

Philosophy of Sustainable Development*

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There is a massive literature on sustainable development. The United Nations (UN) and UN related multilateral agencies dealing with trade, environment and poverty have made their own contribution to the growing literature. Professor Sankar in his scholarly paper has given a sample of the definitions of sustainable development (Sankar, 2008). One of them is "meeting the needs of the present generation without compromising the needs of future generations". A more eclectic definition is by World Commission on Environment and Development (WCED): "sustainable development is a process of change in which exploitation of resources, the direction of investments, the orientation of technological development and institutional change are all in harmony and enhance both the current and future potentials to meet human needs and aspirations" (WCED, 1987).

I would not seek to discuss the nuances of these definitions but to provide the broad canvass of what I would prefer to call the philosophy of sustainable development. I would submit that only against the background of such a broad canvas a blueprint for sustainable development for a specific country can be worked out meaningfully.

The choice of the word "Philosophy" is deliberate. The parameters within which issues of sustainable development need to be addressed have witnessed a

significant transformation. First, development economics has discarded the age-worn "trickle-down" theory of growth and has embraced "inclusive growth". Second, the private sector is no longer guided by Milton Friedman's dictum: maximization of profits is its sole objective. The twenty-first century model of a private company shows ample awareness of the larger concerns of the community, including depletion of natural resources and environmental degradation predatory capitalism is dead.

There are, thus, three essential ingredients of the recipe for sustainable development. First, while most writers on sustainable development seem to emphasize inter-generational equity, as the first definition I quoted indicates, I would stress that intra-generational equity is equally important. The very survival of the community depends on how soon we would facilitate the attainment of intra-generational equity. Survival comes first before sustainability. Second, many writers seem to over-emphasize the role of public policy in sustainable development: the title of the present International Conference is an instance in point. I would seek to argue that the attainment of sustainable development is a co-operative enterprise in which both the private and public sectors have a role to play. Thirdly, in both the cases, private and public, community-centered development holds the key to attainment of sustainable development.

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Intra-generational Equity

The Eleventh Five Year Plan (2007-08 to 2011-12) aims at putting the economy in a sustainable growth trajectory with a growth rate of 10 per cent in the terminal year. Rapid growth is an essential part of strategy for growth and development but we have now realized that the growth process has by-passed certain sectors of the economy and sections of the population. Inclusive growth, or broad-based and decentralized growth is therefore the new strategy adopted by the Eleventh Plan. Inclusive growth has become a growth and development imperative. A high GDP growth can be sustained only if other sectors or segments of the economy, which have been sluggish due to this, can be activated. Development, because this is perhaps the best route by which the bulk of the poor, whom the process of growth has by-passed, can be provided with livelihood and food security (Mujumdar, 2007).

This new-found concern for growth with equity shows that development economics has come a long way from its earlier position. In the early 1950s, when the Indian Planning Commission sought to build equity into the development plan, the mainstream development economists scoffed at the idea. Their dictum was: Enlarge the size of the national cake: distribution will take care of itself. These were the hey-days of the percolation or trickle down theory of growth- a theory which has been disproved by empirical experience. Equity is intrinsically important as a development goal in its own right. But sharing of economic and political opportunities is also instrumental for economic growth and development. In other words, equity reinforces the growth process itself. Promoting intra-generational equity has, thus, acquired a new dimension in strategies for sustainable developments.

Nearly 100 years ago, Mahatma Gandhi emphasized: "Basic human needs have the first claim on society's resources and it has an obligation to arrange its economic affairs in a manner that the needs of all its members are met"(Mujumdar, 2007). One cannot have little islands of affluence or opulence in an ocean of poverty. The social system to be sustainable has to first ensure that basic needs of all are met. The contemporary relevance of Gandhi's economic philosophy is quite remarkable. The community centeredness of the approach to sustainability is thus underlined.

Private Corporate Sector

In the current discussions on the so-called social responsibility of the private corporate sector, it is customary to assume that such responsibility is in the nature of glorified charity. It was left to the Coca-Cola chief who represents the not so pretty face of modern capitalism, scarred as it is by the recent Enron and Enron-like episodes, to re-define corporate responsibility. As guest editor of the Economic Times, Mr. E. Neville Isdell wrote:

"The future of a 21st century company is tied to the health of our communities and our planet. Some leaders may consider sustainability work to be in a company's "enlightened self-interest". I disagree. In ways that will determine our ability to achieve consistent, global growth and profitability it is quite literal self-interest". Editorial, March 17, 2008.

All researchers on sustainable development should sit up and take notice of this new twenty-first century corporate model for sustainability provided by Isdell. To explain briefly, water is the main ingredient in Coca-Cola; and lack of public access to clean water is a serious problem in many communities where Coca-

Cola factories are functioning. Hence the objective of the Coca-Cola company has been to return water used in its manufacturing processes safely to the environment; the company supports more than 100 community water projects in 40 countries. In India the company is installing more than 100 rain harvesting structures in 17 states.

This is in sharp contrast to the colonial regimes which facilitated rapacious exploitation of natural resources which benefited only the multinationals and the colonial powers leaving the community in the lurch. Copper mining in Zambia and gold mining in South Africa are instances in point.

To cite one more recent example, some multinational banks are making it clear to their borrowers that lending to industries with polluting technologies will attract higher rates of interest. This new awakening among the private corporate sector companies and financial institutions augurs well for sustainable development. Community- centeredness has to be super- imposed on the private business.

It may be added that even today in India, some policy makers seem to have remained slaves to the ghosts of Milton Friedman, whom Isdell quotes at the beginning of his Editorial:

“There is one and only social responsibility of business-to use its resources and engage in activities designed to increase its profits.”

Let us hope that the Isdell model will help both the private sector and public policy makers to unlearn Friedman.

Empirical Experience

As this point it may be useful to raise the question: Does the empirical experience of countries which have

recorded sustained high growth in recent years - recent in the sense after the classic industrial revolution - offer any lessons for us? About a dozen economies, both large and medium size, witnessed an average GDP growth of 10 or nearly 10 percent sustained over a decade (Economic Survey, 2008). These include China, Singapore, Japan, Taiwan, Thailand, South Korea, Portugal, Greece and Hong Kong. Among these economies, four or five sustained growth of around 9 per cent for two decades or so. One of the critical elements in facilitating such sustained high growth was high investment in infrastructure. What is of paramount importance is the up-gradation of infrastructure, both physical and social, particularly in power, roads and ports. A corollary of this requirement is mobilization of massive amounts of capital by both, private and public sectors.

Community- Centeredness

Overall, it is clear that community-centeredness holds the key to sustained development of the economy, whether it is in terms of public policy formulation or guidelines for functioning of private companies. Undiluted market theology, expounded by the IMF and the World Bank, which in the past has shaped policies in many developing countries, has thus to be tempered by this larger concern for the community as a whole.

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Financial Inclusion and Microfinance:

Case study of a Bima Grama

Banks in India are now on a nationwide campaign seeking to achieve total financial inclusion. One of means adopted for this purpose is to extend microfinance through the Self-Help Groups. This is a massive programme aiming at the coverage of all the households in the districts selected by each bank. Banks have started opening large number of **No Frills Accounts** as one of the means of reaching out to the un-reached. Life Insurance Corporation of India, with a similar objective of extending the insurance cover to larger number of people from the rural areas, has introduced the **Bima Grama** project under which all the eligible persons in the selected villages are brought under insurance cover. There are a good number of such villages as announced by it. However, no attempt appears to have been made by any agency to evaluate the extent to which the banking sector has been able to reach out to the households in such villages. No research study of this nature has been published so far. This study, therefore, would be a pioneering study in this regard.

The village selected for the study is Kedinje village (in Karkal taluk), which is a *Bima Grama* as declared by LIC. Its locational proximity to the Institute is one of the factors determining its selection. Secondly, the village has the presence of a branch of one of the public sector banks, namely Canara Bank since a long time. Besides this, in a radius of five kms, there are four branches of three public sector banks and a gamin bank. People in the village as well as those in the neighbourhood are presumably familiar with banks. This should be naturally reflected in a high banking penetration ratio. Is it really so? That is the question, for which this study seeks to get an answer.

Survey of the village has been completed and the data are being processed. The Findings would be published in one of the forth coming issues of **Nitte Management Review**.