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CULTURE, HUMAN DEVELOPMENT AND ECONOMIC GROWTH

by
Keith Griffin

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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. Introduction[1]

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.

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[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