



Transcription of Rajiv Kumar's lecture:
Tuesday 3rd of April 2007

Andrew Lyon:

Good afternoon. Thanks very much for coming to this lecture in the Glasgow Centre for Population Health series on such a fine afternoon in the first week of the Easter holidays. Thanks for coming.

My name is Andrew Lyon and I'm from the International Futures Forum and it's part of my pleasure to welcome you here and to facilitate the seminar series in conjunction with the Glasgow Centre for Population Health. This evening, it's a fantastic thrill for me actually to introduce and welcome my friend and colleague Rajiv Kumar to the city and to lecture us this evening on 'Towards Ethical Economics'. Rajiv has a long and illustrious career as an economist. Most recently he has taken over as the Chief Executive and Director of the Indian Council for Research on International Economic Relations which is one of India's premier policy think tanks that focuses on economics. As India moves more into the global economy what kind of economic development should it pursue and to what ends? Rajiv is at the heart of all that thinking and I know he has been working quite closely with the government in India on those issues and has been discussing these issues also at the World Economic Forum where he presented scenarios for India's future.

Before he was the chief executive at ICRIER he was the Chief Economist of the Confederation of Indian Industry and has worked on Central and South Asia as a staff of the Asian Development Bank. He was earlier an Economic Advisor to the Minister of Finance in the government of India during the early 90s. He has also been a country economist for Mongolia and China. So he has been around the block a few times for somebody who looks so fresh! All of this came after he completed his DPhil in Economics at Oxford and Lucknow universities and as the lecture unfolds you will find that this description of Rajiv is but the merest framework of what Rajiv has under his belt. So I'm looking forward to hearing all of this.

Without further ado I'll hand you over to Rajiv who is going to talk to us for around forty to forty five minutes on 'Towards Ethical Economics: An Initial Explanation'.

Rajiv Kumar

Thank you very much Andrew. What a privilege, what a pleasure to be in Glasgow. My first time in Glasgow. I've been to the other side, to Edinburgh, but I've never been here and how fortunate to be here on this wonderful day. I feel a little bit guilty keeping you here, but thank you for being here on this fine afternoon. I was telling Andrew this morning that I feel a bit nervous, I must confess, because this is really work in progress. To talk about the state of the Indian economy, to talk about the global economic processes etcetera comes quite naturally to me after thirty years of being an economist, but to cross over into ethics and economics and to think about bringing the two important aspects of my life together – because while professionally I am an economist, I am trying to get deeper into ethics through my daily practice of meditation and spirituality for the last twenty years, but still find myself a learner as the field is just so vast. Therefore, as I said, a bit nervous because this is the first attempt to bring the two aspects together. But I hope I can help your thought processes in this direction in the next half hour.

There couldn't be a better place than Glasgow to talk about ethical economics because this is the place where Adam Smith talked about the philosophy of economics and thought of economics as a part of the political philosophy and part of the political economy – a tradition that is unfortunately disappearing over the last two or three centuries because economics has become more and more technical and pretending to become a science. In pursuing this pretension it is becoming devoid of human endeavour and as something beyond human control. We are led to believe that the laws of economics simply driving us along and there is only one parameter to measure, the economic gains, like the levels of consumption or per capita incomes, etcetera. Adam Smith thought of economics as moral philosophy, much more as something which explains why human beings do what they do and how they intervene in nature, etcetera. So perhaps Glasgow would be the best place where I should start my journey in talking about ethics and economics.

The talk is divided into two parts. The first part which I'll try and go over very quickly with you is really just to establish the fact that we do need to think differently today. There are very real circumstances that we are facing today which must force us to jettison the idea that this business as usual will suffice. So I'll give you some recent facts, just to prove that there are material circumstances in the world today for us to start thinking differently. Then the second part is the more substantial part which is where I try to put some ideas forward on thinking differently within economics and the sort of actions needed at the individual and the corporate levels that can take us in a different direction than what we've had so far?

Three recent developments have been the Stern Report, the IPCC report (that is the Intergovernmental Panel on Climate Change) and Gore's film which you must have all seen. The Stern Report now brings out very clearly that if we continue to do what we are doing we will go down a route where we would have irreversibly harmed nature and generate consequences that we just don't know anything about at the moment. I think that the evidence that the Stern Committee Report now gathers shows quite clearly that 50 years from now if we continue to act and behave the way we are doing, we are going to have a climate change, global warming, etcetera the consequences of which are currently either unknown or so catastrophic that they look and sound hyperbolic at this time. But then some of the disasters we know already. There are some societies in Bangladesh, in Pretoria, Africa, in the South Pacific Islands which are going to suffer enormous damage and I think the impact of that is going to be felt all over the world. I'm not going to go into the details of that because they are very well known.

The IPCC report came soon after the Stern Report. It brought out the fact that already we have seen about 0.8°C of warming over the last 50 years or so and that because of the actions we've already taken we have already caused some irreversible damage that will emerge as 'inertial impact' in years to come. The seas are warming; the glaciers are shrinking; the changes in climate are impacting on agriculture everywhere. Food security questions are coming up in Africa, in Latin America. The IPCC I think, in an even more dramatic manner than the Stern report, brought out the fact that we have already damaged the earth to a certain extent and unless we now begin to reverse the damage, we are down the path which is very dangerous and has a set of unknown consequences.

The same thing is done in Gore's film. Just this morning the Supreme Court made a decision forcing the environmental protection agency (EPA) of the US to rethink greenhouse emissions. Do you remember that the EPA in the US had said that they don't want to do anything about the carbon emissions or the motor car emissions simply because they didn't believe in the scientific evidence that had been collected so far? The Supreme Court this morning said sorry you've got to go back and rethink that because the US Supreme Court thinks that the evidence it has calls for some necessary and urgent action. My personal belief is that for the first time in US history, a country which did not become party to the Kyoto protocol, in the presidential elections one of the issues could well be ecology, and that really will be great and that really will be a landmark situation. I suspect that the two parties, the two candidates will have to take sides in this debate for the first time and that again will change the whole nature of this debate and so if that's going to happen I think it's just as well for us to start thinking about it and thinking of our own role.

Here are some of the facts. If demand in India and China for energy and water and other resource grows along the same linear path as followed earlier by the US, the UK and other OECD economies, then clearly we will not have an environment that sustains life on this planet. Business as usual simply will not do.

In electricity consumption, India is about 600 Kwh as opposed to 1400 Kwh per capita in China and nearly 15000 Kwh in the US. Again, most of the electricity consumption generation comes from carbon, from coal and from gas. Hydro-electric power is not so much available. Every energy study that you do tells you that if there is going to be more power, more electricity it's got to come from hydrocarbon and burning of coal and, therefore, you can well imagine the impact on the environment and the ecology as India and China go towards per capita income levels that you have in the US and the UK. The fact simply is that if developing the world – and India and China again are a proxy for the developing economies in general – are encouraged to become what the developed economies in the world are today, there simply is complete unsustainability written into our scenario. There is just no way that this can happen, but there is no alternative way of thinking which has been given to them because everybody who talks about them just only talks about it in these terms which is either per capita income or per capita consumptions or per capita use of electricity and steel and power and oil etcetera, etcetera. So I think something has got to change if real disaster is going to be prevented.

This is traditional fuel consumption, which just basically means deforestation. This is the per capita oil use, this is the per capita energy consumption and this is your traditional fuel consumption which basically means fuel wood and that just means if twenty per cent of India today uses fuel wood and it doesn't decline you can well imagine what happens to your forest store. And that's the GDP unit of energy. That's good news to a certain extent – you can see that in India you still manage to get a lot more out of our energy than what you would expect to get and basically we are better energy users given, you know, what we are and what our economy is and also this is true very much of other items as well. Basically all steel, cement, etcetera, when you look at India's economy you will find that it's a more recycled economy than anywhere else in the developing or in the developed world. Naturally so, than what you have in other parts of the world. And that's your annual fresh water withdrawals. Again this is something that people are now talking about, you know, water wars in certain parts of the world is being depleted at an exceptionally rapid rate. You will also find that water becomes a scarce commodity very soon in many parts of the world.

The next part is about poverty. It's about underdevelopment. That you can't possibly deny – the central argument is that given we can't possibly deny to the poor living in developing or developed countries an improvement in their living welfare. In human development terms, China has done better than India or other developing economies because of the nature of development under socialist economics and the central planning prior to 1978. The latest estimate of poverty you've got is about 1.2 billion people who live below a dollar a day. So poverty is a fact of life in India and many other emerging economies in Asia and Africa. Further, we have an unequal distribution of wealth in the world today. On the one hand you have this huge, large population waiting to improve... their living standards must be improved, but if they're improved the way it has been done in the past you come into an unsustainable development paradigm and that's the question that we have today facing us.

So what are the steps forward? And these are some of the things that you're heard very often and you think 'I know all about all this'. Very often in India, and especially in China and in South East Asia people will just say they think this is all just too much hype, there is no truth in it. Who knows what will happen 50 years from now and just let's forget it and get on with it and this is the same old thing with the Club of Rome in the 1960s. And in any case, technology always has an answer.

In India there are a large number of people who would say this is not my problem because this is what the US did. The US consumes twenty five per cent of the world's energy with only 280 million people and so it's them who have got to do all the conservation and reduction now. In the same breath comes this argument that we have to raise our income levels anyway. What can you do with the level of poverty that we have? We just have \$750 per capita in India and why are Indians responsible for sustainability and ecological balance? It is our birthright to accelerate development at any cost and then we will undertake the retrofit. What was in the Thames just after the Second World War? There was an old saying that when you put your hand in you came out without half your hand or even without half your arm, but today there is trout there so environments can be rejuvenated. There's just a cost. When we become rich we will do that.

I think today, I hope nobody minds it but I think China is following that sort of development policy. Chongqing, a city of about 30 million people, is reportedly suffocating itself to death. I believe that there is one coal fired 200 megawatt power generating plant opening up in China every week and that's capacity that they're adding all without clean coal technologies. There are large parts of the Chinese river systems which are just completely now gone because of over use. And some of you must have heard about the environment disaster that I have seen it with my eyes. I refer to the Aral Sea in Central Asia. Half of the sea has just disappeared over the years. This came about because the Soviets built this huge canal out of the Amu Darya to irrigate the cotton fields in Turkmenistan so that they don't have to depend upon cotton imports in the US. And growing ones own cotton was an important strategic decision because the Soviet Army needed cotton uniforms. Because large parts of the water from the river is drained off before it reaches the sea the mighty Amu Darya simply disappears into the sands rather than drain into the Aral sea as it did only three decades ago. And as a result, today half the Aral Sea has gone and you've got the salts at the bottom of the sea being now dissipated in about a 1,000 mile radius through the winds. And this is causing eczema and skin cancer in countries like Uzbekistan, Turkmenistan and Kazakhstan. So the point is that there may be no retrofit for some kind of irreversible damage like for example, the shrinking of the glaciers.

I'm giving you all of this to simply to say that while you have heard these arguments in the past, and there might well be some truth in it. The fact today as far as I'm concerned is, just to repeat the sentence, business as usual will not do. I'm saying this as particularly for us in India it's a real genuine issue today, it's a real problem. This is an issue to be addressed by the development planners, the ones that go about doing their business of how to quadruple India's income per capita in the next twenty years.

So for me, the important issue is that there is a case today for the shared responsibility for the global commons. We can't take the chance – I mean it's just too risky. You can't just play the probability game here because the risks are just too high and therefore we have to change our view of the global commons and we have to change our way of working together in this world and trickle down does not apply in all cases especially in the case of changing behaviour patterns and making them more ecologically sustainable. We've got to develop a new thinking process together, of working together, of trying to develop new ideas, new technologies, new ways of doing things which will raise this huge mass of poor people above that degraded form of living, which is just completely dehumanising, to raise them above that level, and yet save our global commons and save our world from a sure disaster towards which we are currently headed at almost breakneck speed.

This is where I talk about shared developing country aspirations and costs of adopting new technology in which, the Indians of the world, the Chinese of the world must have to now innovate, to try and come up with a development model that addresses ecological balance while at the same time tackling poverty, raising people's living life. For this we will have to innovate in developing new technologies. And where would this come from? The developing countries perhaps just don't have the resources to achieve this innovation. I am saying that we need universal global action in a shared manner and therefore we need to develop some organisations, some forum where people can talk about the issues and talk about how to take the steps together. This forum should replace those where the talk is only about the intellectual property protection, the right of an individual. They've got to talk about some shared responsibility and a shared agenda between developing countries and the developed countries which should become much more real rather than thought of as giving charity. It's not charity any more. It's amazing for me to see that even after thirty years of the Cancun Conference where it was agreed that developed countries will give zero point seven per cent of their GDP as aid, we are today only at less than zero point three per cent. This can be spent in the developed economies themselves provided they were using it to fund research that could then be shared with emerging economies to achieve a better ecological balance.

If we divert this aid into innovative technologies to be developed together with developing countries rather than give them the hand out we could develop the innovations to tackle this trade-off between income and ecology, between raising income and ecological balance. I think it would be a much better use of that money than just trying to undertake so called social programs to tackle poverty in poor countries.

The second part is what can be India's stance? I think this is something that we need to do at home. We are already debating this at this point in our country and first is, you know, I've repeated it very often that, I'm one of those who's trying to say that it's not about us and them any more; it's not about putting blame on one or the other; it's about a matter of sharing the global commons. Here, the central thing is that today in countries like India this whole thing sort of represents a new and important opportunity to develop opportunity, to leapfrog technology and that is I think what should be seized with both our hands today is that we can develop new forms of doing things; we can develop products which less carbon using. I'll give you one example. We've done some work in Punjabi Agricultural University on new ways to grow rice which doesn't require standing water. Standing water generates the largest amount of methane emissions that you have: the bacteria develops and that bacteria then generates the methane. It's a huge problem for global warming and this university has done twelve experiments now that have been published in the agricultural science journals where you can grow rice, just as you grow potatoes on furrows and ditches, where we just run water twice for irrigation and the roots take up the water that is required and you can grow rice without standing water; you can have huge carbon credits. Now the question is who will provide an incentive for the farmers to adopt this new technology? How will this new technology be adopted not just in India, but also in China so that you save on water and you save on methane emissions?

I dare say if you can work that way, India, China and others could develop products which are ecologically more sensitive, and yet provide the same service. This is my argument, I often make it to firms and investors that come to India and it's always a challenge. Why not develop products which are of this nature which you can then supply to the Indian market and make huge amounts of money, but then supply to other markets as well? Rather than bring products that you are already using and as it were transferring from the developed economies to our economy which just have no positive impact whatsoever.

And India's unique situation needs new solutions. Ours is a complex unprecedented experiment. The fact is that there is no other country in the world and probably not even within human history which has such a pluralistic, diversified society trying to develop a market based economy in a democratic setup and with a billion or more people and in an almost completely pluralistic, individual based... and trying to develop at the same time. I'm not sure whether you've got an example before where you have a sort of pluralistic, democratic, capitalist, market based economy trying to modernise itself from basically in a situation where you've got population living in different centuries at the same time and without the luxury of marginalising or eliminating any set of your population, or controlling them in an exploitative manner. And that's why India today needs completely different solutions and I think this is where we need, you know, in India we need to put our thinking caps on but we need help in devising new solutions for our modernisation, for our development and I think that's where all this is going to make some sense.

I have looked at India's traditional thought in this respect and that's where some of my more substantive points begin which is that in India there has been – especially in the Hindu and the Buddhist tradition and the Jainism traditions also in Sikhism – there has been what Marx talked about as the ultimate contradiction between man and nature which is that man has conquered nature for his own use. In contrast to Marxism this has been completely differently looked at in India where the belief is that is that man lives within nature and man is a part of nature. The Sanskrit phrase that I have at the bottom, Vasudhev Kutumbkum, means that the whole world, the whole nature is just one family and you're a part of that, so that we have to nurture nature. I'm saying this in the light that this is where you need the new solutions. How can human beings, how can man, live within nature while nurturing it and yet improving his or her lifestyle and her wellbeing? And that's the challenge and that I think in the Indian situation the practise of meditation and of the Yagynas and the Vedas which talks about peace be to everybody and peace be also to nature and to the herbs and so on. I think that's where some of these ideas can be found and I bring this up simply to say in India we probably have to look very deep within our own traditions to find these solutions for India's sustainable modernisation.

And the second thing that we have in Indian thought is that needs are very different from your demands and we must think about that a little bit more which is that, you know, what does one need in terms of, you know, whichever way you like in terms of survival, in terms of improving your living style, in terms of securing for your next generation a better lifestyle, in terms of thinking through what you need in your life? In economic terms we can put it that way: what constitution objective function and then what you have today from Benthamite economics is that there is a utility function and the only component of that utility function is consumption which comes from income, and there's nothing else. What the Indian thought will tell us is that no, consumption is just one finite part of it and you just can't divide your utility, you can't divide your happiness, only by maximising consumption. Along with consumption there are several other variables and components of that function. One would be community, the other would be collective action, the third would be nature, the fourth would be your own way of thinking, the meaning in life, etcetera. So you should do that, then needs become quite well defined, better defined, and they become very different from just demands. This whole notion then – and this is where I begin this whole notion of economics being the decimal science of unlimited needs, demands, unlimited needs would begin to change. That's what you need today, but the question then is that – this is where I discussed this with now my good friend Sir Mark Tully – that unfortunately greed intervenes and this is something that you also need to think through: needs get transformed into demands and continuously keeps getting extended because of the greed that you have within yourself and greed is a primal driving force of human behaviour.

So this is where I think you need to rethink the ethical basis of economics. The simple concept there is that there has to be an ethical basis for your needs because needs have to be defined, or have to be based on some ethical concept and the values that you've got. That then brings to the fore the question as to whose value system that you will adopt. Why wouldn't there be a conflict between your value system and my value system? Would there be a universal value system or a universal set of ethics which could replace consumption and utility and material consumption, which could replace this notion with a broader, much richer notion of your utility and where would that derive from? And I think again – this is something that we should discuss because I've not thought through it, I've got some ideas on it – is that you need to then look at whether different religions can bring this forward, whether there is something beyond religion which can recall some notions of universal spirituality or is there some universal code of conduct that you can adopt that would then define to you a sort of set of ethics and set of values which will give you an objective function or a set of ethics which would make needs different from demands? People could agree that this is where the limits of our consumption would be. This is a very simple sort of thing. Why should one measure the progress of the global economy only in terms of the growth of GDP? Why do economies which are already at \$27,000, \$25,000, \$30,000 per capita need to keep achieving growth in GDP as the only measure of their success? Why can't it be that's enough and that they can be stabilised at that level and the employment that has to be generated and regenerated in many different forms of enriching peoples lives in ways other than just producing extra motorcars or more aeroplanes. What could those be? I think we need to look at things outside the material consumption and that is where I think some of our traditional practices and our traditional value systems come in because very often we heard about them as children in our families, but we never get to see them implemented because we become far more used to that what we've got.

The last bit that I wanted to say is some of us who are the better off, we have to set the benchmark. Where do we set the examples because it would be very unfair to talk about all these things to the poor? That's just not real; that's simply just not on because for them the next meal is more important, where they are going to get it from. So I think we, the ones who are better off, either in the developing world or in the developed world, should start thinking about these things much more than expecting the poor to do so. Please remember that one of the two things that I've brought out was the one thing we can't disregard today is the nature, the world that we live in but also, you know, the poor which we've got today and I think today if you were in India and one of the most dehumanising things for yourself is when a poor child comes to your car and knocks at your closed window and starts begging to you. That's when you start questioning the whole thing as to where you are going and how can that form of development continue, this inequitable form of development continue? This is why I set out in the introduction this is the highest priority and this is one of the basic needs for the world as a whole. One of the most important needs would be this and then I just try to give a sort of an idea about which I've experienced myself as to how one defines ones needs and which is to be able to add truly independently in connection with your own self, if you like.

This is where I said I was nervous because in my experience I've found that you can differentiate or distinguish between needs and demands once you connect with something within yourself and don't act reactively, don't act reactively to what you need and what you want because I think what happens most of the time is that you're either demanding because of wanting to keep up with the Jones' (everybody else has that so why shouldn't I have it also) or you are demanding simply because, you know... You know, one is fashion driven and the other, if you like, is just greed driven and between the two can we distinguish something else that comes from within ourselves and there, if you could connect with your own sort of... The only word I have is being yourself maybe you could come with the notion that your needs are very different from just what the society tells you you need all the time. I just wanted to give my example of alcohol consumption. At one stage in my life when I thought this is something I don't want to do, there was huge social pressure for me to continue to do so. For some reason I took this extreme step of saying that I would neither drink myself nor serve alcohol to anybody and then that continued for a whole phase of my life. After that I realised that that is imposing my behaviour onto others and that was, therefore, not right and so I shifted back to a situation where I don't drink, but I then offer drinks to the others because they should have the option to do so if they so like. I give this example simply because I found this whole process of change within me through a very intense process of inner introspection, reflection and as I say connectedness within oneself. This is what the word swantantra in sanscript means. 'Tantra' means your instrument and 'swan' means yours. So once you're connected to your own instrument from within, you begin to define your needs in a very different way than what the economics, what the material advertisers, what the advertisement world, or what they society as a whole would be able to tell you.

One of the ways that the individual can go in the direction of not doing business as usual in my solution is that if one was to connect within yourself you would find the answers and not therefore be forced to continue with business as usual and be able to live in a much more fulfilling manner in your life in what you do today. So rather than keep chasing mirages, rather than keep chasing demand that will never get fulfilled, it will never give you a real sense of happiness or satisfaction. If you were to take a look within, if you were to get connected within, you will find that your needs will get better defined, your needs will be finite. Whatever you then demand will give you much greater satisfaction and will bring you into balance with your nature and will lead you to a path which will be ecologically sustainable and at the same time give you a quality of life which is much better than what you get by sheer material consumption. I think that's the way we need to move today. It's not as if this is completely unheard of; many communities are doing that. All kinds of faith based communities all over the world are trying to practise some of this situation and I've seen this with the Buddhists, I've seen it with Christians in Africa, I've seen it with Hindus in India, I've seen it with societies in South East Asia. The problem is that none of them has even the remotest chance of being mainstreamed in any part of the world and the thing is why is it not our duty to try and mainstream these and start thinking a little more boldly than to just accept the traditional economics as being the science of chasing unlimited demands with the limited means that you've got. And that's the challenge that I bring before you today in my talk.

These are some of the conclusions and I just wanted to say here while there is an individual form of action which is to connect within as it were and to redefine your needs, the corporate world has a challenge that I mentioned before: to develop the new technologies, you know, that will help adjust the trade off between ecology and income. And here I think the other two, which I wanted to bring out, is that, you know, I say adopt new technologies that encourage shared use. I'm just going to give you where I start my thinking process on this. In India today we have a very strong automobile lobby which counts our success in number of cars that India produces every year and we're very proud that we're today producing more than 1.5 millions vehicles a year and the auto lobby will tell us that we will be producing ten million down the road in the next four years, and so on. And the thought to me is can India survive with an individual automobile based transport policy? I think the answer is a clear no. Think of 1.7 billion people trying to drive a car as they do in the US, one individual per car. Would we even have the service area to give us enough roads? Is there any sense in following that sort of development model? Then what's the development model that we have to follow? You've got to follow more shared use; you have got to develop much better, much more the feeling of the global commons, of the public goods and service delivery. Similarly if you think of anything, if you think of modern health options, you know, the antibiotic based health option that you've got today. The amount of antibiotics that the biogenetics that you will have to conduct to cure all the diseases that you might get rather than to have a more scientific, more preventive based health design and delivery system. You think of any aspect of life... private education, each child being given private education in a very exclusive school in the manner that you think about private education today – is that a possibility? Is that something possible in India or in China today? Again you have to think in terms of much better delivery of public goods and services, even in those fields.

So my thought here is that the corporate world, the private sector, will have to develop technologies which encourage much more the shared use of the public goods and services, much more shared, much more the collective use of whatever you have in nature today and you can make money out of it. All of us have to develop technologies which will become much more ecologically friendly and this is where the thought was about leapfrogging the development paradigm that you have today. I think things are developing in a manner that we have possibilities of that, there are new technologies that are coming up. I think if we act collectively and together we can address this issue of improving our lives and at the same time saving ecology. This is the end of my lecture. Thank you very much for listening to me.

[Applause]