

# SOLUTIONS BY THE PEOPLE, FOR THE PEOPLE

Relevant for: Indian Economy | Topic: Issues relating to Planning & Economic Reforms

'Policy-making must become more inclusive' | Photo Credit: Getty Images/iStockphoto

Economic science has dominated public policy since the 20th century. Debates have raged between “Keynesian” economists and “Friedman” economists: between “welfarists” who see the need for a government hand in the economy and “monetarists” who want governments out of the way to let private entrepreneurs loose and let an “invisible hand” produce good outcomes for all. Both sides agree that growth in GDP — the size of the economy measured in money terms — is essential.

Far-sighted systems thinkers in the Club of Rome gave a wake-up call in 1972. They showed that pursuit of GDP growth was destroying the earth’s capacity to renew itself and provide resources for unbridled economic growth. They introduced the health of the planet into calculations of profit and growth. Meanwhile, economists continue to treat the natural environment as external to the economy. Pleas by communities to protect it are dismissed as impediments to “ease of doing business” and GDP growth.

By the millennium’s end, advocates of unbridled private enterprise had prevailed. Needs of citizens who earn their livelihoods by work, not investments of money, were relegated in national economic policies wherever the “Thatcher-Reagan-Chicago” model of neo-liberal economics prevailed. The 2008 global financial crisis revealed the fragility of insufficiently regulated markets. Governments of the G7 (later G20) collaborated to stabilise the financial system. They bailed out the “too large to fail” institutions while millions of common citizens, who lost homes and livelihoods, were barely compensated. In fact, some solutions to stabilise the global financial system, such as the austerity package imposed on Greece, harmed common citizens even further.

While the ideology of “minimum government”, with balanced budgets and low inflation has continued, waves of protest have erupted around the world. Citizens complain that the global financial system is unfair. It protects the interests of large corporations and the wealthiest people while common citizens fall further behind. Demands to include the needs of ‘People’ in economic policy are becoming louder. The “3P” slogan — People, Planet, and Profit — demands a paradigm shift in economics.

An outline of five systemic solutions for simultaneously improving People, Planet, and Profit is provided in *Earth for All: A Survival Guide for Humanity*. The guide is produced collaboratively by economists, ecologists, and social scientists. They do not model the economy as a closed system as macro-economists do. Following the Club of Rome, their ‘whole system’ model includes feedback loops between the economy, the natural environment, and social systems. Also, it incorporates empirical data from diverse sources.

The five tracks for their solutions are: ending poverty; addressing gross inequality; empowering women; making food systems healthy for people and ecosystems; and transitioning to clean energy.

The report projects outcomes this century if the present pattern of solutions continues. It compares them with an alternative approach that will accelerate systemic change. The present path is called “Too Little Too Late”; the other, “Big Leap”. Business as usual for present gains, with lots of talk of “do-gooding” but insufficient systemic change, is making the world miserable

for the next generation. The model reveals it will lead to environmental and societal collapse later this century.

“Big Leap”, on the other hand, can prevent catastrophe. It does not require new technology breakthroughs. In fact, both, “Too Little Too Late” and “Big Leap”, are based on the use of the same largely known technologies. The difference in the two scenarios is in equitable access to technologies, and in the ways the technologies are incorporated by local actors into solutions fitting their own contexts.

“Too Little Too Late” preserves the present inequitable distribution of wealth and power. (The model forecasts that by 2050, on its present trajectory, India will be the most unequal society in the world.) On the other hand, “Big Leap” evolves a more equitable distribution of economic wealth and social power; it avoids a need for disruptive political revolutions.

Two novelties in the model are the Social Tension Index and the Average Well-Being Index. These, the authors say, “Allowed us to estimate whether policies related to income redistribution might cause social tensions to rise or fall. We believe that if social tensions rise too far, societies may enter a vicious cycle where declining trust causes political destabilization, economies stagnate, and well-being declines. In that situation, governments will struggle to deal with rolling shocks let alone long-term existential challenges like pandemic risk, climate change, or ecological challenge”.

India will host the G20 in a greatly disordered world. Global governance has broken down. The powerful fix the rules of the game, globally and nationally. They even control the conduct of deliberations: the agenda, who will be included, and retain their power to veto.

Social tensions are already too high within many countries. Their governments are unable to find fair solutions through conventional “democratic” processes, with elected assemblies, competing political parties, even public referendums. Disillusionment with democratic institutions is increasing, even in democratic U.S. and Europe. Authoritarian governments are coming to power in many countries, often supported by citizens, as alternatives. “The socio-political world will break into more fragments before the planet becomes too hot,” the report points out. “Because the ways in which solutions are being found to global problems is considered unfair. Voices of less powerful people are not listened to.”

People are not just numbers, nor merely resources for the economy. Policymaking must become more inclusive and less dominated by the powerful and the wealthy on the top. On the economic front, recoupling monetary policy with fiscal policy is necessary but insufficient. GDP must also be recoupled with nature and society.

A paradigm shift is required in the process of problem solving at global and national levels. From a vertical process of experts at the top trying to understand complex systems through numbers and then imposing solutions on the people, to a lateral process of problem solving by deliberations amongst diverse disciplines and dialogue amongst experts and citizens.

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