions that cannot be substituted and losses caused by their depletion are irreplaceable. A common measure of sustainability that is consistent with

weak sustainability is the World Bank's *adjusted net savings*. This measure adds education spending to the rate of savings and subtracts the depletion of energy, minerals and forests—as well as the damage from carbon dioxide emissions and pollution. It assumes that the different kinds of capital are substitutes: so, for example, financial savings can replace a loss in natural resources or human capital. One of the biggest disadvantages of the adjusted net savings indicator is the controversial use of monetary evaluations for natural resources. As natural resource become scarcer and their market value rises, valuing natural resources at market prices can overestimate the sustainability of the economy. The monetary evaluation of greenhouse emissions is also fraught with problems. Whether sustainability is considered strong or weak, the problem is not monetary evaluation per se, but the system of weights we use to aggregate different goods.

Closely related to the concept of strong sustainability is the idea of planetary boundaries (Rockström et al 2009). These are nine critical natural thresholds—among them climate change, freshwater use and biodiversity loss—that the world must not breach if we want to maintain environmental stability and sustainability. These boundaries define a safe operating space for humanity; breaching them can result in. The nine planetary boundaries are: climate change, ocean acidification, stratospheric ozone depletion, interference with the global phosphorous and nitrogen cycles, rate of biodiversity loss, global freshwater use, land-system change, aerosol loading and chemical pollution. They can be considered as tipping points that may set off irreversible environmental changes. According to this perspective, humankind has already transgressed three of these planetary boundaries: those for climate change, rate of biodiversity loss, and changes to the global nitrogen cycle. Estimates indicate that we are also fast approaching the boundaries for freshwater use and land-system use.

Our concern is sustainability of a system made up of a network of complex interactions between the economic, social and environmental subsystems. The whole system has to be sustainable. The Sustainable Development Goals debate has to reflect on this. If policies are grounded in a partial view of sustainability they will almost certainly miss the target of sustainable human development. Taking a comprehensive view of sustainability allows us to study the impacts of global or local trends on the sustainability of human development. Rising inequality in some countries can threaten the stock of social competences in those countries, in particular the degree of adhesion to democracy, and social

cohesion. Inequality leads to an implicit violation of the universal suffrage as the media, think tanks and the university system may be overly influenced by a small part of the population. Secondly, when an increasing proportion of the population is no longer benefitting from the system, it may be tempted to change the system itself. High enough levels of inequality can precipitate a tipping point beyond which high levels of social unrest are witnessed and the potential stability of a social system is called into question.

The enduring economic crisis in some countries of Europe has been accompanied by a strong emphasis on financial sustainability, in particular the sustainability of public debt. Austerity policies and sharp cuts in public spending, however, have arguably placed restrictions on pre-crisis stock levels of education, health and other capabilities. Sustained high levels of unemployment deplete capabilities such as labor market skills and human capital. The disenfranchising of a large part of the population from the labor market leads to a deterioration of societal conditions. In addition, a decrease in spending to repair the degradation of the environment and a lack of investment in renewable energy can lead to the deterioration of the environment. The reduction in these capability stocks leads to restricted choices for current and, more importantly, future generations. How far these policies affect future choices depends on how they impinge on the development of capabilities of the younger groups of the population, or create untenable long-term conditions for those without jobs or with reduced pensions. The restrictions placed on future choices directly reduce human development. As mentioned, the “stock” of capabilities depends directly or indirectly on policy measures. Let us for the sake of argument describe as follows the balance sheet of the economy: on the liabilities side, we will find public and private debts (although most of them should net out). On the asset side, we will have intangible and tangible assets. Intangible assets include social competencies such as the degree of social cohesion, social inclusion, belief in democracy and democratic institutions. Tangible assets are made of public assets, private ones, an educated population and natural resources. Debts and tangible assets can be valued in the regular manner. We can try to evaluate, at least qualitatively, other elements on the balance sheet. Inequality beyond a certain level, as we have already seen, is jeopardizing the sustainability of democracy in Europe. “We can have democracy in this country, or we can have great wealth concentrated in the hands of a few, but we can’t have both”.

The current crisis highlights the problem of relying on market prices for the valuation of wealth. Net wealth as measured was increasing in periods prior to the crisis, but that was the consequence of a market failure. Private debt was increasing, but according to the market, asset prices were increasing at a faster pace. A reliance on market prices would have led to the conclusion that the high levels of pre-crisis consumption in many countries were sustainable. The revaluation of wealth that occurred subsequently showed that they were not. Due to current austerity policies is thus reducing the value of this intangible asset. The effects of this policy on the balance sheet of the economy are, at least in our opinion, obvious.

Through the increase in unemployment and insecurities that this implies (in Spain, for example, while overall unemployment is at 27%, youth unemployment is approaching a remarkable 60%), austerity is causing a decrease in the choices available to these people, and arguably even to 'human capital'. Even if we assume that such policies are reaching their goal, which is debt sustainability, we cannot call this situation sustainable. Employment is more than the wages it secures; it is in effect a privileged means of social stability and integration that contributes greatly to the building of networks of social relations. Such high rates of unemployment cause a loss in the autonomy of the working population, leading to fear and distrust and negatively affecting social competencies. Austerity policies also negatively affect private capital, as the deleveraging of public debts puts a brake on the deleveraging of private debt required to cope with the financial crisis. For reasons already cited, it also leads to a decrease in 'natural capital'. If this policy is also accompanied by a fire sale of public assets—as in Greece—it will reduce further net wealth.

“What we measure affects what we do” was highlighted in the Stiglitz-Sen-Fitoussi report. The lack of a metric to measure different types of capabilities and environmental sustainability could lead to wrong policy decisions. European governments may well be right—their policies may lead to a greater decrease of liabilities than of the different categories of assets—but absent a measurement system we simply do not know.

If such trends continue, concerns that the stocks of certain capabilities available for future generations will fall below certain critical levels are warranted. Similar to the notions of planetary boundaries for environmental sustainability, we might

define social thresholds or critical levels of capabilities, beyond which societal degeneration is inevitable. If the stock of education capabilities in a society is below a critical threshold, it can be too low to sustain a virtuous cycle of human capital, entrepreneurship, economic growth and human development. In other examples, high unemployment and the resultant social exclusion of large numbers of people can lead to social tipping points if the stock of social capabilities is below the threshold required to sustain human progress through broad participation and policy dialogue. In addition, environmental tipping points can be reached, as embodied in the concept of planetary boundaries.

Cuts in education, health and other expenditures not only limit current human capabilities, but also potentially limit future choices—through, for instance, impacts on birth rates, affecting the age structure of the population years later. Countries with lower levels of education, especially countries where girls lack secondary education, tend to have higher fertility rates. Education reduces fertility rates by enhancing information, changing the incentives for behaviour and empowering people to better pursue their own preferences. The 2013 Human Development Report finds that the rise in fertility rates in some Sub-Saharan countries appears to be associated with social expenditure cuts, particularly in education, made as part of structural adjustment programmes in the 1980s.¹⁵ With real per capita expenditure on education falling nearly 50% on average in the 1980s in Sub-Saharan Africa, the region saw a partial reversal in the progress towards demographic transition.

The real world may warrant some points between weak and strong sustainability. Definitions alone are not sufficient. But they are a start, since they force a dialogue on how broad a perspective should be taken on what constitutes sustainability, and by extension the mix of policies that can or should be adopted, by taking an equally broad look at their short- and long-term impacts. Much needs to be done if we are to pursue this approach in a systematic manner. The measurement exercise will therefore involve drawing up a list of appropriate indicators that measure the stock of capabilities, the HDI indicators being a good start. The list would include a measure of environmental conditions. These measures can be individually compared with the corresponding boundaries. Alternately, a composite index and a composite threshold could be defined, to alert us to when a critical boundary for sustainability is crossed. But much remains to be done.

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