

In our Time Programme 58  
*Global Economy*

**Melvyn Bragg** : Hello, is democracy the truest conduit of capitalism or do the forces that make us rich run counter, in the end to the democratic institutions that safeguard our rights? The economist Milton Friedman once said "If freedom weren't so economically efficient it wouldn't stand a chance. " If that was ever true, is it still the case as we enter the era of the globalised economy.

With me to discuss the relationship between democracy, human rights and the economy, is the Nobel Prize winner, economist, Amartya Sen, who is master of Trinity College, Cambridge, and author of "Development as Freedom". I'm also joined by Will Hutton, former editor of "The Observer" and newly installed director of the Industrial Society, he invented the term "stakeholder society" in his book "The State We Are In".

Amartya Sen, in the lectures you gave the world bank, and the book that's come out of them, you take an evaluative approach which is distinct from traditional economic policy analysis, was your main objective to outline a new definition of poverty?

**Amartya Sen** : Well it's not so much to redefine poverty, I think we know what poverty is, that we know that poverty consists of powerlessness, primarily the powerlessness to be able to feed oneself, to get medical treatment, the kind of economic means that we need. But powerlessness could take other forms too. Not being able to express oneself, getting beaten up and attacked if one expresses a contrary view . So it just takes the un-freedom, the lack of freedom, which is really the underlying force, the underlying rationale, behind thinking of poverty as low income. It is that broadening that I tried to pursue. So I wouldn't see it redefining poverty, but really exploring the implications of taking a more evaluative view of poverty, understanding poverty in terms of its motivation, rather than just its symptoms.

**Melvyn Bragg** : D'you think this has its roots in...in your view....has its roots in utilitarianism?

**Amartya Sen** : No, I would say that it's...I mean utilitarianism concentrated on one kind of deprivation, namely misery, in terms of psychological inability to feel well, be well and so on. But it's not an adequately broad view. I mean I think, in some ways probably the broadest approach to that is that of Aristotle, in Nicomachean (??) ethics and in politics, outlining why we need...to ...there are certain things that we **value** doing, and have **reason to value** doing, and if we do not have the freedom to do it, well that is, in some ways a big deprivation, and that line is taken up, in kind of...sometimes indirectly, I mean right from the beginning of economics William Petty and so on, quite clear what the motivation is concerned, that is absolutely clear in Adam Smith's writing, it's very clear in the writing's of Karl Marx, John Stewart Mill . So it's that and now utilitarianism by illuminating one aspect of it, the mental deprivation aspect, says something of relevance there, yes.

**Melvyn Bragg** : It seems to me that this is a broader definition of poverty, Will Hutton, to do with poverty, not only economic poverty, but poverty in the sense of not having freedoms, not having access, and so on. Would you agree with that?

**Will Hutton** : I don't see how you can disagree with it. The issue is what weight you put on different aspects of it and what you think the solution is. I mean I don't want to neglect, in a discussion like this, that actually the great fact of being poor is that you don't have much money, the lack of purchasing power, the deprivations that fall out from that are actually, I think, you know, the most fundamental aspect of actually being poor, I mean life from hour to hour is actually grindingly difficult, now that is about powerlessness, but actually the most immediate form of empowerment, is actually having some purchasing power, not being hungry.

**Melvyn Bragg** : What are you saying? You actually disagree with that, don't you?

**Amartya Sen** : I don't disagree with that, you know I mean....

**Melvyn Bragg** : In your book you seem to demur, but don't let me put words in your ...pen! (Amartya laughs)

**Amartya Sen** : Well, you know having spent two decades, and working on (indistinct) and hunger and so on, I do

not disagree with that, but I don't think it's an adequately broad definition. I mean... and it's also wrong to think that people who are poor, don't worry about their rights, you know, just to take my own country, India, the first real electoral show of muscle, happened when Mrs Ghandi's government abolished fundamental rights and tried to suppress the constitutional right, and there was a massive electoral defeat, so the first show of electoral power, on the part of one of the poorest populations of the world in a democratic election, namely the Indian electorate, was not on an issue of hunger, but on the issue of basic democratic rights and free speech, and so, again I think people do, even....I mean, I think we underestimate the extent to which even people in poverty worry about their freedom, I mean there's a very interesting study by some Belgian economists (indistinct), dealing with Belgian unemployed, and one of the things that came out in the analysis is that what they were regretting was, in a state of unemployment, is not just primarily lack of income, but lack of ability to *choose* anything, you know..you know, given, once you are in that state, you're stuck, you know, you have to get your dole in some way, you have to survive in the basis of hand-outs etc, and it's a lack of freedom that they're resenting. Adam Smith discusses it quite clearly.

**Will Hutton** : That's right, I mean because when you get high levels of inequality, that's not happened as a matter of chance, it's because the system is working in a way to *produce* those levels of inequality, and without rights, the mass of people who are poor cannot challenge the political economy that's produced that level of inequality, and I think, I mean that's I think the big point you're making, if you look at British history, it was when the working class insisted on having the vote, insisted on organising themselves in trade unions, that actually began to redress the extraordinary inequalities that grew out of the industrial revolution, and I'm completely with you actually on this. I suppose the point I'm concerned about is that , if you...is that in a developed country, one could take this set of propositions and say "Right, as long we make certain that the mass of people have a minimum income and a minimum degree of education, a minimum degree of health, and a capacity to reasonably live well", we don't have to worry that much about the incomes of those at the top, you can I think....that's a kind of dangerous invitation I think, to take this cluster of propositions where we agree and then say "Well, actually if we were to empower the mass of people, "in the way that you and I would both want to do, Amartya.....

**Amartya Sen** : Yes.

**Will Hutton** : ....that actually, that's sufficient.

You don't need to worry about the incomes, the lifestyles, attitudes, culture, of those at the very top of society as long as you empower those at the bottom, and I do think the gap, the absolute gap, between rich and poor *does* matter.

**Amartya Sen** : Yes. I think it does matter, and also you're absolutely right that just giving them the ability to exercise democratic rights is not adequate. I think you also have to bring out the major issues, of which inequality between the rich and the poor is one of the major ones, into public discussion. I mean just to take a case of a successful democracy, in many respects, the United States. The fact that 43 million people don't have medical insurance, it's only recently that it's come into the electoral discussion, it figured a little in the Bradley versus Gore discussions, but until recently I was appalled, since I lived in America, in many ways admired the functioning of the American democracy, I was quite surprised to see how little, it was known, in fact, that a very large number of people in the country did not simply have any medical access, and since I had kids who had friends who lived in the inner city in Boston....

**Will Hutton** : Why is that, d'you think..... ? Sorry.

**Amartya Sen** : ....no I was just going to say that in Boston, when they came into the house, I could see how they lived, that they would wait until a medical problem developed and then they will go to an emergency and get a very expensive hospital treatment and that's they way they could survive and that's the kind of...you develop a strategy of living without medical insurance in a country of no National Health Service.

**Melvyn Bragg** : I'd like to come back to the idea that you....that we began, really, with the idea of poverty. You see economic development as dependent upon freedom, in your book as I understand it, and you say "there's never been a famine in a functioning multi party democracy, even for those democratic countries that happen to be poor", could you explain that, and develop that.

**Amartya Sen** : Yes. Thanks for raising that, because it's, you know it's a statement I made, I guess, more than twenty years ago and at that time it was based on really looking at the past, that if you look at the famines of the past, they have occurred in colonial economies, like India is, stopped only with independence and multi party democracy, the last famine was 1943, and the year they became independent was 1947, I happened to be a nine and a half year old boy, and seeing the famine myself at that time. Then there are these democracies in military dictatorships, Ethiopia, Somalia etc. You have the one party state, famines, Russia and the Soviet Union, you know Ukraine, particularly in the 1930s, China in '58, '62, in which 30 million people died, the largest recorded famine in history. Even as you look today, and these are subsequent to the first time I tried to predict it, so in some ways one looks and sees how....whether the prediction was right, that...what are the two countries having major famines now? Sudan and North Korea. I mean I think the underlying logic is just this, that famines are extremely easy to prevent, if the government makes even half an effort to prevent it. The only question is "why doesn't the government make that effort?" Now famines don't affect the rulers, never, because they're immune from it, they belong to the wrong....they belong to the right class, that is -the wrong class to be affected by the famine, and the only way that some of the cost of the famine could be translated to them, is through such things as democracy. You can't win an election after a famine. You don't like being criticised by opposition parties, by newspapers, you don't like being attacked in parliament. So what....democracy and free...and free press does is to pass on some of the cost of the famine to the rulers, and they do have an incentive to stop the famines quickly, and therefore without exception, there has never been a famine in an independent country not run by alien rulers, which practices democracy and relatively free press.

**Melvyn Bragg** : Now that's....it seems to me so clearly argued, , and in so many ways so very fundamental Will, it says not only what it says on the surface, but does it have deeper implications for the relationship between democracy and the economy?

**Will Hutton** : Yes. What Amartya has described, I think is the importance of mechanisms of accountability. If you can hold those who make decisions to account...

**Amartya Sen** : Yes.

**Will Hutton** : ...if they know that they are being held to account, then their decision making process is different, it is more sensitive to the common realm and the public interest, and the consequences of them taking self-interested decisions or neglecting the mass of people, come home to them and in consequence you get the results that you've described over famine, and the question is what should those lines of accountability be? Should it be voting? Should it be some combination of voting and a free press? Is it about courts? Is it about having a written constitution with constitutionally entrenched rights for every citizen? What kind of political community, what kind of social community, what kind of **community** do you need, actually to sustain those things? I think you're into very kind of deep questions. I'm chairing a commission into accountability in the health service at the moment, and I'm keenly aware that actually we in Britain, I mean an advanced democracy, have not thought carefully enough about accountability systems in our own health system, so that people actually don't get redress sometimes of really grievous mishaps in our own health service.

Again in it is the question of implanting accountability mechanisms that is the trick I think, to pulling off a successful organisation and a successful country.

**Melvyn Bragg** : Can I go to..... ?

**Amartya Sen** : Yes.

**Melvyn Bragg** : Sorry, would you like to comment on that?

**Amartya Sen** : No, well, I....agree with that.

**Melvyn Bragg** : Because I would like to take that on.

**Amartya Sen** : I agree with that, but I think you have some question in mind.

**Melvyn Bragg** : Well I'd just like to take it on, to take the other side, so you've established very clearly for me, and I presume, I would guess for the listeners, which is remarkable, just a very remarkable thing to say about famine and democracy, it's...very striking, if you haven't thought about it before, as I haven't. But what about the other side? So we have democracy stopping famine, d'you think democracy is essential to economic wealth and growth and well-being, the other side of the coin, I mean, what's your view on that Amartya?

**Amartya Sen** : Well I think not, you know I think all the statistical work that has been done, and there has been a reasonable amount of work indicates that the impact of democracy on economic growth as such, that is growth of gross national product, GNP per head is neutral, that is neither is the case as some people have argued, for example Lee Quan Yu in Singapore have argued, that utilitarianism is good for economic growth, nor is it the case that the opposite is true.

**Melvyn Bragg** : To have good government, you often need less, not more democracy?

**Amartya Sen** : That's right. I think there is no evidence one way or the other. So if someone were to justify democracy by saying it would lead to high economic growth, that justification does not obtain, nor that the vilification of democracy on that basis. But I don't think the justification of democracy is that. The justification of democracy is that we, as human beings, value our right to be able to speak....

**Melvyn Bragg** : I agree with you there, but I'd just like to stick to this....

**Amartya Sen** : ....on the subject.....

**Melvyn Bragg** : ...we'll get to that in a moment...I'd just like to stick to the..... come to the human rights thing in one second....

**Amartya Sen** : Yes.

**Melvyn Bragg** : ..just to try to get Will in on this as well, democracy and...because we started with the Friedman idea, that it's just as well democracy works efficiently....democracy's become kind of like Protestantism hasn't it? We all thought the Protestants were the great go-getters at that time because they had independence and so on, they made capitalism work in the early days, I'm completely being very unfair and over summarising of (indistinct) etc, but was that a..... democracy in a rough and ready way, does the same thing, but it hasn't happened like that. Singapore, the Asian miracle economies, were not.... rather strangers to elective democracy weren't they, and they did rather well, for a while?

**Will Hutton** : Well I mean democracy is very hard to do, and we're seeing with the scandals in Germany, just how hard it is to do, and Amartya cited 43 million Americans earlier, even in a great democracy like America, who are living in a country where, despite all their entitlements, no political party has taken up their cause to champion healthcare. Democracy is hard to do, and it's much more I think than voting, although voting is absolutely the kind of centrepiece of it, it's about courts, it's about the rule of law, it's about mechanisms of accountability, it's about access of information, it's about holding certain..... about rights to trial, and actually some of those things were in place in Asia, and some of those things were in place in both....in Singapore. I mean, yes, it was a dictatorship, but there were courts, there were property rights, there weren't rights of association, but there were some systems of accountability there, that you didn't have in true authoritarian states. So I mean I'm not defending it for a minute! But I think I'm just trying to say how sophisticated and subtle, you know, a working democracy is.

**Melvyn Bragg** : Well, couldn't an observer say, "Look, the world is being wealth driven. It's being driven by one thing", again please excuse the....the world is being wealth driven, now...a great number of people running things it doesn't matter what system produces the wealth, as long as the wealth is there, because there's a sort of vague feeling that if we all get well enough off then everything will kind of turn out right, there'll be the percolation effect and all that sort....in that sense democracy in the hierarchy of things, seems to me to be not all....not as important as....

**Amartya Sen** : I don't agree with that.

**Melvyn Bragg** : Good! (Chortles)

**Amartya Sen** : I think there are two distinct reasons why I don't agree. One is that, in fact I think the world...I mean wealth is very important in the world, but our aspirations are so much stronger in some field, so that people are ready to risk their lives for the right of speech and for their right of political participation. So I think people do value other things also, that's a first thing. Secondly, even though as far as just general economic growth is concerned, democracy has a neutral effect, democracy has a far from neutral effect when it comes to economic security. Now famine is just an extreme case of security....insecurity, when you actually die of starvation, but insecurity that arises when even a booming economy suddenly comes to halt as happened in East Asia, and there suddenly you find a set of problems arising which did not...was not noticed before, that is when things move up enough, they tend often to move together. But when people fall, very often divided they do fall, and at that time the voice of the people who are being thrown to the wall is ...becomes very important. I mean if you think about the East Asian crisis for every year these countries, South Korea, Indonesia even, Thailand, many other countries in that region, grew at 10%, 8 or 10% a year, every year. Now you might wonder what would happen, I mean why do worry about a crisis where it goes down by 10% one year? They wouldn't be worrying excepting that it's heaped on one group, and then the lack of democratic voice of that group, does not bring them into the political arena, is badly missed, and so democracy wasn't a big issue earlier, but suddenly became an issue in Korea, in Indonesia and Thailand, exactly as you would expect, because that's the moment when you need the protection of democracy even on the side of economics, because you need economic security, and the famine is just an extreme case of that.

**Melvyn Bragg** : Will Hutton?

**Will Hutton** : A number of points to make there. I think that..that's right, and I think that.....I wonder what Amartya would say though to the proposition that some economists make which is that it's pretty difficult, if you look at the globe, it's not just democracy that explains actually, differential performance, I mean it's pretty difficult for economies in and around the equator, I mean Galbraith always says, that you know, "A thousand miles around the equator, there isn't one really successful developed economy. " Something about culture, something about climate, something about....

**Melvyn Bragg** : Jared Diamond makes that point, too.

**Will Hutton** : Jared Diamond makes that point, David Landis makes that point in his new...that actually there's a...it's more complicated than just saying "lack of democracy" explains the poor development of some of these countries.

**Amartya Sen** : But I'm not saying....you know...I 'm saying that democracy does little for just average economic growth, I'm not trying to explain economic growth by democracy, quite the contrary, I'm just saying aside from the independent importance of democracy and human rights and political rights, democracy's role in the economy is mainly for economic security rather than economic growth, which is a very different problem. As far as cultural theory are concerned, I think Melvyn referred earlier to, I think he was saying Tony, but Max Weber was one of the first ones, but you know the cultural theories have always lagged behind, just when Weber and Tony were going into later editions, claiming that Protestant ethics were the main engine of development, as it happened the growth rates had by then, shifted to the Catholic countries, like France and Italy, by the time the theory was generalised into Christianity, Japan was beginning to go very fast (Melvyn laughs), suddenly this was all translated into some traditional thing about the Samurai culture and the values coming therefrom, by the time that was stabilising, Korea and other, (Melvyn continues laughing) countries were beginning to grow fast, the theory was generalised to Confucianism....

**Melvyn Bragg** : Is it going to be.... (laughs)

**Amartya Sen** : ..by that time, Thailand was going very fast, which is a Buddhist country, so I think these cultural theories all tend to look back and try to produce a kind of explanation, which works until that moment, and not very well in terms of its predictive record.

**Melvyn Bragg** : Can we just look at the connection between (Mel and Will both laugh).....

**Will Hutton** : I would have said something about that, but you want to go on!

**Melvyn Bragg** : Oh go on, no, no, no, please.

**Will Hutton** : Well, I...I...I..

**Melvyn Bragg** : You look just....

**Will Hutton** : I do think if you think about Europe and European development in the 16th and 17th centuries it is notable that Protestant countries were first off the block, and you know all I want to say is *that* really, because I know that you (Melvyn) want to say....

**Melvyn Bragg** : No, no go on...

**Will Hutton** : I think that this notion that religion, Protestantism was associated with the early development of capitalism in Europe, I think the evidence of that is quite good actually, and I'm less reluctant to let go....I'm *more* reluctant to let go of it than you and Amartya.

**Amartya Sen** : No but my point isn't that it wasn't (indistinct) that's a historical fact. the question is how can we learn from history for looking at the future? That's the context, as a historical thing, absolutely right, that early capitalist development occurred in Protestant countries and there are good reasons for that, but to think that somehow if you don't have Protestantism there you're doomed, was sort of disputed first by the success of Catholics then the Japanese, then the Confucian societies, finally the Buddhist societies!

**Melvyn Bragg** : D'you think....you're looking at globalisation Will Hutton, and in your book you're just starting on it and so forth...d'you think that the big global economies can manage without poor countries, do they need metaphorically, "the sweatshops of the world" to make...to keep them as buoyant as they are? Do they need to move their operations from Texas to Bangaloor to make it work?

**Will Hutton** : I think that the success of the American economy in the 1990s, the boom in Wall Street is impossible to explain without looking at the relationship between the US and the rest of the world. The US capacity to locate production in low cost countries and to lift the profitability of US corporations thereby, has been a kind of, central part of the story, and yet...so I do think actually, that the flip side of American economic success in the 1990s has been the growth of global inequality, yeah, I've....

**Melvyn Bragg** : And d'you think when you say, not just "flip side", d'you think that is an essential characteristic, without which the wealth that we see and the abundance of it and the juggernaut of it would not be as powerful?

**Will Hutton** : Yes, I think that the US economy would not have got so far in the 1990s without its relationship with the rest of the world which is one of structural inequality. I mean, America I think runs something close to an informal economic imperial system, and the tributes that we all pay to America is one of the reasons it's stock market is so high, and it's had the success it has, that's not to deny that it's a highly entrepreneurial culture and that's not to deny the importance in the 1990s of information technology, which are also part of the story, clearly.

**Melvyn Bragg** : Is it possible for you to abstract a philosophical conclusion to this discussion, out of all Will's said there?

**Amartya Sen** : Well, no, I don't....it's not so much a conclusion, I don't agree I think that American prosperity requires other countries to be poor. It's certainly a crying shame how much global inequality there is, that has its independence status, as something that we have good reason to resent. But to think that the prosperity of Europe and America has to survive on the poverty of other parts of the world I think that's just not right of interests in international trade, is something which I do basically believe. There are issues, important issues about equity and such things as development of patent, user patent for example in medicine there are interesting questions about asymmetry in trade freedom. For example the rich countries still continuing to have a high degree of protectionism on agricultural product textile, is something which requires much more discussion and so forth.

But I think from there, to jump to the conclusion which is not what Will is saying, but is related to your question, does the richness of the rich countries depend on the poverty of the poor? I don't believe that for a second.

**Will Hutton** : Well I think that we have constructed, or there is constructed a global economy, in which there are huge inequalities, and I do think...

**Amartya Sen** : I agree with that

**Will Hutton** : that part of the dynamic that's been set up, has been a very substantial increase in the profit share in American GDP, which is really the driver of the rise in Wall Street, which in turn has been....had all these consequences on investment and spending in America and enabled the great boom in information technology because the whole thing is linked , and it's in that sense that I think...I'm not saying that "it's dependent upon", I'm saying that inequality, the inequality...the global inequality has set up a dynamic which has particularly helped the US.

**Melvyn Bragg** : Thank you both very much. Thanks very much to Will Hutton, and thanks very much to Amartya Sen, and thank you very much for listening.