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Is Inclusive Development a Sustainable Development? : A political economic perspective.

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Abstract

A major development policy challenge in the contemporary economic policy discourse is to sustain the development momentum. Prevailing political economic realities influence the economic thinking to accommodate the political compulsions. The inclusive development is one such development strategy. Inclusive development is not a mere political pragmatism but a sensible development strategy. This paper discusses the relevance of distributive justice in relation to civil disturbance across and within national boundaries in the context of sustainable development. This paper argues that the inclusive development guarantees the sustainable development. Further, argues for the revival of welfare state for sustainable development.

Keywords: Sustainable Development, Inclusion, Inequality, Distributive Justice, Civil unrest.

JEL classification: D63, Q01, P16.

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Sustainable development in a country requires things more than mere saving, investment and finance elements. The achievement of sustainability involves the creation and maintenance of institutional arrangements, viz., socio economic and political stability, that ensures uninterrupted development. Any factor that hinders development initiative would threaten the sustainable development. Civil unrest is one such factor. It poses a continuing threat to businesses operations in developing markets and the growth of an economy as a whole. The civil unrest is fuelled by several factors like discontent over corruption; lack of economic opportunities, rising fuel and food prices, scarcity of natural resources and a sense of perceived denial of justice is also bound to provide the major basis. In this context, this paper discusses relevance of distributive justice in relation to civil disturbance across and within national boundaries in the context of sustainable national development. This paper argues that the inclusive development guarantees the sustainable development.

At the global level, the number of civil unrest has been escalating since the early 1990s. Between the early 1980s and the mid 1990s, noteworthy humanitarian crises rose from around 25 a year to around 70, with an increasing number of deaths from civil conflicts, hunger and disease, as well as mass displacement. Studies indicate that the humanitarian crises are mainly resulted from internal civil wars.

A recent UNU/WIDER research programme 'The wave of emergencies of the Last Decade'¹ has documented the economic and social causes of large scale civil disturbances, apart from the more prominent political and cultural factors. Some studies

¹ Nafziger W., F. Steward and R. Vayrynen (1999), 'The Wave of Emergencies of the Last Decade: Causes, Extent, Predictability and Response,' Tokyo: United Nations University Press.

have indicated that purely economic factors relating to low and stagnant / falling per capita income are found to be associated with civil conflicts. For instance, Fearon and Laitin (2003)² found that lower per capita gross domestic product had a significant and negative effect on the commencement of a civil war; further, the conditions that favor insurgency include the incidence of poverty. Miguel et al. (2004)³ found, based on studying 41 conflict afflicted African countries, that exogenous economic shocks, a sudden fall in per capita income, are strongly related to the outbreak of armed conflicts.⁴ A study by Acemoglu and Robinson (2001)⁵ noted that regime changes are more probable during recessionary periods. Specifically, in the era of globalization, the susceptibility of nations to conflict increased when economic reform failed. Evidence from Sub Saharan African Countries suggests that development failure would increase the likelihood of violent conflict (Addison 2005)⁶. Economic factors that represent various grievances are found to be related to the possibility of rebellion (Collier and Hoeffler 2004)⁷. Other recent studies have also established that the national and global civil unrest are inextricably linked to economic factors. Though political and social factors are also related to conflicts, their relationship was found to be weak.

Nevertheless, the economic miseries are not uncommon in the history but a special context found to pose threat to civil peace. One prominent hypothesis relating to

² Fearon J. and D. Laitin, 2003, "Ethnicity, Insurgency, and Civil War", *American Political Science Review*, Vol. 97.

³ Miguel E., Satyanath S. and Sergenti E. (2004), 'Economic shocks and civil conflict: an instrumental variables approach', *Journal of Political Economy*, Vol.112 (4), pp. 725-753.

⁴ This result is confirmed by a similar study of Brückner and Ciccone (2007).

⁵ Acemoglu D. and J. Robinson (2001), 'A Theory of Political Transition', *American Economic Review*, Vol. 91, pp. 938-963.

⁶ Addison, T. (2005), 'Agricultural Development for Peace', Research Paper No. 2005/07. World Institute for Development Economics Research, United Nations University, (UNU-WIDER).

⁷ Collier P. and A. Hoeffler (2004), 'Greed and Grievances in Civil Wars,' *Oxford Economic Papers*, Vol. 56.

the causes of social unrest is the presence of inequalities among groups. The gap between the poor and the affluent has grown in the 1980s and 1990s⁸. The likelihood of civil conflicts rose with the economic inequalities between different social groups that are defined by different identities related to race, ethnicity, caste and regions. The theory proposes that 'when cultural differences coincide with economic and political differences between groups, this can cause deep resentment that may lead to violent struggles' (Stewart and Brown, 2007). In other words when disparities are associated with differences in access to political power, economic assets and incomes, as well as social access to education and health services, a scope for political manipulations by vested interests is created which may culminate into social unrest. These identities based "horizontal inequalities", defined by economic, social and political access and resources, are a major cause of war and unrests (Stewart, 2000)⁹. The individual and group inequalities are perceived as deprived justice in theories¹⁰.

The policy responses of any modern state to these inequalities are mired in the economic ideologies¹¹. The economic philosophies underlying the policy responses to

⁸ Jolly R. (2005), 'Global Inequality in Historical Perspective,' Paper presented at UNU WIDER Jubilee Conference: 'WIDER Thinking Ahead: The Future of Development Economics', Helsinki, accessed on August 2010 and available at <http://www.wider.unu.edu/conference/conference-2005-3/conference-2005-3-papers/Jolly.pdf>

⁹ Stewart F. (2000), 'Crisis Prevention: Tackling Horizontal Inequalities,' Working paper, 33 Queen Elizabeth House (QEH), Oxford University, accessed on November 2005 from <http://www2.qeh.ox.ac.uk/pdf/qehwp/qehwps33.pdf>.

¹⁰ The dimensions of deprived justice is variously discussed in the traditional theories of social justice, which has three prominent approaches viz., the general social deprivation in relation to commons (Kant; Williams), to social contract (Rawls), and to entitlements (Locke, Nozick).

¹¹ Economic thinkers also have contributed to conception of social justice through its equivalence, the idea of distributive justice. The contributions of economists to social justice were stressed in relation to translating the philosophical conceptions of social thinkers into practical economic policies. In Roemer's words, "the philosopher's task is to discover the correct conceptual elements of the theory whilst the economist's is to produce a workable social policy that makes acceptable compromises among those conceptual elements". Therefore, the theories of justice may be associated with the conceptions of distributive justice.

inequality could be traced to two prominent schools of thought. For instance, the classical economics which forms the basis of market oriented capitalist economic policies draws its influence from utilitarianism of Jeremy Bentham. Bentham offered a philosophy for economic policy in his 'greatest happiness of the greatest number' principle. The laissez faire policies based on Benthamite philosophy suggests that as long as economic policy results in the maximization of the happiness of the largest number of persons in the society, it does not matter if some members are unhappy or neglected. The classical economists' negligence to the problems of unemployment of great depression era was the reflection of this philosophy. The presumption was that the economic growth would do justice by ensuring the distribution of economic benefits to all those deserve. However, the experience had shown that neither the growth by default had resulted in distribution of economic benefits to all those who deserve nor did this ideology allow for redress mechanism for the sake of neglected. The failure of distributive justice in this process eventually resulted in the extensive civil disturbance in the western world in the 1940s'.

The political fallout and the subsequent recognition of it marked the next phase in economic thinking. This phase in the economic ideology was called as Keynesian revolution. The insensitivity of earlier economic thinking viz-a-viz denial of distributive justice was acknowledged and delivery of distributive justice was institutionalized through the idea of welfare state. The ascendance of welfare state provided space for distributive justice in varied forms. The Rawlsian theory of justice offered a philosophical justification of state intervention to mediate justice to the neglected in the

market mechanism. This is an over stretch of state role, a clear deviation from the limited state idea of Nozick. However, the weakness of this strand of distributive justice was exposed in the post Keynesian Monetarist era or era of market orthodoxy. The expenditure and cost of distributive justice mechanism under the state supervision was juxtaposed with the tax burden in addition to the effort to discredit the idea of welfare state. The political economic debate went to the extent of questioning the very basis of idea of social and distributive justice. History has come to one big circle. The current pace of globalization and the dawn of new era marked the rebirth of market economy. This economic thinking draws its ideological justification from old utilitarianism. Unfortunately, as the experience suggests, the utilitarianism as a guiding principle for economic policy violates the root idea of distributive justice. Because the arrangement of economic institutions requires that only the contributors benefit¹² and in the pursuit of wealth creation for the greatest many, it implicitly ignores the suffering of few. More seriously, this ideology also suffers from an intrinsic flaw of recognizing and dealing with the problems arising from group identities¹³. Ironically, the different ideologies that recognize distributive justice in economics also lack the appreciation of group entities in

¹² Martin R. (1998), 'Democracy, rights and distributive economic justice' in Social Justice from Hume to Walzer, D. Boucher and Kelly P., Ed., Routledge: New York.

¹³ The philosophy is accused of not acknowledging the group identities of individuals and may have potential to cause social unrest if the majority of ignored few belong to a group that is politically articulate. The general social justice theories also do not recognize individual rights / freedom / opportunities in the same footing as group rights, e.g. to language/cultural freedom. Even the Rawlsian theory of justice would find it difficult to justify group inequality for the sake of social wellbeing especially the poorer section is large in size and politically articulate. In fact the inequality may hold back progress. Nozick's theory might have implication for many of the group deprivations as it justifies the role of state in delivering justice to the victims in the name of principle of rectification as most group inequality due to past injustices, colonialism, slavery, exploitation.

their analytical framework. This collectively presents a theoretical and policy challenge to address the problem of civil unrest and sustainable development.

The current phase of rising inequality and the absence of mechanism for distributive justice are coinciding with the ascension of social unrest globally and the need for sustaining development. The current economic ideology, variously called market orthodoxy, is found to be responsible for economic inequality and the demolition of national welfare system. The sustainable development would be possible only with the recognition of flaws in the various forms of market orthodoxy and installing the institutions that ensure distributive justice in the group identities context and hence peace. Curtailing civil unrest would contribute to economic development apart from containing the disruptive elements to progress. The idea of inclusive development is about assuring economic fairness to all its stakeholders. In this context the inclusive development would guarantee the sustainable development. The current phase of the economic liberalism is showing a definite sign of collapse under the weight of current global economic crisis manifested in increasing unrest. Therefore, it is imperative to understand the horizontal inequality and to revive the conception of welfare state which embodies distributive justice for the sustainable development, otherwise called inclusive development.

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