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paper series
on culture and
development**

**CULTURE,
HUMAN DEVELOPMENT
AND ECONOMIC GROWTH**

**by
Keith Griffin**

united nations research institute for social development

united nations educational, scientific and cultural organization

3

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AND ECONOMIC GROWTH**

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Foreword on Culture and Development

Culture is both the context for development as well as the missing factor in policies for development. Although such interactions have long been recognized as essential, there has been no worldwide analysis in this field on which new policies could be based. The independent World Commission on Culture and Development (WCCD) was therefore established jointly by UNESCO and the United Nations in December 1992 to prepare a policy-oriented report on the interactions of culture and development.

The Commission, composed of distinguished specialists from all regions of the world and presided by Javier Pérez de Cuéllar, held a series of consultations with scholars, policy makers, artists and NGO activists on specific regional perspectives and concerns. The ideas and data gathered during this process have provided new and powerful insights into the relationship between culture and development worldwide. **Our Creative Diversity**, the report of the Commission presented to the General Conference of UNESCO and the General Assembly of the United Nations in 1995, recommended that an "annual Report on Culture and Development be published as an independent statement addressed to policy makers and other interested parties".

As highlighted in **Our Creative Diversity**, economic, governance and social activities are deeply embedded in the value systems and practices of societies. Their impact on the form and content of development is pervasive and profound. There is an urgent need to analyse and monitor the evolution of interactions such as: economic growth, culture and globalization; ethics, democracy and development objectives; ethnic conflicts, indigenous peoples and the rights of minorities; environment and inter-generational ethics; values, customs and gender; culture and the growth of cities; and culture and the information highway.

The preparation of a World Culture Report will open up a new field in analytical and quantitative thinking on the relationship between culture and development while providing scientific and creative inputs that will inform policy makers. This requires that tasks of an exploratory nature, both conceptually and in terms of creating quantitative indicators on culture and development, be combined with the wide-ranging collection of existing data and statistics on this theme.

For this reason, the close collaboration of multi-disciplinary agencies, such as UNESCO and UNRISD, is crucial. The joint UNRISD-UNESCO series of Occasional Papers on Culture and Development is a first step in facilitating and catalyzing an international debate on culture and development based on high-quality research. The present paper by Keith Griffin is the third in the series. In it, the author shows not only the intrinsic value of human development and cultural diversity, but also their instrumental value in promoting growth. In discussing the ties that bind human development and economic growth, he emphasizes the importance of investing in human

capacities and the positive economic repercussions of such investments. The author argues that creativity - new knowledge, new technology, new institutional arrangements - is the fountainhead of economic growth, and that pluralism - multiculturalism - contributes to creativity in all fields of endeavour. The paper highlights the ways in which the interests of different social groups converge (in the long run) and thus the value of co-operation. Keith Griffin is Professor of Economics at the University of California, Riverside.

A World Culture Report that takes an attractive and innovative approach to the quantification of crucial cultural phenomena can have profound implications for global development and international peace, security and well-being. Quantitative indicators in this area deserve greater attention at all levels of development action, for they can contribute to the dissemination throughout the world of a message of respect for creative diversity, equity and peace.

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May 1997

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I. Introduction¹

Economic growth, the traditional objective of development policy, is concerned with increasing the output of goods and services, in the expectation that this will increase human well-being and reduce poverty. More recently there has been a shift in favour of human development, where emphasis is placed on increasing an individual's capabilities, widening choice and expanding freedom.² There is much discussion, even controversy, about the relationship between economic growth and human development:³ are they in opposition? do they have different policy implications? or do they come down to much the same thing in the end?

More recent still is the incorporation of culture into the debate.⁴ Human development focuses on the individual and pays relatively little attention to the social or communal aspects of life.⁵ Yet individual human beings do not live and work in isolation. They band together in groups of various sorts extending from the nuclear family to transnational institutions. Human beings, individually and collectively, interact in many ways. They co-operate and compete with one another, engage in conflict, build harmonious relationships, borrow and lend and adapt attributes of others. This communal or communitarian or collective aspect of life we call culture; and it is culture, in all its diversity and complexity, that constitutes a people's way of life. The old question, now before us once again, is what does culture have to do with economic growth and human development?

In this essay we do not propose to answer this question fully – indeed, we are not capable of doing so – but rather we propose to explore some of the important connections among economic growth, human development and culture and to suggest, at least implicitly, where the argument is likely to lead in future.

¹ I am grateful to Steven Helfand, Azizur Rahman Khan, Prasanta Pattanaik and Jan Nederveen Pieterse for helpful comments on an earlier version of this essay.

² For statements of the human development approach see Amartya Sen, "Development as capability expansion", in Keith Griffin and John Knight (eds.), *Human Development and the International Development Strategy for the 1990's*, Macmillan, London, 1990; and UNDP, *Human Development Report 1990*, Oxford University Press, New York, 1990, Ch. 1.

³ Indeed, UNDP has devoted the *Human Development Report 1996* to the controversy. See UNDP, *Human Development Report 1996*, Oxford University Press, New York, 1996.

⁴ See the report of the World Commission on Culture and Development, *Our Creative Diversity*, UNESCO, Paris, 1995.

⁵ For an attempt to link human development, social development and culture in a specific country context see Keith Griffin (ed.), *Social Policy and Economic Transformation in Uzbekistan*, International Labour Organization, Geneva, 1996, Ch. 1.

II. The Sources of Economic Growth

The early tradition in economics was to emphasize the importance of **natural capital** in sustaining high levels of income per head and permitting steady growth, at least until diminishing returns set in. The French physiocrats and the early English political economists fall into this category. Growth based on natural capital, or on the exploitation of natural resources, could not continue indefinitely, it was thought, because as production expanded it was necessary to bring into use resources of lesser yield: land of lesser fertility, mineral deposits with lower ore content, etc. Eventually, diminishing returns would result in a "stationary state", i.e., constant real income and zero growth.

There are numerous examples today of countries which have based their growth on the exploitation of natural capital: oil and gas, timber, fisheries, minerals, and so on. The original insights of the classical economists, however, have been rediscovered and it is increasingly recognized that growth has occurred in part by consuming the stock of natural capital beyond the rate of natural replenishment (in the case of renewable resources) and without compensating investments in other sectors (in the case of non-renewable resources).

This has two profound implications. First, the level of net income and its rate of growth as estimated from standard national income accounts are likely to be overstated because the depreciation of natural capital is ignored. The national accounts of all countries have exaggerated the level of net income, and most countries probably have been growing less rapidly than they thought. Second, whatever the true rate of growth of net income, the growth process is not sustainable indefinitely. If the harvest rate of renewable resources exceeds natural regeneration, relative prices will rise – and if the process continues we will eventually run out of fish, timber, even clean air and water.⁶ If the extraction of non-renewable resources is not offset by the creation of an equivalent value of capital elsewhere, the capital base of the economy will eventually become insufficient to sustain current standards of living.

Modern theories of growth, both mainstream and Marxian, have placed little emphasis on the stock of natural capital but have instead concentrated on the accumulation of **physical capital**.⁷ Ever since the first industrial revolution in Britain, analysts and policy makers concerned with growth have emphasized investment in plant and equipment as the key to progress. The focus has been on savings and investment, domestic and external sources of finance for capital accumulation, and, to a lesser extent, on technology as embodied in new vintages of physical capital.

⁶ The rise in relative prices will, of course, ration demand and reduce the rate of consumption. It is therefore unlikely that we will literally run out of resources, but the sharp increase in the relative price of natural resources could have serious implications for the rate of growth of average incomes.

⁷ Most non-Marxian theories of economic growth take as their point of departure the work of Roy Harrod or Robert Solow. See R.F. Harrod, "An essay in dynamic theory", *Economic Journal*, April 1939; and Robert Solow, "A contribution to the theory of economic growth", *Quarterly Journal of Economics*, February 1956.

Again, there are numerous examples of countries which based their growth on the accumulation of physical capital. And in general the statistical evidence shows that countries with above average rates of investment tended to experience faster rates of growth than average.⁸ There are exceptions, which tend to be associated with countries which failed to incorporate new technology into investments in plant and equipment,⁹ but on the whole modern theories of growth have turned out to be correct – up to a point.

The great weakness of modern growth theory is that the contribution of physical capital to economic expansion is surprisingly modest. The most important source of growth lies elsewhere. Indeed, it is estimated that between them, natural and physical capital can account for less than half of the observed rate of growth; more than half of growth arises from human sources.¹⁰ Indeed, it is findings such as these which led to the most recent shift of emphasis in favour of **human capital**. It is now thought that investment in human capital – expansion of labour power, expenditures on health and nutrition, investments in education, training and research – is the single most important source of economic growth.

This has very deep implications for theory and policy. It alters the very categories we use for analysing economic phenomena. For example, the division of expenditure between consumption and investment loses much of its significance because many items classified as “consumption”, such as current outlays on health and education, really should be understood as a form of human capital expenditure. Similarly, it forces us to re-think all growth-promoting strategies of development. “Capital” may still be the “engine of growth”, but the lead locomotive is human rather than physical capital. In addition, as we shall see below, it requires us to re-examine the relationship between the rate of growth of output and income and the distribution of income. It compels us to reconsider the link between employment policies (and short term macro-economic policies in general) and growth policies. Unemployment, for example, may well result in loss of skills through disuse and hence in a decline in the stock of human capital. The loss of human capital, in turn, could result in a lower long-term average rate of growth. And above all, the importance of human capital forces us to put people in the centre of the stage.

This transformation of thought is one of the things – but only one of the things – that has led to the conceptualization of **human development** and the advocacy and formulation of human development strategies and policies. At both the intellectual and practical levels, we are going through an exciting period of reconsideration of much that was thought to be settled doctrine.

⁸ See Amartya Sen, “Development: Which way now?”, *Economic Journal*, Vol. 93, No. 372, December 1983.

⁹ Perhaps the most important case is the Soviet Union, where high rates of investment in physical capital were largely offset by sharply diminishing returns to capital. See William Easterly and Stanley Fischer, “The Soviet economic decline”, *World Bank Economic Review*, Vol. 9, No. 3, September 1995.

¹⁰ See, for example, UNDP, *Human Development Report 1996*, op. cit.

III. Does Growth Promote Human Development?

The participants in the debate on human development agreed from the beginning that an expansion of the production of goods and services (growth) increases capabilities and choices as well as many freedoms (and thus makes a vital contribution to human development).¹¹ Two additional points, however, were also made. First, growth was seen merely as a means to the end of human development. Gross national product (GNP) was "dethroned" as an objective of policy. This does not mean that the growth of GNP is unimportant, but only that growth as such is an intermediate objective rather than a final objective. Growth is to be valued only insofar as it contributes to human development and not in its own right.

Second, the contribution of growth to increased human development was seen to diminish with the level of output and income per capita. That is, growth is characterized by diminishing returns on the margin. The higher is the level of a country's per capita GNP, the less any increment of GNP adds to that country's level of human development. The contribution, if any, of growth to utility, welfare, well-being or satisfaction, or any other shorthand expression used by economists for happiness, is another matter. The argument does not depend on an assumption about diminishing marginal utility.

These propositions are straightforward even if still controversial. In addition, there are more subtle points to be made.

If growth is based on human capital formation as opposed to investment in physical capital and the exploitation of natural capital, the contribution of growth to human development is likely to be larger. This is because marginal increments of income are likely to be distributed more evenly under a human capital-based growth strategy than under alternative strategies, for the simple reason that human capital almost always is embodied in human beings and hence the returns to human capital usually can be captured directly by the individuals who possess that capital. Assuming that the principle of diminishing returns of growth to human development applies across individuals as well as across countries, a growth strategy centred on human capital will be more successful in raising a country's average level of human development, for any given rate of growth of GNP.

A corollary of this is that employment-intensive growth patterns are likely to contribute more to human development than growth patterns characterized by high rates of unemployment and slack labour markets. It is high returns to labour that facilitate a transformation of income into human development. Growth, in other words, is a permissive factor; there is no mechanism that automatically translates growth into greater human development.

¹¹ In fact, real gross domestic product (GDP) per capita (expressed in purchasing power parity terms) was incorporated into the Human Development Index (HDI) and given a weight of one third. The inclusion of GDP in the HDI can be understood as implying that it contributes directly to human development or that it is acting as a proxy for capabilities other than longevity and literacy (which are included in the HDI), or both.

A further implication of this line of reasoning is that a growth process that results in a more equal distribution of income will have a more favourable impact on human development than a growth process that is accompanied by increased inequality. This is true whether the diminished inequality arises directly from the growth process itself or is a product of government policy regarding, say, public expenditure and taxation. The more evenly are the increments of growth spread, the larger will be the increase in human development. Egalitarian growth has a substantial payoff.

The conclusion, thus, is that growth contributes to human development but at a diminishing rate. The tendency for returns to diminish can be attenuated by adopting policies which (a) encourage employment, (b) emphasize human capital as the engine of growth, and (c) promote a more equal distribution of income. At the other extreme, "jobless growth" based on natural and physical capital that results in a highly unequal distribution of income, is likely to contribute relatively little to human development.

So far we have concentrated on the direct linkages between growth and human development, between higher incomes and a broader range of choices, capabilities and freedoms. There are also indirect linkages that should be considered.

These indirect linkages arise from the fact that growth generates additional resources, and these additional resources can, in principle, be allocated in such a way that human development is increased. The allocation mechanism may be either public action by governmental institutions, or private decisions taken by individuals, households, business enterprises and other institutions of civil society. Once again, there is nothing automatic about the process; growth is merely permissive.

It is not difficult to imagine a number of indirect linkages. For example, growth leads to higher government revenues; part of these additional revenues might be used to improve the public health service, which results in an increase in life expectancy of, say, those over 60 years of age; the higher life expectancy enlarges the capabilities of the elderly, i.e., it contributes directly to human development. Similarly, growth leads to greater business profits; part of the additional profits might be used by firms to finance on-the-job training programmes for workers, which, by a similar chain of reasoning, results in a higher level of human development. An analogous sequence can occur within the household: growth leads to higher incomes, which leads to expenditures on music lessons for the children, which increase their capabilities. How additional incomes are spent may be as important for human development as the amount of additional income generated by economic growth.

IV. Does Human Development Promote Growth?

The direction of causality considered so far runs from growth to human development. Let us now examine the reverse causality, from human development to growth. It should be clear from what has been said above that human development does indeed promote growth and hence we have a system of mutual interaction or two-way causation. This raises the interesting possibility of a virtuous circle in which growth leads to human development, and human development leads to a further acceleration of growth.

Human development, above all, is the purpose of development, but it is also an instrument of development and a contributor to economic growth. Investing in people is desirable for its own sake, but there is also considerable evidence that investing in people is highly profitable.¹² Indeed, it is now widely believed that the returns on human capital are as high if not higher than the returns on physical and natural capital. It is this which makes human development such an attractive strategy for development and extends the debate beyond a discussion of the appropriate goals for economic policy.

A well-nourished and healthy population, a well-educated and well-trained labour force are simultaneously human development objectives and components of the stock of human capital. Seen in this latter incarnation, human capital is a major input into the growth process. That is, human development promotes growth. This is by now rather obvious.

Less obvious is the proposition that other aspects of human development, which do not fit readily under the label of human capital, also contribute to economic growth. Consider participation. It is widely agreed that people should participate in the decisions that affect their lives and that local participation in public affairs is one aspect of the goal of human development. Participation, however, also has instrumental value. Participation implies co-operation and a willingness to make sacrifices to achieve commonly agreed objectives.¹³ Co-operation and sacrifice help promote growth. For example, the sacrifice of present consumption (savings) raises the level of investment and rate of growth, and individuals may be more willing to make this sacrifice if they know that others are co-operating by doing likewise. In addition, there is an informational dimension to participation. That is, the active involvement of the people in local decision-making can help to improve the quality of decisions. Participatory institutions can help to identify local projects with high rates of return, they can help to anticipate problems before they arise, they can help to devise solutions to problems and they can help to decide how best to implement projects and programmes. All of this helps to

¹² For an early survey of the evidence see George Psacharopoulos, "Education and development: A review", *World Bank Research Observer*, Vol. 3, No. 1, January 1988. For recent evidence see Rati Ram, "Level of development and rates of return to schooling: Some estimates from multicountry data", *Economic Development and Cultural Change*, Vol. 44, No. 4, July 1996.

¹³ People's willingness to co-operate and make sacrifices for the common good depends partly on cultural variables, as we shall see in the final section.

promote growth by providing more complete and accurate information. The voice of the people, i.e., local participation in the public arena, plays a similar role to market signals in the private arena: both voices and prices convey valuable information that improves economic performance.

The same is true, by extension, of freedom, democracy and human rights at the national level. These things are, of course, highly desirable in themselves and are part of what is meant by human development: they increase choice and enhance capabilities. But it is also possible that they encourage growth. A dissenting individual, a collective protest or demonstration, a democratic election in which all voices are heard may convey information to policy makers that leads, for example, to greater public investment in primary and secondary education, or to the removal of barriers against the employment of women or to the expansion of transport and power facilities in the rural areas – all of which would be likely to accelerate the pace of economic growth.¹⁴

Jean Drèze and Amartya Sen have frequently called to our attention the fact that there has never been a famine in a democratic country with a free press.¹⁵ This penetrating insight may have wider applicability. A respect for freedom, democracy and human rights may have instrumental value not only in avoiding catastrophe, such as a famine, but also in promoting the good things in life.¹⁶ One must not push the argument too hard and discredit it by overstatement. Certainly, democratic countries have done horrible things, or stood by while horrible things were done by others. Moreover, in the economic sphere, it is easy to list democratic countries which have experienced slow growth (the United Kingdom, the United States) and countries with authoritarian features which have enjoyed rapid growth (China, South Korea, Singapore). If there is a positive relationship between this aspect of human development and economic performance, it is a subtle and indirect connection which is unlikely ever to be revealed in a statistical correlation. Cultural variables, as we shall see below, may be relevant in this connection.

¹⁴ This does not imply that better information is sufficient to produce growth-enhancing policies – vested interests, pressure groups and conflicting political priorities also are relevant, but strong and clear “voices” also have a role to play.

¹⁵ Jean Drèze and Amartya Sen, *Hunger and Public Action*, Clarendon Press, Oxford, 1989. Also see N. Ram, “An independent press and anti-hunger strategies: The Indian experience”, in Jean Drèze, Amartya Sen and Athar Hussain (eds.), *The Political Economy of Hunger*, Oxford University Press, Oxford, 1995.

¹⁶ See, for instance, Amartya Sen, *Economic Development and Social Change: India and China in Comparative Perspectives*, DEP No. 67, Development Economics Research Programme, London School of Economics and Political Science, December 1995.

V. Inequality and Growth Revisited

There is a long tradition in economic thought that postulates a conflict between efficiency and equity, growth and equality. Indeed, this conflict sometimes is described as the "great trade-off".¹⁷ The conflict has its origins, depending on the author, in the historical role of the capitalist class, in the importance for investment of a high share of profits in national income,¹⁸ or in the propensity of the rich to save a higher proportion of their income than the poor.¹⁹ Whatever the precise formulation, the conclusion inevitably reached is that any attempt by the government to reduce inequality in the distribution of income is highly likely to impair efficiency in the allocation of resources or lower the rate of growth, and probably both.

The human development perspective, however, casts a different light on these issues. It was argued above that the more equal is the distribution of income, the easier it is for the fruits of growth to be transformed into human development. Now it will be suggested that under some circumstances, the greater is the degree of equality, the faster is likely to be the rate of growth. Why might this be the case?

First, the perpetuation of inequality can be costly. Severe inequality produces resentment, discontent and unruliness, even rebellion. Containment of unruliness, suppression of discontent requires resources in the form of expenditure on the police and armed forces, the judiciary, prisons and the penal system - resources that could otherwise be used to promote economic expansion. In extreme cases inequality can make a society ungovernable and cause serious disruption of the economy.

Second, even in less extreme cases, inequality can undermine the legitimacy of the political régime. Inequality, and the avarice and ruthlessness that often are required to sustain it, weaken the rule of law, sever the bonds of trust that enable a society to function properly, and destroy the social solidarity necessary for an "imagined community" to operate as an effective state.²⁰ Moreover, modern technology has destroyed the monopoly of the state over the means of violence. Crime, terrorism and insurgent movements have become banal; violence has become democratized; the victims of injustice have explosive means to vent their anger. And all of this can lower the rate of economic growth. One need look no further than Africa, the Middle East or American ghettos for evidence.

The other side of this coin is that measures to reduce inequality can simultaneously contribute to faster growth. For example, third, there is much evidence that small farms are more efficient than

¹⁷ Arthur Okun, *Equality and Efficiency: The Big Tradeoff*, Brookings Institution, Washington, D.C., 1975.

¹⁸ Nicholas Kaldor, "Capital accumulation and economic growth", in Nicholas Kaldor (ed.), *Further Essays on Economic Theory*, Holmes and Meier, New York, 1978.

¹⁹ Mahbub-ul Haq, *The Strategy of Economic Planning*, Oxford University Press, Karachi, 1963.

²⁰ The phrase "imagined communities" is borrowed from B. Anderson, *Imagined Communities: Reflections on the Origin and Spread of Nationalism*, Verso, London, 1983.

either large collective farms of the Soviet type or the capitalist latifundia one finds in Latin America and elsewhere.²¹ A redistributive land reform and the creation of a small peasant farming system can produce performances as good as if not better than those of other agricultural systems. The experience of such places as China and South Korea is instructive.

Fourth, what is true of small farms is equally true of small and medium industrial and commercial enterprises. An egalitarian industrial structure, as Taiwan vividly demonstrates, can conquer world markets.²² Large enterprises do not, in general, enjoy competitive superiority – the importance of economies of scale is much exaggerated – and often in developing countries large enterprises depend on the state for protection from foreign producers, for subsidized bank credit, for tax favours and for guaranteed sales to the public sector under state procurement policies. Industrial policy thus often encourages both inequality and inefficiency. Small enterprises, in contrast, often face numerous official barriers, the removal of which would reduce inequality while encouraging faster growth.

Fifth, investment in education, particularly at the primary and secondary levels, is a highly effective way to reduce inequality in the distribution of income. It is also, as we have seen, an effective way to stimulate growth. Even if one remains an unreconstructed advocate of growth and is unpersuaded by arguments that human development is the ultimate objective, there is a strong case for supporting large public and private expenditure on education. There probably is no easier way to combine equality and rapid growth. The whole of East Asia is testimony to the veracity of this proposition.²³

A final example of the falsity of the great trade-off is the liberation of women. Equal treatment of women would release the talent, energy, creativity and imagination of half the population. As it is, women already do more than half the world's work, but they have little control over resources (and often over their own bodies); they have restricted opportunities for education, employment and participation in political life; they are engaged in sectors, such as the household economy, which are severely undercapitalized compared to other sectors, and which therefore condemn them to low productivity labour and low returns on their effort; and they are denied opportunities for advancement.²⁴ The subjugation of women produces inequality, inefficiency and a slower rate of growth than would otherwise be possible. The removal of discrimination, in contrast, would reduce inequality and promote growth, while raising the level of human development.

The old conflict between equality and growth thus turns out to be a shibboleth. Under some circumstances, greater equality actually can accelerate economic growth and greater equality almost

²¹ See, for example, Albert Berry and William Cline, *Agrarian Structure and Productivity in Developing Countries*, Johns Hopkins University Press, Baltimore, 1979; and Keith Griffin, *The Political Economy of Agrarian Change*, Macmillan, London, 1974.

²² John Fei, Gustav Ranis and Shirley Kuo, *Growth with Equity: The Taiwan Case*, Oxford University Press, Oxford, 1979.

²³ See, for instance, Nancy Birdsall, David Ross and Richard Sabot, "Inequality and growth reconsidered: Lessons from East Asia", *World Bank Economic Review*, Vol. 9, Nov. 3, September 1995.

²⁴ A great deal of evidence is assembled in UNDP, *Human Development Report 1995*, Oxford University Press, New York, 1995.

certainly would contribute to human development. Thus intervention by the state to reduce inequalities in opportunities, income and wealth, if properly designed and implemented, can have very beneficial consequences.

VI. Culture and the State

Although, in principle, the state can introduce policies to reduce inequality, increase the pace of economic growth and enhance human development, in practice states are often weak or use such power as they have to benefit particular classes, groups or factions in society rather than the population as a whole. This can occur in both democratic and authoritarian states as the experiences, respectively, of Brazil and the Sudan attest. There are many possible reasons for this, but one neglected explanation – and possibly an important one – has to do with the role of culture.

Defining culture broadly, as we have done, as “ways of life” helps to highlight several notable features of the contemporary world. First, there are, of course, a great many ways of life that one can observe. Some ways of life are geographically restricted, whereas some cultures cover a large terrain. Indeed, there are more ways of life, i.e., more cultures, than there are states. One obvious implication of this is that cultures and states do not coincide; the jurisdiction of territorial states does not “map” the space occupied by distinct cultures. There is a disunity of coverage and this lack of coincidence creates a possibility of conflicting allegiances, divided loyalties and contested claims for primacy of affection.

Second, the cultures that one observes today are almost always older than any existing state. In fact, the contemporary state is a relatively recent institutional innovation, dating roughly from eighteenth century Europe, and the majority of actual states were created in the twentieth century after the disintegration of the worldwide imperial system. Most cultures antedate the emergence of the state system and the nationalism and patriotism associated with it. This does not imply that cultures are necessarily ancient, traditional or static, much less that they are timeless. On the contrary, cultures should be seen as changing, dynamic, fluid, in a constant state of flux. Thus cultures, paradoxically, are simultaneously young and old; they represent distinctive ways of life yet they are influenced by other cultures with which they come into contact.

Third, cultures often are transnational phenomena. Geographically, cultures frequently transcend the boundaries of territorial states. This obviously is true of Arab culture in the Middle East, of many African cultures divided by arbitrary boundaries during the colonial period, of “Western” culture, of Kurdish culture in Turkey, Syria, Iraq and Iran, of Chinese culture in East and South-East Asia, and so on. Cultures thus pose, or are perceived to pose, both an external challenge to some states and a risk, perhaps only a latent risk, of internal subversion. States often respond to these threats, real or imaginary, either by suppressing transnational cultural minorities (e.g., the suppression of the Kurdish minority by the Turkish state) or by half-hearted obeisance to ideals of transnational economic and political union (as in the various, and unsuccessful, pan-Arab, pan-African and pan-

Latin American movements). Only in Western Europe, with the formation of the European Community, have strong supranational institutions been created within a relatively homogeneous cultural space.

Fourth, virtually all states include within their boundaries a multiplicity of cultures. Indeed, the term "nation state" is a misnomer. Modern states include a large number of national groups, ethnicities, "tribes", languages and religions, i.e., ways of life. The modern state is irreversibly a multicultural institution. Pluralism is a fact of life of the contemporary world, a fact which has yet to be properly digested by analysts and policy makers alike. Some states (Israel, Pakistan, Iran) behave as if they contained a homogeneous population of uniform religious belief; few states (Switzerland is an obvious exception) have constructed institutions which explicitly take into account the linguistic, religious and ethnic diversity of citizens.

Many states have made attempts, of varying degrees of effort and success, to reduce discrimination against minority groups, to integrate those of different "race" into the mainstream and to assimilate the foreign-born, the indigenous population and other minorities into the dominant society. Diversity, pluralism and multiculturalism within states, however, raise issues which go beyond assimilation, integration, affirmative action, anti-discrimination and the like. They raise questions of access to resources and institutions, participation in the wider life of the polity and society, as well as issues of fairness and equity. Cultural diversity raises the questions of how best to protect the interests and rights of minorities, how to avoid the tyranny of the majority, and how best to secure adequate representation of minorities in decision-making institutions.

How one approaches these questions depends in part on how one views the role of multiculturalism within states. At one end of the spectrum of opinion are those who view pluralism as a disadvantage. Diversity is a source of conflict; it often leads to violence and bloodshed; it results in political instability; and it makes it hard for people to get along together in their daily life. Multiculturalism is something that must be contained or managed, preferably by making "them" as much like "us" as possible. Far from contributing to economic growth and human development, cultural diversity is an obstacle that in one way or another must be overcome or got around.

At the other end of the spectrum are those who regard cultural diversity not as a liability but as an asset. Different ways of life, different ways of looking at the world, different ways of thinking are indeed challenging and a source of dissonance and tension that can lead to conflict and violence. But those challenges and tensions are also a source of creativity (in all its forms) and it is creativity (not capital in any of its forms) which is the fountainhead of economic growth and human development. That is, it is new knowledge, new technology and new institutional arrangements which are the ultimate sources of growth and development²⁵ and it is a plausible hypothesis that cultural diversity acts as a stimulus to innovative activities of all sorts. That is, one can view cultures

²⁵ This idea is nicely captured in Joseph Schumpeter's statement that "add successively as many mail coaches as you please, you will never get a railway thereby". (Joseph A. Schumpeter, *The Theory of Economic Development*, Harvard University Press, Cambridge, 1959, p. 64, n.1.)

as “experiments” which are sources of knowledge. The more experiments humanity conducts, i.e., the greater is cultural diversity, the more knowledgeable and innovative we are likely to be.

It has long been recognized that minorities are often highly innovative in business and account for a disproportionate number of entrepreneurs. Think of the Chinese in South-East Asia, the Lebanese in West Africa, the Indians in East Africa and the Quakers in the United Kingdom. The claim being made here, however, is more general – namely, that pluralism contributes to creativity in all fields of endeavour. If this is true, then over the very long run multicultural states have more potential than states with a relatively homogeneous population. A potential for human and material progress does not, of course, imply that the potential inevitably will be realized. The translation of potential into actual achievement depends on whether, in a particular time and place, the advantages of pluralism can be brought into play and the disadvantages minimized. At any given moment, some culturally homogeneous societies (e.g., Japan, South Korea) may appear on balance to be less divisive and more dynamic than some pluralist societies, but given a longer time horizon, pluralism is likely to be more advantageous than homogeneity.

VII. Globalization and Cultural Interchange

Cultural diversity is, of course, much greater at the global than at the country level. It might have been possible once upon a time to imagine cultures as being separated from one another – with room to breathe and to develop independently – but technological change in transport and communications has for centuries been dissolving time and space, breaking down the barriers which surround even the most isolated cultures. This process has accelerated dramatically in the last 50 years and is part of a wider tendency toward globalization. One consequence of globalization is that cultures are coming into increasingly close contact with one another. The Chinese culture rubs against the Indian culture. The Indian culture rubs against the European culture. The European culture rubs against African cultures, and so on.²⁶

The “rubbing” of cultures is not a question of physical proximity and, indeed, strictly speaking cultures do not have fixed boundaries. They interpenetrate and for this reason cultures are not homogeneous; they are, rather, hybrids.²⁷ It is thus particular cultural attributes that rub against one another and not one particular reified culture (much less a singular national or state culture) that rubs against another.

Be that as it may, this “rubbing” has been going on for a long time, and before considering the implications for the contemporary world, it is worth glancing back at history. It would be fatuous to

²⁶ Indeed, it can be argued that European culture was constituted historically by non-European (namely Asian and African) influences and is a product of cultural mixing that goes back at least to ancient Egypt. See, for example, Jan Nederveen Pieterse, “Unpacking the West: How European is Europe?”, in Ali Rattansi and Sallie Westwood (eds.), *Racism, Modernity and Identity: On the Western Front*, Polity Press, Cambridge, 1994.

²⁷ See Jan Nederveen Pieterse, “Globalisation as hybridisation”, *International Sociology*, Vol. 9, No. 2, June 1994.

claim that technological change and the cultural interchange that follows it have been universally beneficial. Development has been uneven and, more important, the impact of cultural interchange has often been asymmetrical, some groups and cultures losing absolutely, not just relatively. Central Asia, for instance, long occupied a strategic position on the caravan trade routes connecting China with the eastern Mediterranean and Europe. Its cities of Samarkand, Bukhara and Khiva (now in Uzbekistan) were centres of economic, political and cultural activity where the arts and architecture, the natural sciences and mathematics and theology flourished. Beginning in the fifteenth century, the development of transoceanic transport, however, made overland transport through Central Asia unprofitable and the region fell into a steep decline. The maritime regions of Asia were brought into closer contact with Europe while parts of the interior of Asia became increasingly isolated.

Closer contact, however, has been a mixed blessing. Whether one considers the explosive conquests of Islam beginning in the seventh century, which from the epicentre in Arabia covered the whole of the Middle East, all of North Africa and the Iberian peninsula in Europe; or the westward migration of the Mongol "hordes" of the thirteenth century, which ended at the Danube River and the outskirts of Budapest; or the unrelenting expansion of Western Europe from the fifteenth century onwards to virtually every corner of the globe, cultural interchange often seems more like a one way street than a dual carriageway highway. Cultural contact often has been a by-product of military encounters and has been associated with violence, pillage, war, enslavement, conquest, colonialism and imperialism.²⁸ It has led to the introduction of alien diseases to those who had no natural resistance to them and, in some cases, to the decimation of indigenous populations. It has contributed to the spread of racism;²⁹ occasionally it has resulted in genocide; more often it has led to the destruction of pre-existing social structures and the system of beliefs that sustained them.³⁰ Historically, globalization often had a fatal impact.³¹

Yet there is another side to the story: cultural contact was indeed a mixed blessing. The initial effects of cultures rubbing against one another may well be accurately described by the phrase "a fatal impact",³² but the longer term effects were more positive. Contacts between cultures led to a myriad of exchanges and adaptations that were of benefit to all parties. Consider foodstuffs and primary commodities. Latin America gave us maize, potatoes, the tomato and natural rubber; Ethiopia and Yemen gave us coffee; China gave us tea and noodles (which the Italians transformed into pasta),

²⁸ Hartmut Elsenhans, *Development and Underdevelopment: The History, Economics and Politics of North-South Relations*, Sage Publications, New Delhi, 1991.

²⁹ For an analysis of how scientific and technological achievement became a measure of the value of a civilization in the eighteenth century, justifying the right to "civilize" inferior "races" and to dominate the world, see Michael Adas, *Machines as the Measure of Men*, Cornell University Press, Ithaca, 1989.

³⁰ For a study of how this continues today in the Amazon, see Norman Lewis, *The Missionaries*, Secker and Warburg, London, 1988.

³¹ The phrase is borrowed from Alan Moorehead, *The Fatal Impact: An Account of the Invasion of the South Pacific, 1767-1840*, Hamish Hamilton, London, 1966.

³² The effects of European expansion and the "development of underdevelopment" are discussed in Keith Griffin, *Underdevelopment in Spanish America*, Allen and Unwin, London, 1969, Ch. 1; and in Andre Gunder Frank, "The development of underdevelopment", *Monthly Review*, Vol. 18, No. 4, September 1966.

and so on. The world's pharmacopeia similarly draws on botanical products from many different regions. The same is true of our domesticated animals.

Early Chinese science led the world and in the field of technology China gave us paper, porcelain (or fine "china"), the compass, gunpowder and much else.³³ The Arabs gave us our system of numerals. The Central Asians gave us algebra and taught us how to measure the motions of the heavens. India gave us Buddhism, the Arabian peninsula Islam and Palestine Christianity. Mutual influences in art and architecture, music and dance, crafts and household technology are too numerous to recount. All our cultures have been immeasurably enriched by contact with others.

Similar processes can be observed today. Indeed, whatever may have been the case in the past, today no culture, no society is completely closed.³⁴ The questions revolve around the degree of openness and the terms on which a culture interacts with other cultures. That is, whether the relationship is one of subordination, domination and exploitation or one of equality, mutual respect and beneficial exchange. The difference today is that globalization has made cultural interchange more frequent than in the past, deeper and more rapid. Some have speculated that we are witnessing the emergence of a "global culture" and submerging local cultures under an irresistible tide of Western influence. Culture worldwide is becoming more homogeneous: Coca-Cola, blue jeans and North American popular music rule the roost. Local dialects and entire languages are disappearing by the hundreds, local cuisines are being replaced by Western-style fast foods, traditional ways of life are being abandoned in favour of pale images of the American way of life.

While there is some truth to this, cultural interchange in the modern world is a two-way exchange. Capital, technology and even labour circulate globally. Science is universal and accessible to all to a greater degree than ever before. Ideas, information and knowledge are transmitted much more rapidly and more widely than in the past. The result is an increase in diversity: greater heterogeneity, not greater homogeneity. This evidently is true at any given location, as more and more ways of life learn to coexist, and it also is true globally, as cultural interpenetration multiplies the number of permutations and in the process creates new ways of life, new cultures. This increased diversity, in turn, has led to an acceleration in creativity and innovation. There has been an explosive growth of knowledge and technology in the last 50 years, and this has greatly contributed to the rapid advances in human development that have occurred and to the rapid economic growth we have enjoyed, a pace of growth worldwide that is unprecedented in human history. Cultural interchange

³³ See the multi-volume study by Joseph Needham, *Science and Civilisation in China*, Cambridge University Press, Cambridge, various years.

³⁴ From the late 1960s to the early 1980s some analysts advocated policies of semi-autarky and "delinking" underdeveloped countries from the global economy. (See, for instance, Samir Amin, "Crisis, nationalism and socialism", in S. Amin, G. Arrighi, A.G. Frank and I. Wallerstein (eds.), *Dynamics of Global Crisis*, Monthly Review Press, New York, 1982.) It is obvious today, however, that neither involuntary delinking (as in Iraq and North Korea) nor voluntary delinking (as in Myanmar and Pol Pot's Cambodia) are promising avenues for economic growth or human development. (See Jan Nederveen Pieterse, "Delinking or globalisation?", *Economic and Political Weekly*, 29 January 1994.)

has indeed been a mixed blessing, but the positive contribution of interchange has been extraordinarily large.

VIII. The Intrinsic and Instrumental Values of Culture

Culture (or the communal aspect of life) is analogous to human development (which focuses on the individual) in that culture is valued in itself and also as a means to obtain other things which are desired or valued. That is, culture possesses both intrinsic and instrumental value. The intrinsic value of culture has long been recognized and is reflected in many ways: in concerns to preserve cultural heritage; to respect our traditions and the preceding generations who passed them on to us; to record spoken languages before they disappear; to conserve, restore and maintain historical monuments, art objects and ancient artifacts. Culture as our way of life is something most of us treasure and wish to preserve in a recognizable form; it contributes to our sense of self or who we are and to our sense of satisfaction or well-being.

In addition, however, culture as a means is becoming widely recognized. Increasingly, the instrumental value of culture is being used by leaders in various areas of life to achieve economic, social and political purposes. This includes the appeal to tradition to forge new alliances based on ethnicity or nationality, sometimes with the objective of creating new, culturally homogeneous states, as with the Serbs in Bosnia. It also includes the revival of religious and other traditions in an attempt to re-establish an old order, to re-create a "golden age" and to impose ancient, fundamental values on a society regarded as immoral and god-less. The Christian, Jewish, Islamic and Hindu "fundamentalist" movements can be interpreted in this way.

Thus culture has been used in places for sectarian and reactionary purposes and as a weapon to preserve or create a particular way of life. These uses of culture reflect "a politics of nostalgia".³⁵ These uses of culture, however, are only part of the global picture. As argued above, globalization has led to an intensification of cultural interchange and this, in turn, is transforming local cultures without necessarily producing cultural uniformity. For example, culture is being used to create new forms of expression: English is becoming the *lingua franca*, yet spoken English is evolving in different directions in different regions of the world. At the same time, the number of people who are bilingual or multilingual is increasing rapidly. Similarly, cultural interchange has led to new ways of communicating (e.g. via the fax and Internet), new types of music, new ways of doing business (the transnational corporation), new forms of political organization (e.g. the European community), new channels of international crime and even new ways of finding a spouse (e.g. by advertising in the international media). This burst of cultural creativity or cultural vitality, although uneven across space, is very widespread and indeed is reshaping the world, simultaneously creating elements of a "global culture" while strengthening many features of "local culture" or, better still, "popular culture".

³⁵ Jan Nederveen Pieterse, "The cultural turn in development: Questions of power", *European Journal of Development Research*, Vol. 7, No. 1, 1995, p. 185.

One can think of culture as the glue that binds people together and enables them to interact. But cultures may not be equally successful in enabling people to live well, in peace and harmony, and to exercise their creativity. A culture of peace and harmony, for instance, is something that must be created, not just taken for granted. Genocide, ethnic cleansing, civil conflict, repression of minorities, domestic violence – today as in the past, nationally and internationally – are a reproach to our political cultures. Far too many people on this planet experience violence as an undesired aspect of their “way of life”. Indeed, for many, violence or the threat of violence have become routine, a commonplace.

Yet at another level the glue provided by culture makes human development and economic growth possible. At this more profound level, culture is the most valuable instrument of all. Culture gives people a sense of identity and helps to define one’s place in the world. It provides a degree of psychological security by enclosing each person within symbolically visible cultural boundaries. It fosters trust and co-operation within the group and thereby facilitates collective agreements, working together and market exchange. It makes people’s behaviour and reactions more predictable than otherwise and this, too, facilitates co-operation, exchange and economic transactions in general. It inhibits (or at least contains) interpersonal, interkinship and intercommunity conflict while at times accentuating conflict with those of other cultures, particularly when “the other” is sharply defined or differentiated.

Globalization is bringing cultures into increasingly close and frequent contact with one another. This “rubbing” produces friction and the possibility of conflict,³⁶ which in turn require further cultural adaptation and institutional innovation. But cultural contact also leads to cultural exchange, to mutually profitable borrowing and lending, and to cultural adaptation. These, in turn, result in cultural vitality for all concerned, in aesthetic, scientific and technological creativity and in economic expansion. Indeed, it is quite possible that cultural exchange is one of the roots, perhaps the principal root, of global dynamism and the ultimate source of human creativity, human development and economic growth.

If one adopts a culture-centred rather than a state-centred view of the world, things look rather different. Culture seen from a global perspective can be regarded as human “software”.³⁷ This is a global asset which in principle is accessible to all, although in practice some groups have much greater ease of access than others. Access to this “software” takes place when cultures interpenetrate, a historical process that goes back as far as one can see. Today, however, cultural interpenetration is more frequent, more rapid and more pervasive than ever before. This aspect of globalization ultimately may be more significant than other features of the process that receive so much attention, namely, the rapid growth of international trade, the investments by transnational corporations, the

³⁶ Samuel Huntington has argued that in future the “principal conflicts of global politics” will be dominated by the clash of civilizations or cultures. See Samuel P. Huntington, “The clash of civilizations?”, *Foreign Affairs*, Vol. 72, No. 3, Summer 1993.

³⁷ See T. Banuri, “Modernization and its discontents: A cultural perspective on theories of development”, in F. Appfel Marglin and Stephen A. Marglin (eds.), *Dominating Knowledge*, Clarendon Press, Oxford, 1990.

huge flows of financial capital, the migration of labour and the political and institutional transformations occurring at supra-national levels. The reason cultural interpenetration is so important is that it implies cultural exchange and this, in turn, implies diversity, heterogeneity and a breaking down of mental and conceptual boundaries. That is, cultural exchange can be understood as "a translocal learning process"³⁸ which stimulates creativity and is the fountainhead of material progress and human development.

³⁸ Jan Nederveen Pieterse, "Globalisation as hybridisation", op. cit, p. 177.

The United Nations Research Institute for Social Development (UNRISD) is an autonomous agency engaging in multi-disciplinary research on the social dimensions of contemporary development problems. Its work is guided by the conviction that, for effective development policies to be formulated, an understanding of the social and political context is crucial. The Institute attempts to provide governments, development agencies, grassroots organizations and scholars with a better understanding of how development policies and processes of economic, social and environmental change affect different social groups. Working through an extensive network of national research centres, UNRISD aims to promote original research and strengthen research capacity in developing countries.

Current research themes include: The Challenge of Rebuilding War-torn Societies; Integrating Gender into Development Policy; Environment, Sustainable Development and Social Change; Crisis, Adjustment and Social Change; and Volunteer Action and Local Democracy: A Partnership for a Better Urban Future. New research is beginning on: Social Policy, Institutional Reform and Globalization; Business Responsibility for Sustainable Development; New Information and Communication Technologies; Culture and Development; Gender, Poverty and Well-Being; Land Reform in Developing Countries; Emerging Mass Tourism in the South; and Public Sector Reform and Crisis-Ridden States. Recent research programmes have included: Ethnic Conflict and Development; Socio-Economic and Political Consequences of the International Trade in Illicit Drugs; Political Violence and Social Movements; and Participation and Changes in Property Relations in Communist and Post-Communist Societies. UNRISD research projects focused on the 1995 World Summit for Social Development included: Rethinking Social Development in the 1990s; Economic Restructuring and Social Policy; Ethnic Diversity and Public Policies; and Social Integration at the Grassroots: The Urban Dimension.

A list of the Institute's free and priced publications can be obtained by writing to the UNRISD Reference Centre.

The United Nations Educational, Scientific and Cultural Organization (UNESCO) was created in 1945 to lay the foundations for peace and human rights "upon intellectual and moral solidarity". Its mission focuses on developing human potential and promoting the values of freedom, dignity and justice by extending access to knowledge and strengthening endogenous capabilities.

UNESCO's tasks comprise assistance to Member States in promoting literacy and life-long education; training teachers; safeguarding cultural identities; fostering intercultural dialogue, cross-cultural understanding and the free flow of ideas; and preserving the world's natural and cultural treasures. The organization encourages sustainable development, sound environmental practices and population concern, helps to establish ocean observations systems, and provides access to information, sharing of knowledge, and setting of international standards.

Four target groups with urgent needs are regarded as high-priority beneficiaries of UNESCO's work: these are the least developed countries, the African Member States, women and youth. Special attention is being given to countries undergoing transition from centrally-planned economies and those emerging from conflict situations, as well as small island states. UNESCO's approach involves the mobilization of international and national support, emphasizing problem-solving procedures founded on inter-disciplinarity, and developing networks to help individuals and institutions within and between regions to share resources and expertise in tackling matters of common concern.