

# Social Capitalism & Human Diversity



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## Introduction

We live in a global economy, but with little global vision. So while globalization continues apace, so do the arguments around it – arguments that threaten to destabilize a positive development in human history.

The globalization debate pits the pursuit of income against economic security and social justice. For several decades, income growth arguments have prevailed, helping drive the process at an institutional level, most noticeably through the World Trade Organization (WTO) and its predecessor, the General Agreement on Trade and Tariffs (GATT).

More recently, concern about the social costs of globalization has come to the fore. The tension between social and economic factors was forcibly expressed – and achieved global prominence – at the demonstrations surrounding the 1999 WTO meeting in Seattle.

The concept of “social capitalism” brings social and economic strands together. Social capitalism stresses that the process of building richer societies relies on social *and* economic progress. The concept emerges from an understanding that the logic of the emerging global economy places more value on people, rather than less. Human capital is of growing importance to businesses, whether large or small. Business tends to thrive in dynamic, enterprising and adventurous societies – societies which invest in their members and give them the freedom and confidence to fulfill their potential. Our most important economic actors, in other words, rely on ongoing human development to survive.

It is in this context that we discuss education, whose value rose throughout the 20th century, as families across the world have invested more in educating their children for longer. Universal basic and secondary education is still a tough goal, but one which the world can reach in the first half of the twentieth century. Access to higher education is also growing across the world – as developing countries continue the process of building wider education systems, while the developed world moves towards providing advanced training for the majority of its young people.

This educational revolution has been achieved during a period in which the world’s population has climbed steeply. “Social Capitalism and Human Diversity” presents a descriptive analysis of the evolution of this population change, looking at both its size and structure. This demographic transition, from high fertility and mortality to low fertility and mortality, is a pivotal event – and is rooted in significant improvements in health, another vital element of human

capital. In the developed world, the demographic transition was associated with rapid economic progress, and today developing countries have the opportunity to collect a demographic dividend that offers a sizeable boost to living standards. But the dividend can only be collected by countries that have the right policy environment, combining prudent macroeconomic policies, ongoing investment in human capital, and action to build strong societies.

Demography is a powerful predictive tool. It allows us, for instance, to foresee the gradual aging of the world's population, a process that offers a grave challenge to developed countries over the next fifty years. Demography is not destiny, however, and the policy choices we make now will decide whether rising numbers of older people will become the threat that populist writers describe. What is certain is that there will be continued tensions between developed and developing regions, as demographic conditions diverge and make rich and poor feel they live in different worlds. Population movements will continue and may even increase, bringing new opportunities, as ideas and energy circulate, but also increasing intergroup tensions and acting as a focus for social conflict, between and within countries. Inequality of outcomes seems to be increasing, a serious threat to a global economic system which seems to rely on equality of opportunity as the main source of its vigor (the magnitude and rise of inequality are considered in more detail by Richard Jolly in another chapter of *The Creative Society of the 21st Century*<sup>2</sup>).

Human development enhances individual freedom, but investment in social capital is also a central driver in improving the quality of life. Currently, the world is experiencing two contradictory trends. On the one hand, there is mounting evidence of social breakdown in many countries, reflected in a loss of trust of institutions, the fractured modern family, and rising levels of crime. On the other, new social structures are growing up. The knowledge economy, for example, thrives on rich, high-trust networks – often formed over distances that give a new meaning to the idea of community. Another example is the international 'civil society' that is emerging, what one NGO-activist calls a "global New Democracy Movement... built from the grassroots up."<sup>3</sup>

It is not likely that social breakdown will be successfully tackled by an appeal to traditional values. Communities need constant renewal, if they are to stay relevant and satisfy the aspirations of their members. And it is often those who are different and do not conform to social norms who trigger new social arrangements. It is in our interest, therefore, to learn to thrive on diversity. Globalization brings many cultures together. It encourages people to move

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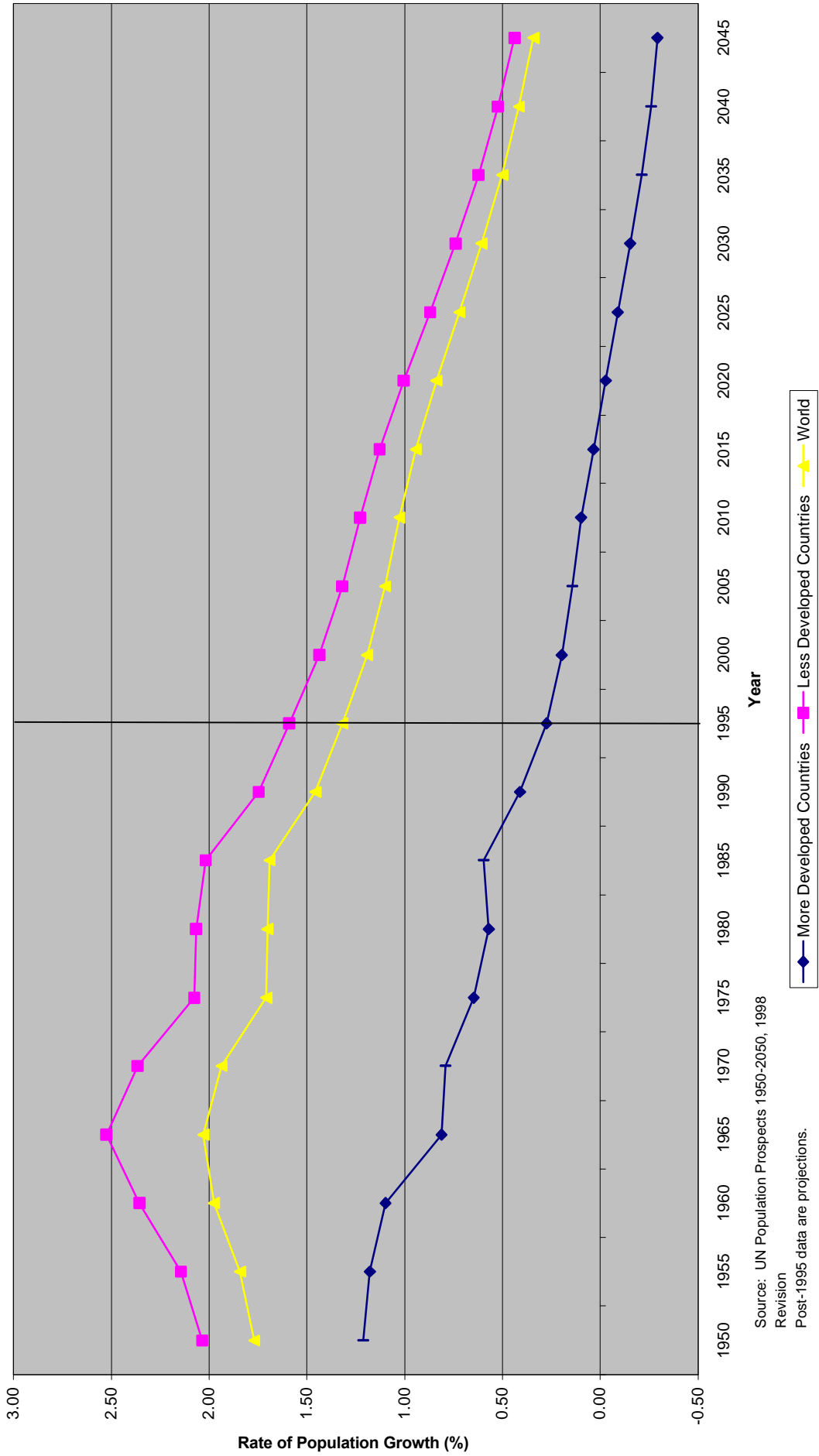
<sup>2</sup> "The Creative Society of the 21st Century", OECD, Paris, forthcoming

<sup>3</sup> Ronnie Cummins, Director of Biodemocracy, [www.purefood.org](http://www.purefood.org)

within and between countries – and, more importantly, provides many routes by which knowledge and values can be communicated from place to place. Comprehending the extraordinary world we live in, and how it might develop, is a daunting task. But an era of change should also be an era of hope and possibility. Economic renewal and human progress go hand in hand. It is therefore in our collective interest to promote social innovation, by harnessing the power of human diversity. Social capitalism will not, we predict, yield a uniform system, but a rich “gene pool” of social forms, adaptive to changing circumstance, human aspiration, and economic realities.

# Population Growth

Figure 2: Population Growth





# One – Population matters

## CHANGING PEOPLE

In 1798, Thomas Malthus rejected the idea that poverty could be alleviated by “schemes of improvement”. He argued<sup>4</sup> that the “passion between the sexes” was unalterable, and that a fundamental tension between an arithmetic increase in food production and a geometric rise in population would produce inevitable “misery and vice”, as sickness and premature death limited population to the size that could be supported at a subsistence standard of living.<sup>5</sup>

Two hundred years on, there is still concern about over-population (see figure 1). In 1968 Paul Ehrlich opened his influential book *The Population Bomb* with the words “The battle...is over. In the 1970s hundreds of millions of people are going to starve to death”. (In fact, the rate of global population growth peaked at 2 percent in the same year; today it stands at around 1.5 percent – (see figure 2) In 1999, the United Nations stoked the debate with its much-hyped *Day of 6 Billion*, an event which Secretary-General Kofi Annan claimed paradoxically was “more than anything else, a reminder that population is not only about numbers.”<sup>6</sup>

Figure 1: **World Billions...**

1 billion in 1804  
2 billion in 1927 (123 years later)  
3 billion in 1960 (33 years later)  
4 billion in 1974 (14 years later)  
5 billion in 1987 (13 years later)  
6 billion in 1999 (12 years later)  
7 billion in 2013 (14 years later)  
8 billion in 2028 (15 years later)  
9 billion in 2054 (26 years later)

Source: Population Division, Department of Economic and Social Affairs, UN Secretariat. *Population Newsletter No 66*, December 1998.  
([www.undp.org/popin/popdiv/news66/news66.htm](http://www.undp.org/popin/popdiv/news66/news66.htm))

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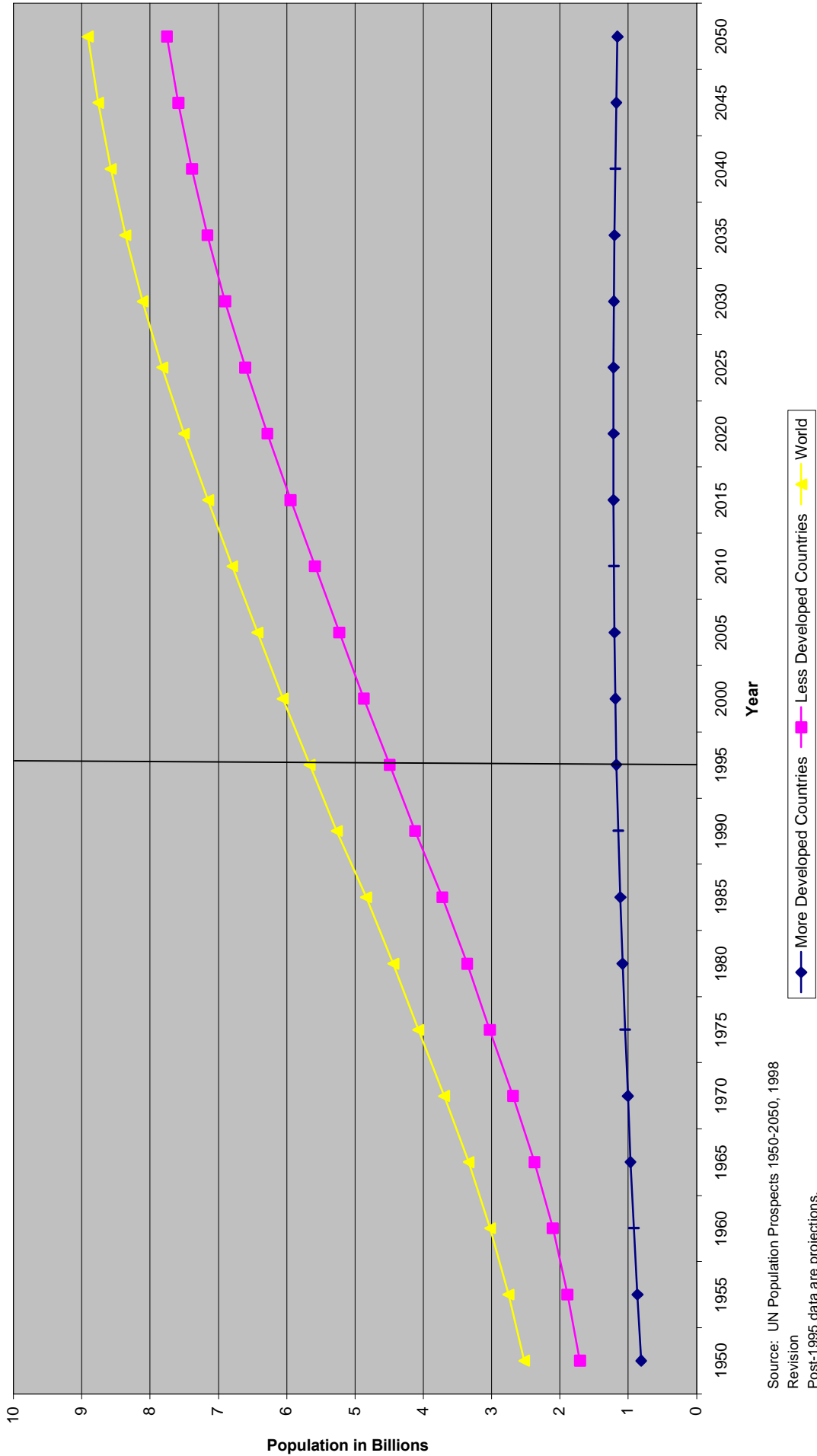
<sup>4</sup> Thomas Malthus, “An Essay on the Principle of Population, as it Affects the Future Improvement of Society with Remarks on the Speculations of Mr. Godwin, M. Condorcet, and Other Writers”, 1798, London

<sup>5</sup> Malthus was fiercely criticized from the moment of publication, but he seems to have softened his position in later writings. Economist Michael Lipton, for example, argues that in his posthumous essay for the 1830 Encyclopedia Britannica “Malthus anticipated modern demography by showing how, with education and sanitation, the poor can after all retain the benefits from appropriate “schemes of improvement” by choosing to have smaller families.” *Doomsters: Misrepresented Malthus exorcised his demon*, Letter, Financial Times, 11 February 2000.

<sup>6</sup> United Nations Press Release, SG/SM/7059, Pop 735, 6 July 1999, “Secretary-General stresses need to use natural resources more wisely and to stabilize world population.” The UN declared the Day of Six Billion on 12 October, 1999, and “Baby 6 Billion” was “a beautiful boy”, born in Sarajevo. ([www.unfpa.org/modules/6billion/pages/sg.htm](http://www.unfpa.org/modules/6billion/pages/sg.htm))

### Total Population by Country Income Group

Figure 3. Total Population by Country Income Group



Source: UN Population Prospects 1950-2050, 1998 Revision  
 Post-1995 data are projections.

Predictions for population increase are, by necessity, educated guesses. In 1996, the United Nations predicted the world would have 9.4 billion people by 2050. In 1998, it revised this figure down to 8.9 billion, with a low projection of 7.3 billion and a high projection of 10.7 billion (Figure 3 shows the middle estimate). The reduction was due, for the most part, to the fact that fertility rates are dropping faster than expected, although increased mortality in some regions – largely the impact of AIDS – accounts for a third of the fall.

Malthus admitted that his writings were tinged with a “melancholy hue” and were specifically intended to demonstrate that those, like William Godwin, who argued for the future improvement of society, were naïve, idealistic and wrong. However, what came to be known as Malthusian theory foundered for two main reasons. First, the “passion of between the sexes” has been transformed (though not “extinguished”, as Godwin speculated) as people *choose* to have fewer children (see figure 4). Changes in behavior can happen extremely rapidly. Worldwide, over half of all couples now use contraception, compared with just 10% in the 1960s<sup>7</sup>. Meanwhile in Kazakhstan, Uzbekistan and Kyrgyzstan, the proportion of married couples using contraception tripled (to 59 percent) in just ten years<sup>8</sup>, radically changing the population prospects of these countries. On the strength of many like examples, rapid growth of the world’s population seems certain to abate – human choice will determine when.

The second challenge to Malthus has been the speed with which “the means of subsistence” has increased, as people realize value from quality as against quantity (or, in economist Paul Romer’s metaphor, the power of better recipes, rather than more cooking). So while the world’s population increased by 2.3 billion in the past 30 years alone, real incomes per capita have simultaneously risen by two-thirds. Workers have become more productive as they shift from agriculture to more productive industry and services and use higher levels of education and technology to increase the value of their work. World prices for natural resources have generally fallen (see figure 5), and abundant natural resources are no longer considered a significant source of competitive advantage (some argue they can even impede economic progress). The value of knowledge, by contrast, has continued to rise. It is fundamentally different from other forms of capital. As it becomes abundant, it may be further expanded more easily and cheaply, in turn creating especially lucrative returns.<sup>9</sup>

The changing relationship between people, and the wealth they generate, has helped us produce still more people, still more wealth. With numbers now standing at over 6 billion, the question remains how we can manage the relationship between people and wealth more effectively.

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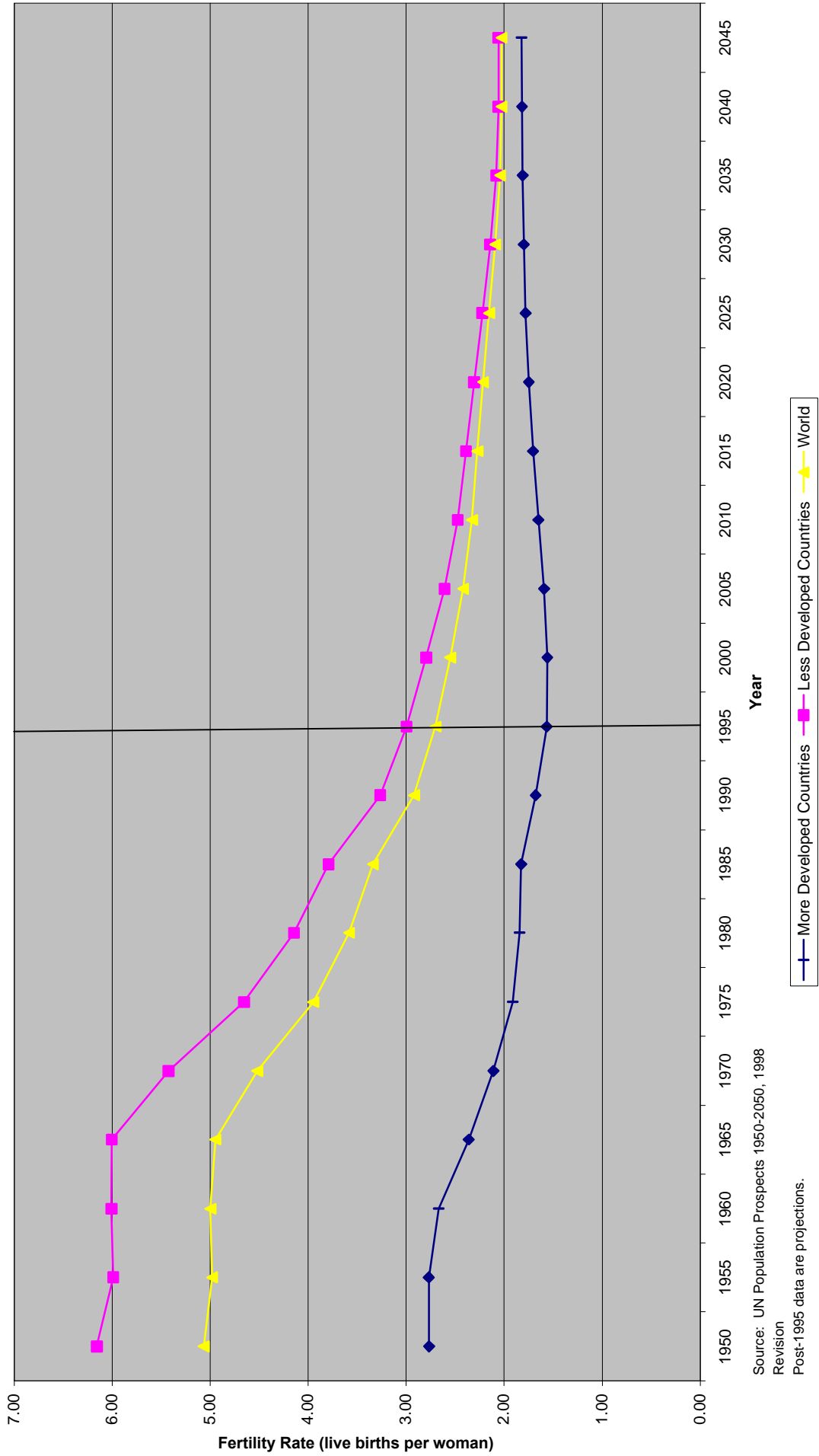
<sup>7</sup> *uk@earth.people: poverty and the environment*, 1997, Department for International Development, London

<sup>8</sup> 6 Billion – A Time for Choices, The State of World Population 1999, United Nations Population Fund

<sup>9</sup> See Peter Swartz, Eamon Kelly and Nicole Boyer, Global Business Network, *The Emerging Global Knowledge Economy*, The Future of the Global Economy – towards a long boom? OECD, 1999. The authors express an important reservation about knowledge’s seemingly magical qualities, however, quoting Nobel Prize winning economist, Herbert Simon: “what information consumes is rather obvious: it consumes the attention of the recipient. Hence a wealth of information causes a poverty of attention.” Paul Romer, meanwhile, observes that: “The same characteristic that makes an idea so valuable - everybody can use it at the same time - also means that it is hard to earn an appropriate rate of return on investments in ideas. The many people who benefit from a new idea can too easily free-ride on the efforts of others.” See: “Economic Growth”, *The Fortune Encyclopedia of Economics*, David R. Henderson (ed.), New York: Time Warner Books, 1993. This article is available at: [www.stanford.edu/~promer/Econgro.htm](http://www.stanford.edu/~promer/Econgro.htm)

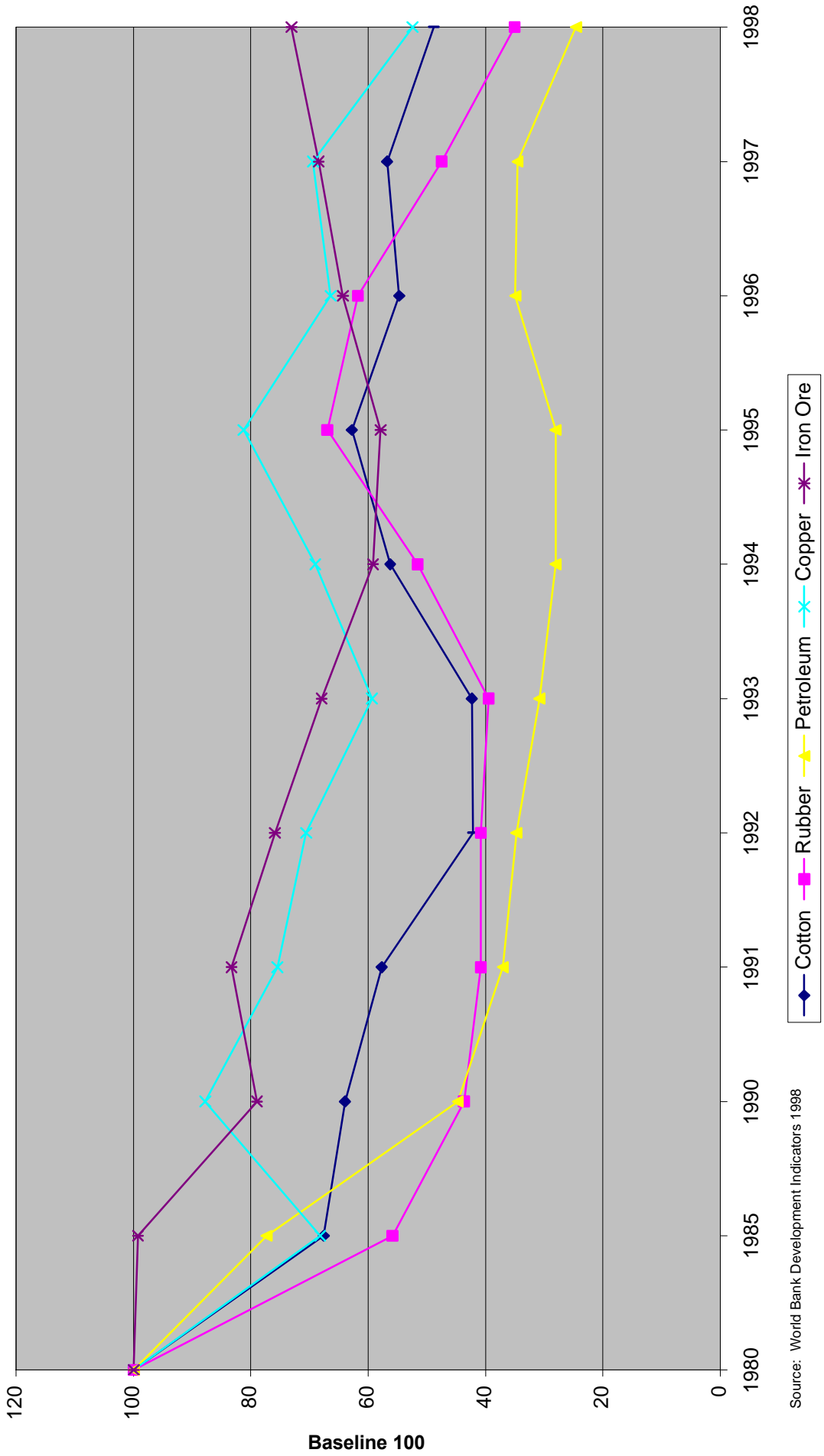
# Fertility rates

Figure 4. Fertility Rates



# Primary Commodities

Figure 5: Primary Commodities



Source: World Bank Development Indicators 1998

## DEMOGRAPHIC TRANSITION

The developing world's demographic transition highlights how human choice and enterprise drive population change. This transition began with innovation: social and technological changes that improved health and cut mortality drastically.<sup>10</sup> In particular, safe water, better sanitation and widespread immunization conferred major (and quick) gains in public health. New medicines have also played a critical part, especially antibiotics, antimicrobials and insecticides introduced from the 1920s to the 1940s. Delivering public health at this level is inexpensive. With political will, rich and poor can enjoy equal benefits.

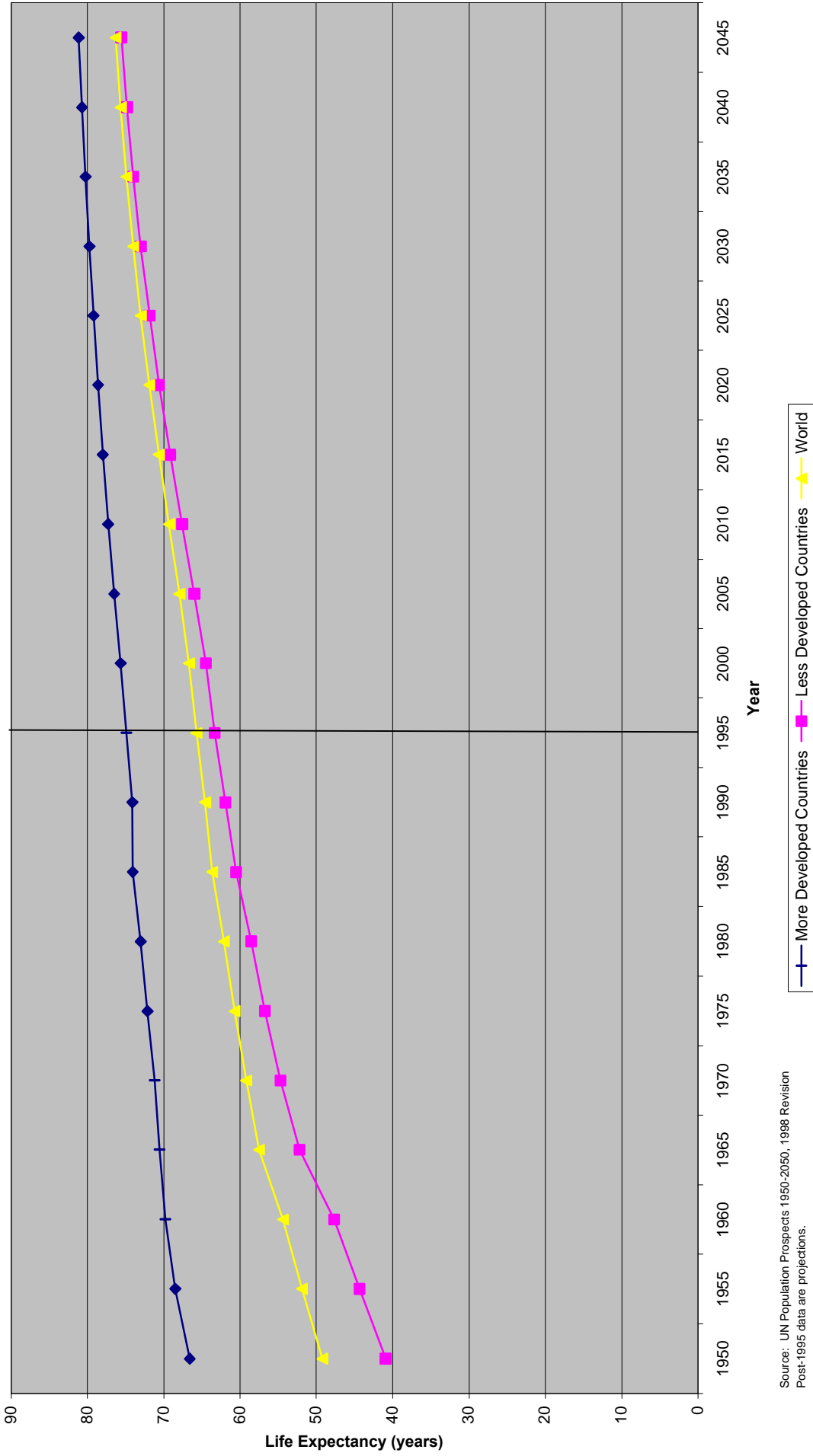
Health improvements have delivered dramatic life expectancy increases developing countries (see figure 6). The most dramatic – and immediate – impact can be seen on children, with infant mortality now 9 deaths per 1000 live births in developed countries, 63 in less developed and 99 in the least developed countries (see figure 7). As infant mortality falls, couples react by having fewer children. There is a lag, however, before people perceive the falling mortality as reliable. When it does, the birth rate falls. Economists see this fall as a rational economic choice: children represent direct costs (e.g. feeding, clothing, etc.) as well as indirect ones – the opportunity costs of forgoing income and time. All these costs rise as work moves outside the home, and as levels of education and pressures on time (which makes it more valuable) increase. Children in effect become more costly, which makes it optimal to concentrate resources on fewer of them. The trade-off between quantity and quality thus shifts in favor of quality.

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<sup>10</sup> See D.E. Bloom and J.G. Williamson, 1998, "Demographic Transitions and Economic Miracles in Emerging Asia," *World Bank Economic Review*, 12 (3), 419. See also: R. A. Easterlin, "How beneficent is the market? A look at the modern history of mortality," unpublished manuscript (1998) and The 1999 World Health Report – Making A Difference, World Health Organization, Geneva.

# Life Expectancy

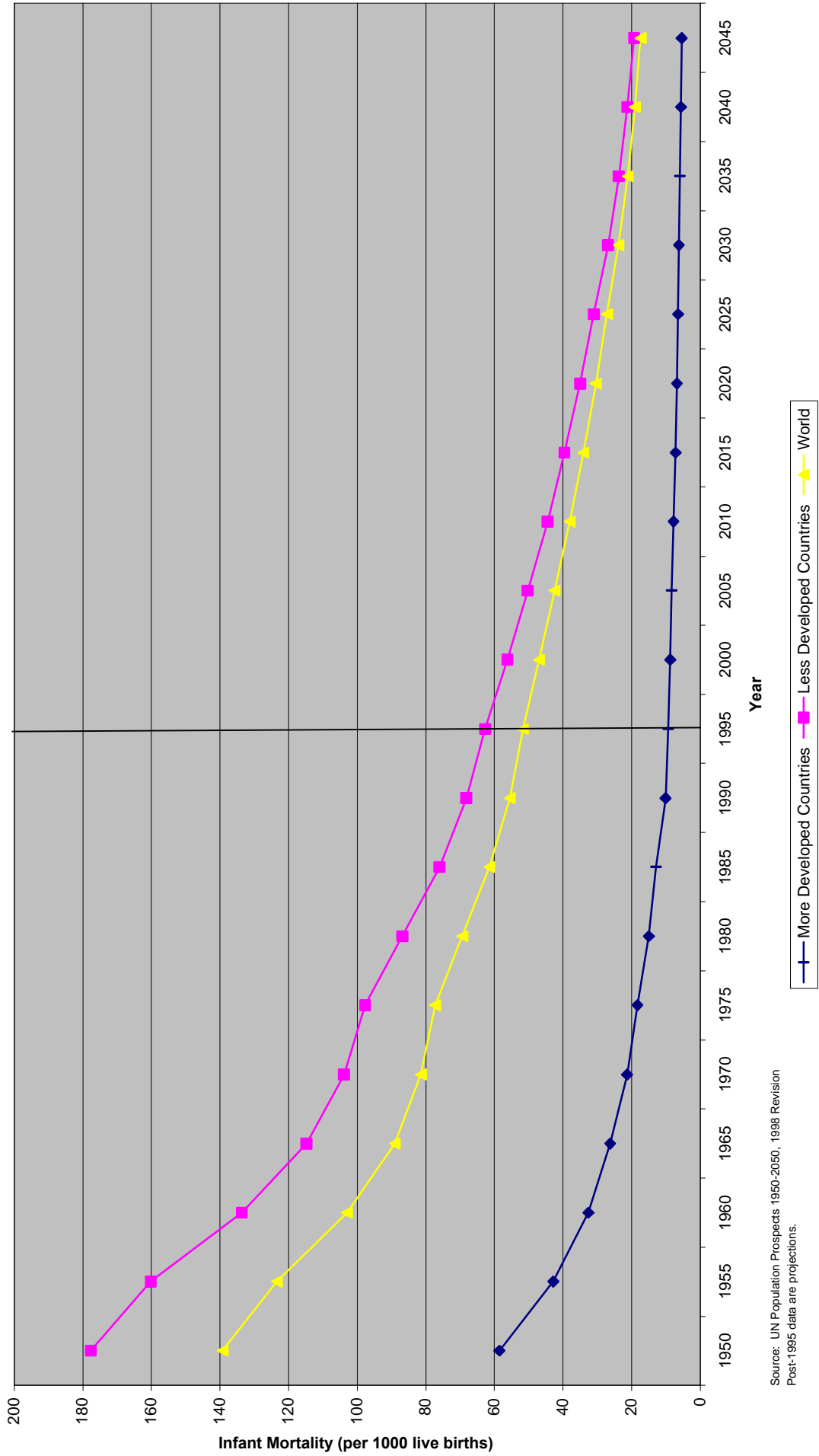
Figure 6. Life Expectancy



Source: UN Population Prospects 1950-2050, 1998 Revision  
Post-1995 data are projections.

# Infant mortality

Figure 7. Infant Mortality



Source: UN Population Prospects 1950-2050, 1998 Revision  
Post-1995 data are projections.



**Figure 8: Selected countries with birth rates below replacement level (2.1 live births per woman) as of 1998<sup>11</sup>**

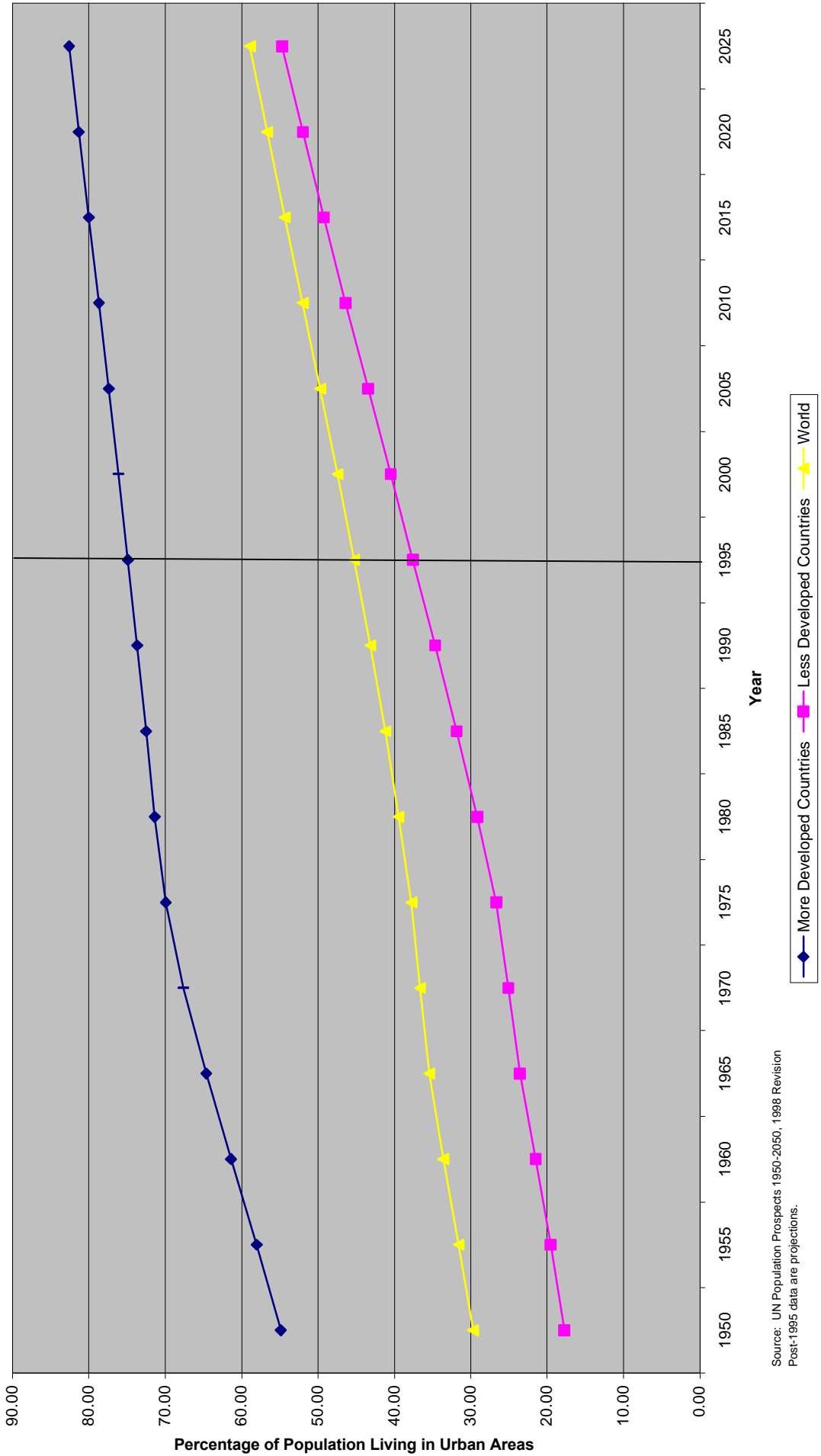
Sri Lanka	2.10	Singapore	1.68
Dem. People's Rep. of Korea	2.05	Trinidad and Tobago	1.65
United States of America	1.99	Cuba	1.55
Norway	1.85	Poland	1.53
Yugoslavia	1.84	Japan	1.43
China	1.80	Russian Federation	1.34
Australia	1.79	Italy	1.20
Thailand	1.74	Czech Republic	1.19
Finland	1.73	Romania	1.17
United Kingdom	1.72	Spain	1.15

Most of the world's countries have undergone (or are undergoing) this transition from high rates of mortality and fertility to low rates of each. According to the UN, birth rates have fallen to replacement level or below in 61 of the world's countries, where 44 percent of the world's population lives (some are listed figure 8). The transition can happen quickly or slowly. In Western Europe, fertility decline started in the mid-18th century, and the transition lasted nearly 150 years, although it was much slower in some countries – in Sweden, it took at least twice as long. Modern transitions have been faster, as technology leads to more rapid declines in mortality and effective contraception and information (about family planning and the benefits of education, for example) speed the changes that lead to low fertility. The rapid expansion of basic and secondary education also increases receptiveness to such information, promotes a more varied outlook and set of values – as well as simply keeping children in school longer – in turn leading to later marriage. East Asia's demographic transition occurred within the space of 50 to 75 years, marking it as the fastest known demographic transition to date.

<sup>11</sup> United Nations Population Division, *World Population Prospects: The 1998 Revision*

# Urban Living

Figure 9. Urban Living



Source: UN Population Prospects 1950-2050, 1998 Revision  
Post-1995 data are projections.

## DEMOGRAPHIC IMPACT

The demographic transition inevitably leads to fundamental social and economic change, although the nature of that change depends on the speed and magnitude of the transition, and decisions made at all levels of society. For developing countries, currently in the midst of their demographic transition, powerful effects are felt on:

- *Location*. Increased population density forces people from the land into towns and cities. Nearly half the world's people are now urban dwellers, up from 30 percent 50 years ago. This figure is likely to increase to nearly 60 percent over the next 25 years (see figure 9).
- *Life style*. Small families are functionally different from large families, and although largely due to falling fertility, better educated individuals have a wider set of options – including marital separation and divorce. The shift from extended to nuclear families will also impact on patterns (and costs) of child-rearing, available social capital (that is, the density and nature of social interactions) and so on.
- *Aspirations*. The modern demographic transition begins with, and is spurred on by, health improvements, which in turn increase *security*. However, it is accelerated and completed through access to education, which enhances *opportunity*.
- *Women*. Education for women is especially important. It has a further impact on the family, via better nutrition and health, higher child survival rates and more family income, on the one hand; higher levels of family breakdown, on the other.
- *Work*. As population grows, the balance of the economy changes. The importance of agriculture as a source of employment inevitably declines, while manufacturing (and increasingly services) come to dominate. Productivity increases and a general escape from subsistence is possible – but by no means inevitable.

Such changes are, of course, not independent; in fact, they tend to reinforce each other. Urbanization breaks up traditional rural family structures. Education for women further lowers fertility and draws more women into the workplace. The changing labor market increases the value of more advanced levels of education. Pools of highly educated people are, in turn, better able to drive economic change. Meanwhile cities have a long history of being economically dynamic.<sup>12</sup>

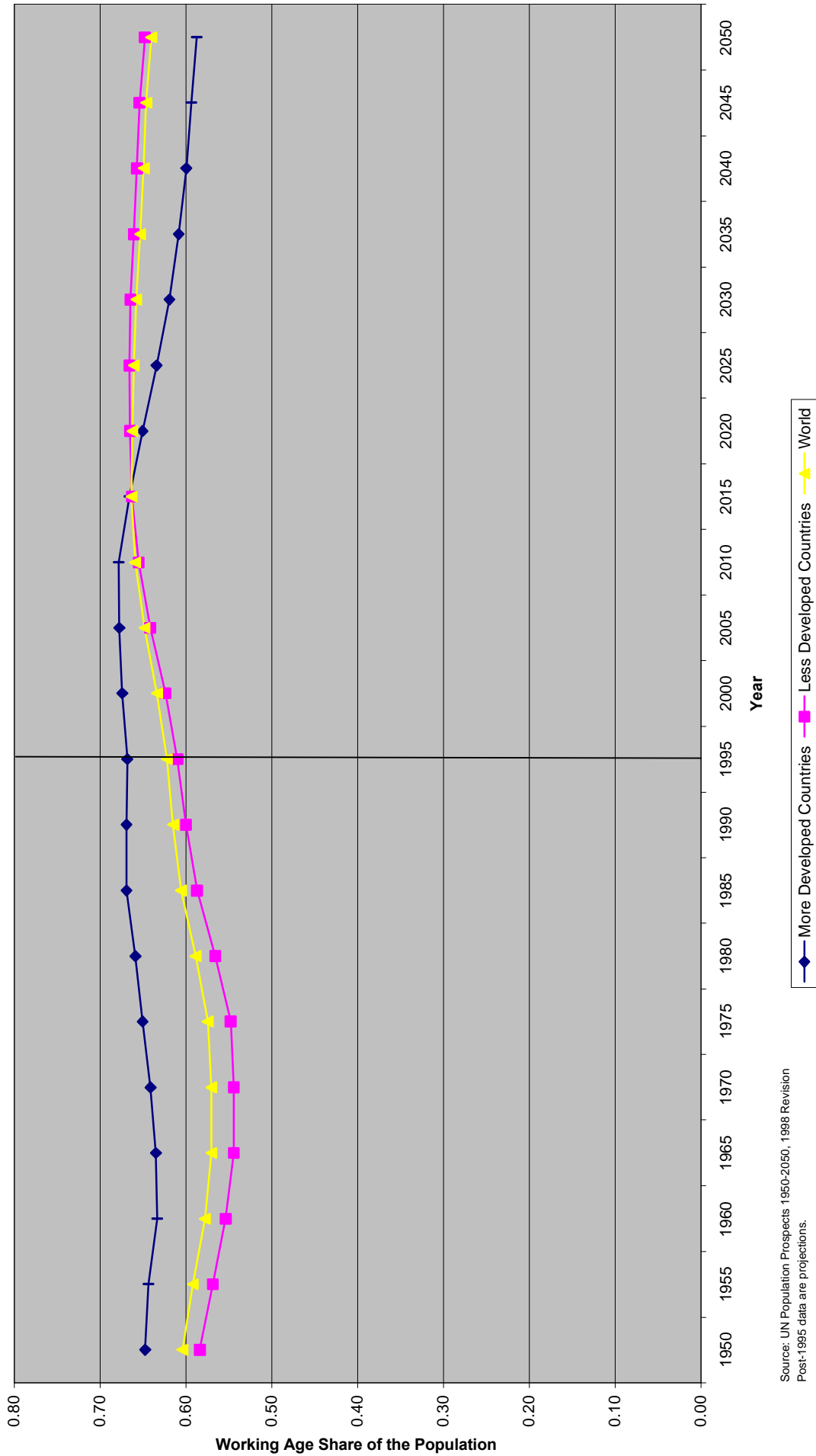
The demographic transition is thus having a profound impact on developing countries. As its implications are understood and recognized, policymakers are better able to frame decisions that work with, rather than against, population change. This is especially important with respect to the phenomenon known as the *demographic dividend*.

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<sup>12</sup> See *The Wealth and Poverty of Nations*, David S. Landes, W.W. Norton and Company, 1998. Landes discusses the emergence of the semi-autonomous city in Europe in the Middle Ages. These communes were economically independent and offered their inhabitants a great deal of freedom. These effects were felt throughout the society, as rural dwellers with the choice of moving to a city were less easily oppressed.

# Working Age Share of the Population

Figure 10. Working Age Share of the Population



Source: UN Population Prospects 1950-2050, 1998 Revision  
 Post-1995 data are projections.

## THE DEMOGRAPHIC DIVIDEND

The lag between declining infant mortality and a consequent reduction in fertility causes a 'baby boom' generation. As this generation ages, it will have a significant impact on educational systems and, later, on the labor market. While the developed world's proportion of working people will decline over the next fifty years, developing countries are seeing rapid increases. In 1970, only 54 percent of the developing world's population was of working age, compared to 63 percent today (see figure 10).

The demographic dividend offers developing countries the chance to make a major developmental leap, with more workers (supporting smaller families) engaged in more productive work. Fewer children need education, so that education can be to a higher standard. Saving rates also increase, as there are more people of an age where saving rates tend to be high and as people realize that they are more likely to experience a long retirement. The effect of this "demographic dividend" can be dramatic. In East Asia, for example, the demographic dividend accounted for more than 0.9 percent of the region's annual growth in GDP per person between 1965 and 1990. The Asian tigers collected the largest dividend, 1.5 percent annually, representing a significant proportion of the East Asian miracle.

There is nothing fixed or inevitable about these processes. Mortality rates have tended to decline fairly constantly (although AIDS is rapidly changing the picture). Fertility rates, meanwhile, vary from country to country, and seem to depend on prevailing cultural contexts, rather than any single factor such as income. There is an unmet desire for smaller families in large parts of the world, with UNDP estimating half the world's annual 175 million pregnancies are unwanted or ill timed<sup>13</sup>. Ghana and Bangladesh are both poor countries and had roughly equivalent fertility rates in 1975 (6.5 and 6.8 live births per thousand women respectively). By 1997, Ghana's birth rate had declined only slightly, to 5.2 live births, while Bangladesh's had more than halved to 3.1 live births<sup>14</sup>.

Ghana's figures are indicative of high levels of fertility – and "wanted fertility" in Africa. So while most developing countries have experienced declining mortality as part of the demographic transition, the subsequent fertility response varies in terms of timing and intensity. The need in Africa, therefore, is to *affect* choice, while the need elsewhere is to enable people to realize their choices.<sup>15</sup> As the UNFPA argues in its latest review of the state of the world population, the next decades are, more than ever, "a time for choices".

## DEMOGRAPHY AND POLICY

These choices are not just made at an individual level. The powerful interactions between good policy and the demographic dividend can be seen in the recent experience of East Asia when compared to Latin America. From 1965 to 1990, Latin America experienced broadly similar demographic conditions to East Asia, but its growth rates were far from miraculous. A lack of interaction between policy and demography is to blame.

In order to make the most of the demographic dividend, policymakers need to prioritize:

- *Education*. If the baby boomers are not well-educated when young, they are less likely to make productive workers. Education needs to be of sufficient quantity *and* quality. It also needs to be relevant to rapidly changing economic demands.

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<sup>13</sup> 6 Billion – A Time for Choices, The State of World Population 1999, United Nations Population Fund

<sup>14</sup> 1999 Human Development Report, UNDP

<sup>15</sup> For a discussion of how these demographic issues relate to Africa, see: Bloom, D.E. and Sachs, J. (1998) 'Geography, demography, and economic growth in Africa', *Brookings Papers on Economic Activity*, **2**, 207–273.

- *Labor markets.* A high ratio of working age to dependent-age people becomes a burden rather than a boon if rising numbers of workers cannot be absorbed into the labor market. Unemployment is costly and leads to social alienation and rising levels of crime.<sup>16</sup>
- *The macroeconomic environment.* Closed economies have performed poorly in recent years. Not only do they lose opportunities for trade and foreign direct investment, they also limit their ability to benefit from new ideas and technologies developed overseas.
- *Openness to outside influence.* Economist Paul Romer argues that it is “ideas, not objects, that poor countries lack,”<sup>17</sup> while the historian and economist, David Landes suggests that, from the 16<sup>th</sup> Century onwards (and especially following the expulsion of the Jewish community), intellectual isolation led to the economic stagnation of Spain, Portugal and even Sicily intellectual isolation.<sup>18</sup> For developing countries, openness allows the quick adoption of ideas generated elsewhere and helps economies to “leapfrog” to a more advanced stage of development.
- *Freedom* – while it is hard to demonstrate a direct correlation between democracy and economic growth, support for the idea that economic reform can only be implemented under dictatorships has declined. Friedrich Hayek’s description of central planning as a “fatal conceit” is now widely accepted,<sup>19</sup> while Amartya Sen has recently underlined the importance of participation in markets (which he labels “transactional freedom”).<sup>20</sup> More broadly, perceptions of freedom affect people’s willingness to recognize and seize opportunities; and thus have an impact on uptake of education and levels of entrepreneurship.
- *Social cohesion.* Good government and democratic indicators positively correlate with levels of domestic savings – a crucial source of the capital essential to an expanding economy.<sup>21</sup> Markets, meanwhile, do not exist in a vacuum. Good governance and institutional strength are an essential underpinning to confident exchange, while levels of trust have a critical effect on the capacity of people to work together.

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<sup>16</sup> Crime is likely to be rising anyway. Much of it is committed by young men between the ages of 14 and 25, so a demographic wave tends to lead to a crime wave. Weaker families, and the disruption of communities caused by mass migration, are also likely to increase crime levels. Failure to provide young men with a productive role in society, therefore, threatens to ignite a highly combustible mixture. Francis Fukuyama has argued that demography is not enough to explain the rising crime levels recently experienced in Western countries and suggested that cultural factors, in particular declining levels of social capital, are also significant. See: Francis Fukuyama, *The Great Disruption: Human Nature and The Reconstitution of Social Order*, 1999, The Free Press.

<sup>17</sup> Economic Growth by Paul M. Romer, *From The Fortune Encyclopedia of Economics*, David R. Henderson (ed.) Copyright, Warner Books. Used here by permission of copyright holder.

<sup>18</sup> In Spain, the death penalty was introduced in 1558 for importing prohibited books and unlicensed printing. In Sicily, Landes traces its “persistent backwardness” to the intolerance and prejudice of its Spanish rulers, who expelled the Jews in 1492 and were still pursuing the same policy in the 18th Century, despite the importance of the Jewish community to Sicilian science, trade, and the professions. David Landes, *The Wealth and Poverty of Nations*, New York: W.W. Norton & Company, 1998).

<sup>19</sup> Friedrich A Hayek, *Fatal Conceit: The Errors of Socialism*. University of Chicago Press, 1998

<sup>20</sup> Amartya Sen, *Development as Freedom*, Knopf, New York, 1999

<sup>21</sup> Manuel R. Agosin, David E. Bloom, and Eduardo Gitli, *Globalization, Liberalization, and Sustainable Human Development: Analytical Perspectives*, paper presented to the UNCTAD X conference, Bangkok, 16 February 2000. (Available at [www.riverpath.com](http://www.riverpath.com))

There is plentiful evidence to show the strengths of these interactions. Formal analysis, for instance, shows that in a country with a working age population growing at 3 percent a year (and twice the pace of overall population growth), the demographic dividend is three times greater – boosting growth by 1.5 percent compared to 0.5 percent if an economy is not open to world trade. In Latin America's case, analysis shows that its growth rate would have been 0.8 percent higher if it had institutions of similar quality to those common in the OECD. Overall, 50 percent of the gap between Latin American and East Asian growth can be explained by the interaction between demography and policy.

This demographic pattern – a boom generation emerging from the lag between declines in mortality and fertility – is a unique, one-off occurrence. The potential economic (and related social) benefits of utilizing this generation to achieve major developmental gains across society are profound. So are the costs of failure.

## **A NEW DEMOGRAPHIC CHALLENGE**

Developed countries face a new demographic challenge, as their populations age. While the proportion of young people is decreasing and the proportion of elderly is increasing the world over (figures 11 and 12), developed countries are seeing their dependency ratio increase, while it decreases in the developing world (see figure 13). This point is clearly illustrated (see figures 14-16) in a comparison of the respective age profiles of rich and poor countries, and how they change over time. The median age in developed countries is rising steadily, from 29 in 1950 to 38 today. It is not expected to peak until 2050 when it is estimated to be around 46. A disproportionate number of these old people will be women, as women live longer than men across the world.<sup>22</sup>

An aging population could become a serious drag on economic growth in the richer countries. The OECD warns of pressure on living standards from 2010 onwards, predicting that the 1.5 percent average annual growth in living standards enjoyed since 1973 could be halved. Some countries face especially dramatic rises in pension bills. The OECD estimates that spending on pensions could push Japan's budget deficit up to 20 percent of GDP by 2030, as the country becomes the oldest in the world, with more than a quarter of its people over the age of 65. As a result, pensions contributions will either have to rise to around 35 percent of salaries (from 16.5 percent today) or the level of pension benefits decline dramatically.

Again, demography is not fate and there are significant opportunities for policymakers to work with demographic trends. Pensions are an obvious for policy initiatives. Across the world, we are witnessing a shift from pay-as-you-go pensions (whether provided by state or employer) towards fully funded schemes. The result of this trend is to transfer the responsibility for saving for old age away from the state or employer, and towards the individual. In the USA, for example, individuals are offered choices about where and how to invest their pension funds, through '401(k) plans' which offer a menu of investment opportunities. Private pensions also facilitate an increasingly important aspect of the modern labor market: job mobility. This is only so if pensions are portable, of course (historically, public pensions have tended to be better in this regard).<sup>23</sup>

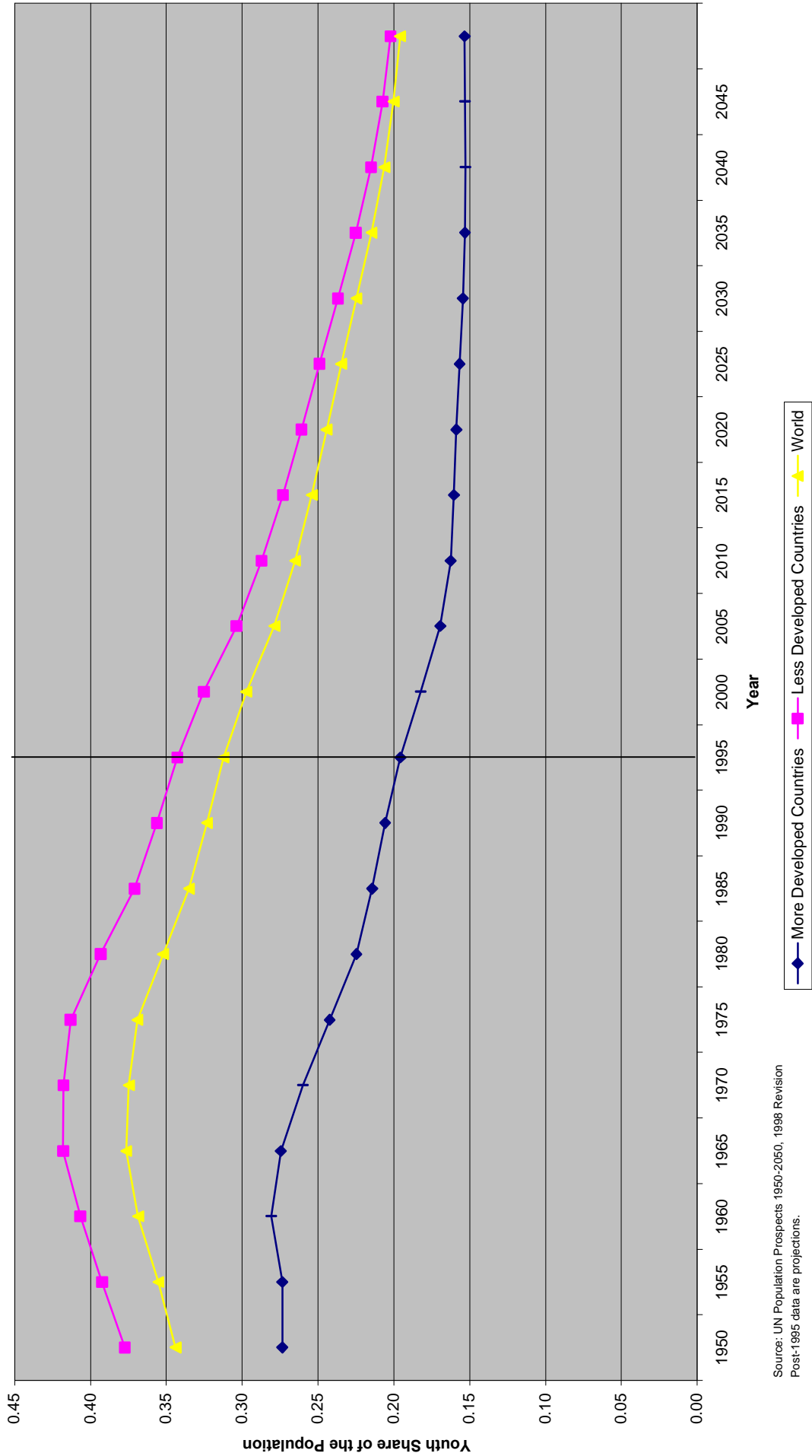
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<sup>22</sup> In developed countries, this will lead to older women becoming an increasingly powerful political group in the 21st century. Some of the possible consequences of this are explored by Francis Fukuyama in "Women and the evolution of world politics", *Foreign Affairs*, November/December 2000

<sup>23</sup> Actuaries Bacon & Woodrow have estimated that an American or German loses half her pension entitlement from an employer scheme if they switch jobs three times during their working life. ([www.bacon-woodrow.com](http://www.bacon-woodrow.com))

# Youth Share of the Population

Figure 11. Youth Share of the Population

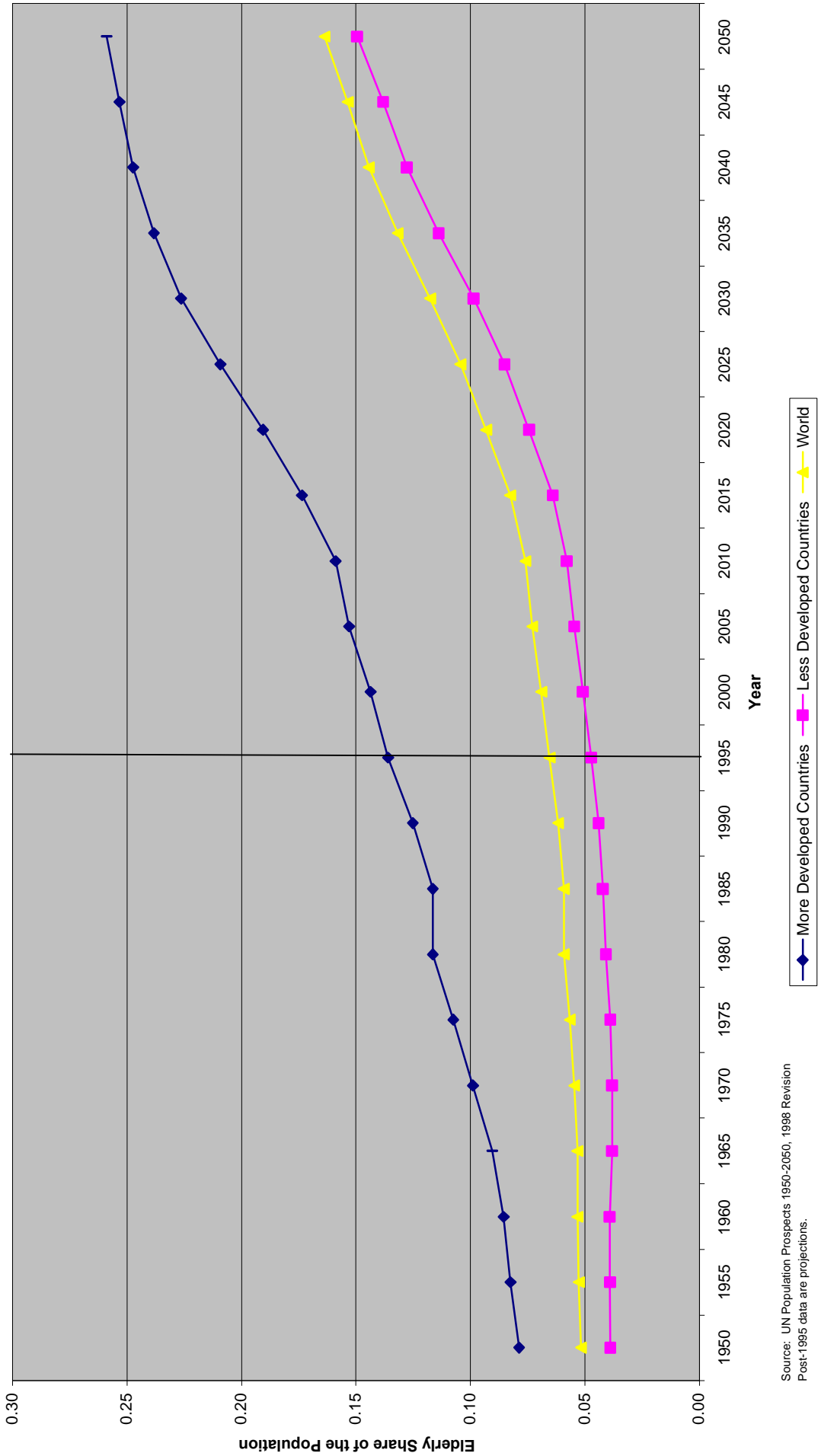


Source: UN Population Prospects 1950-2050, 1998 Revision  
 Post-1995 data are projections.



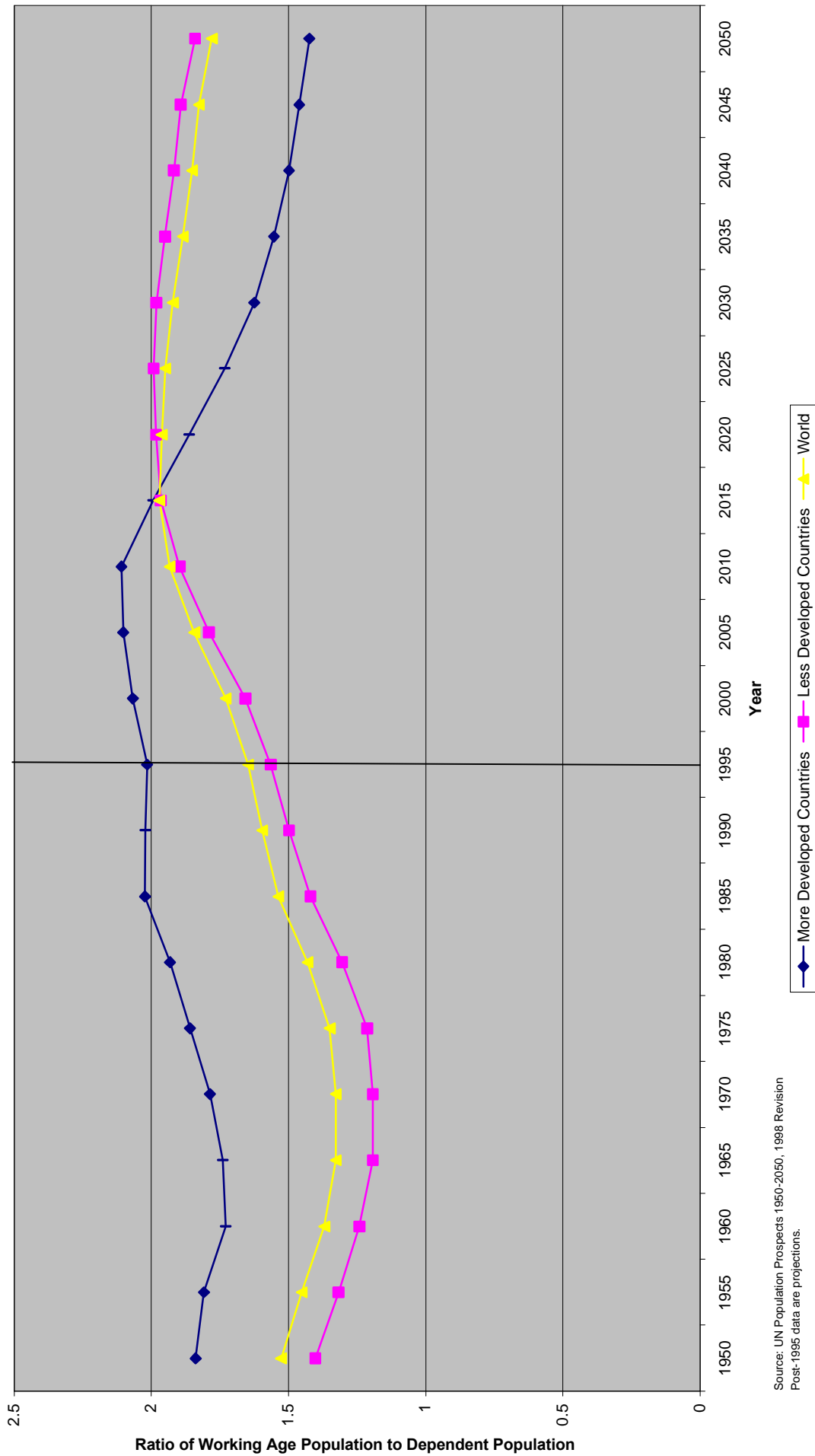
## Elderly Share of the Population

Figure 12. Elderly Share of the Population



# Ratio of Working Age Population to Dependents

Figure 13. Ratio of Working Age Population to Dependents



Source: UN Population Prospects 1950-2050, 1998 Revision  
 Post-1995 data are projections.

Figure 14: Age Structure of More Developed Countries

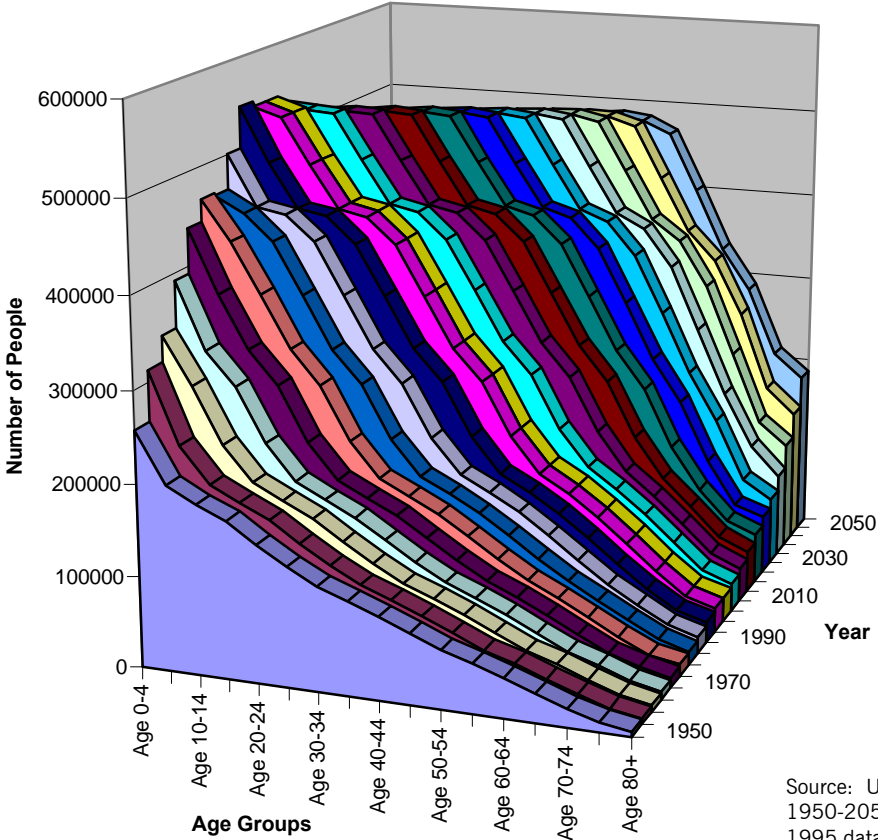
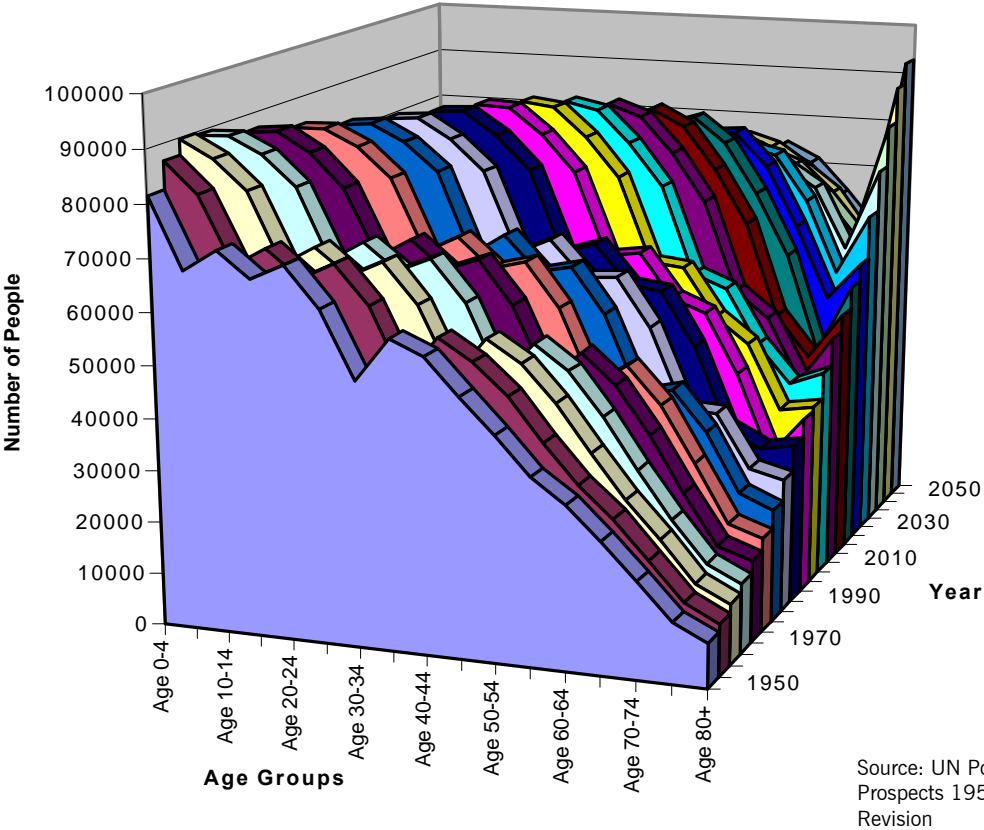
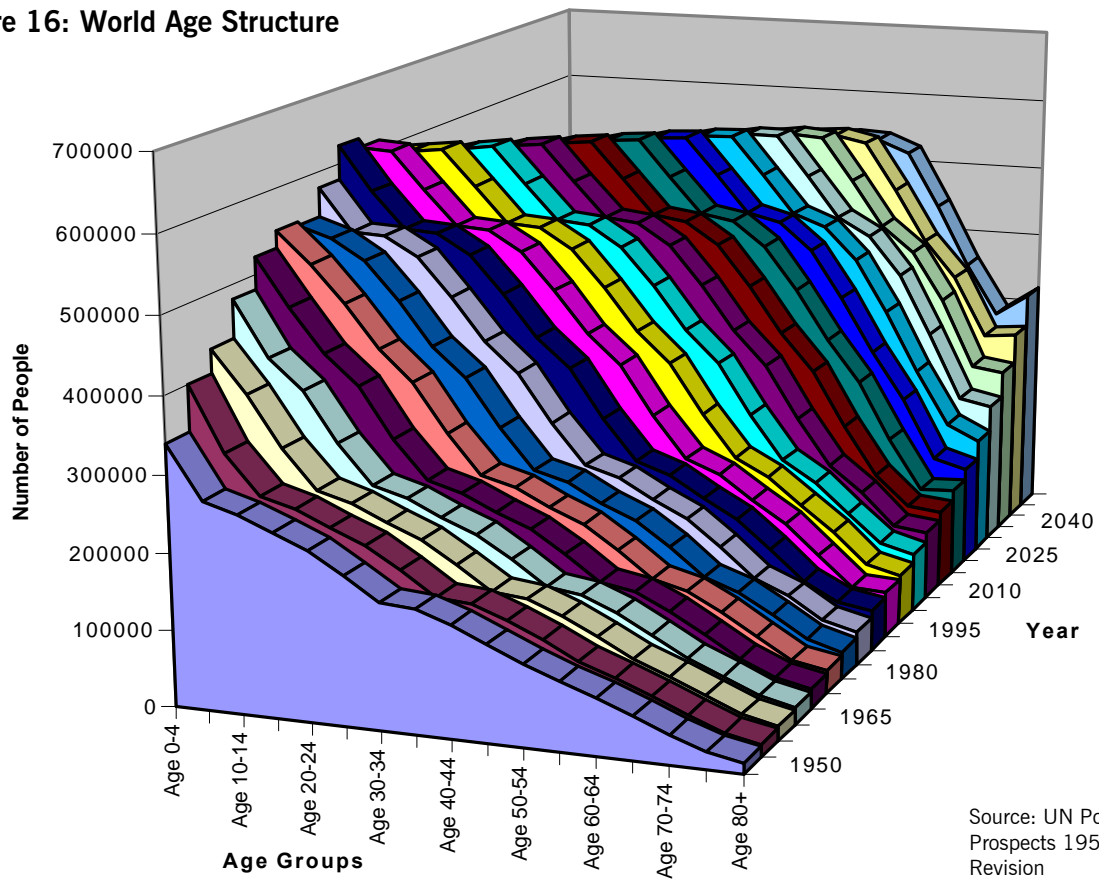


Figure 15: Age Structure of Less Developed Countries



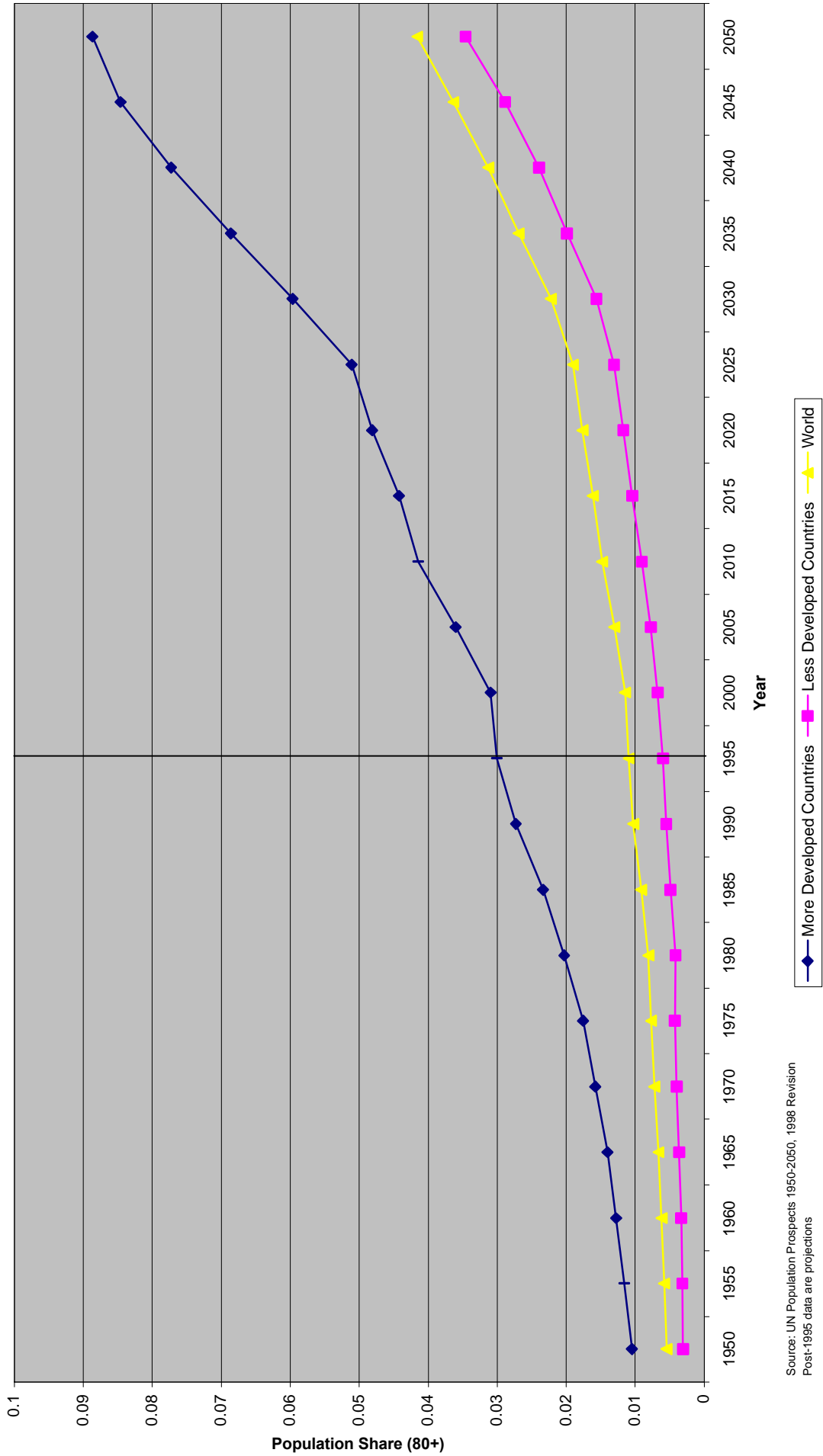
**Figure 16: World Age Structure**



Source: UN Population Prospects 1950-2050, 1998 Revision  
Post-1995 data are projections.

# The Oldest Old

Figure 17. The Oldest Old (80+)



Source: UN Population Prospects 1950-2050, 1998 Revision  
 Post-1995 data are projections

Increased choice (and responsibility) can bring more risk: pension funds can perform badly and the financially unsophisticated are easily misadvised. In the UK, a multi-billion pension scandal is still unraveling, after sales representatives lured people off state benefits and into poorly-designed private schemes. Raising the sophistication with which people plan for their retirement will not be an easy task. It does, however, form part of a wider trend towards greater individual responsibility, and is consistent with the desire to use ongoing “lifelong” education to equip more people with the skills needed to mediate rapid social change. Eastman Kodak is an example of a company taking an imaginative approach and attempting to use pension choice to empower, rather than confuse, its employees. It offers 36 fund options to invest in, but arranges these in tiers and offers guides aimed at employees who like things “simple”, those who want “choice” and those who want “lots of choice”.

## CULTURAL CHANGE

Action on pensions is essential, but cultural change, aimed at altering the way society sees old people and old people see themselves, may be even more important. Many countries are trying to legislate their pension age upwards: Denmark, for instance, is increasing the age from 60 to 62, Japan from 60 to 65, and the UK is discussing plans to move from 65 to 70. Meanwhile, pension disbursements are being inflated by the trend towards early retirement. This can leave rising numbers of older unemployed people, stranded in a no-man’s land between career and pension. The Andersen Consultancy, for example, recently suggested that it was better placed to face the future than its competition because of the low average age of its staff<sup>24</sup>, while many businesses have run some kind of program to promote early retirement.

In theory, people should be able to continue to work effectively as they age. Work is much less physically demanding than it was, and standards of health have improved. There will also be an increasingly powerful market for older consumers, which older entrepreneurs will be well placed to serve. Older people sometimes have obsolete skills, and can be slow to adopt new technology.<sup>25</sup> Action to encourage life-long learning – and market it to a considerably older age group than is currently common – thus becomes exceptionally important, as do measures to help older people back into the labor market.<sup>26</sup> The UK, for example, has created special provision for helping older people back into work under its New Deal scheme for tackling long-term unemployment.

The ageing population will become increasingly powerful politically. Groups like the American Association of Retired Persons (AARP) in the US, Grey Power in Australia, the German Grey Panthers and the Japanese “Wonderful Aging Club”<sup>27</sup> have been growing in size and influence for some while. There are other issues, too, in particular related to the growing health costs associated with an ever more aged population, and the growing numbers of the oldest old, with their very different resources and needs (see figure 17).

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<sup>24</sup> “PWC asks 200 staff to leave in drive for e-business”, *Financial Times*, 2 December 1999

<sup>25</sup> In a recent UK government survey, 20 percent of people between the age of 50 and 74 said they would refuse to use any technology (including a telephone advice or help line) to get information about the government, apply for benefits or order a license. This compares with 6 percent of 16-34 year olds and 7 percent of 35-49 year olds. This could change quickly, however. The growing popularity of health on the Internet will be one of many draws for so-called “grey surfers”. *The Views of People Aged 50+ Towards Public Services*, Research Conducted for the Service First Unit, The Cabinet Office, 2000.

<sup>26</sup> Life-long learning is also important for older people in developing countries, though for different reasons. When education levels increase rapidly, vast disparities in educational achievement quickly arise between generations. 84 percent of young Tanzanian women (20-24 years) have at least a primary education, for example, compared to just 26 percent of older women (45-49) years. See: UNICEF, *The Progress of Nations*, 1995

<sup>27</sup> A full list of such groups can be found on the AARP website at [www.aarp.org](http://www.aarp.org)

## MOVING PEOPLE

Migration forms the interface between the demography of the developed world, and that of developing countries. Each year, over 2 million people emigrate and over 2 percent of the world's population are migrants<sup>28</sup>. In general developed countries receive migrants while developed countries send them. About 4.5 percent of the population of a developed country are immigrants (8 percent in both Germany and the United States), compared to 1.6 percent in developing countries. Just four countries take the majority of immigrants: the United States, Germany, Canada and Australia. According to the Population Reference Bureau, the United States alone took one million immigrants a year between 1990 and 1997.

Migration offers potential benefits for both migrant-sending and migrant-receiving countries. The World Bank has highlighted the global networks that can develop between migrants from a single ethnic group. The 50 million strong Chinese Diaspora, for example, has been an important source of social capital (i.e. the density and nature of social interactions which can be drawn on) across the Asia-Pacific region, creating markets and contributing to the development of a number of national economies. Ethnic Chinese are now substantial investors in the developed world. In 1997, Taiwanese-Chinese firms invested in 44 European computing projects, while there are increasing numbers of Chinese firms in Silicon Valley. The South Asian network is also growing in importance. The World Bank estimates it has a value of between \$150 and \$300 billion, spread across South-East Asia, the Middle East, the United States and the United Kingdom. The UNFPA, meanwhile, predicts that low-fertility countries will increasingly look to migrants when facing labor shortages, perhaps heralding a new wave of immigration to developed countries.

There are already signs that some countries are beginning to compete for labor. 23 percent of Britain's doctors were born overseas, for example,<sup>29</sup> while the USA is attracting increasing numbers of (mostly advanced) students to its educational system. According to International Students Inc, there are now over 532,000 international students studying in the USA. A third of these are not expected to return home and the US economy will therefore gain much of the benefit from their home country's investment in their early training. In return, however, many will send money to their families back home, with migrants believed to send over US\$70 billion to their home countries each year.

The Indian software industry, meanwhile, is attracting significant investment from non-resident Indians, especially through a US group called The Indian Entrepreneurs (TIE). Software exports increased from US\$1.75 billion to \$US2.65 billion in the last year, with the Indian government expecting exports to grow to US\$50 billion by 2008 (a figure that many observers see as conservative).<sup>30</sup> Such computer start-ups tend to go through three main phases: first exporting labor overseas; second, bringing contracts back to the home country; and finally shifting to high value work, such as software production or consultancy. Progress from competing on price to competing on quality is, in some cases, extraordinarily rapid.

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<sup>28</sup> 6 Billion – A Time for Choices, Op. Cit.

<sup>29</sup> Roots of the Future, Commission for Racial Equality, London, 2000, <http://www.cre.gov.uk/ethdiv/ed-roots.html>

<sup>30</sup> India: Information Technology, Financial Times Survey, December 1<sup>st</sup>, 1999

Although migration offers an opportunity to distribute labor more effectively around the world, the labor market is perhaps the only market that is becoming less, rather than more open. Many developing countries have complained that rich countries are trying to increase rather than decrease restrictions on international labor mobility. Meanwhile immigration is a political issue in most European countries, and has acted as a “lightning rod” for the rise of the far right in many countries. A survey of European decision-makers in 1996 ranked “heavy immigration from non-European Union countries”, “increase in ethnic and/or territorial conflicts inside European countries” and “the outbreak of extreme nationalist movements *within* the European Union” as the 4<sup>th</sup>, 5<sup>th</sup> and 8<sup>th</sup> most serious threats to Europe.<sup>31</sup>

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<sup>31</sup> Top Decision Makers Survey, European Union, 1996



## Two – The Human Perspective

### CHANGE AND MORE CHANGE

Migration is one of many issues that reveal deep-seated conflicts about the world we live in, as migrants and receiving societies confront fundamental changes to their way of life. But change is not an unusual condition in the modern world. Technological progress is driving increasing numbers of people into the global village, predicted by Marshall McLuhan in 1962. In this village, people are more rather than less important to economic progress. Paul Romer uses a computing metaphor, replacing the traditional categories of production inputs (physical capital, raw materials, and workers), with three classes of inputs: hardware, software, and wetware (computer-buff jargon for humans). People are valued for their knowledge, innovation, commitment, and enterprise – and the well-educated and well-connected (the knowledge rich) are enjoying increasing economic power and freedom.

The speed at which technology is changing society has been widely discussed. Moore's Law (that computing power would double every 18 months) has held since 1965. Meanwhile Metcalfe's Law (that the power of a network grows as the square of the number of connected nodes), captures the growing influence of the networked information device. The world now has 380 radios per thousand people, 280 television sets, 144 telephone lines, 144 mobile telephones and 40 computers.<sup>32</sup> By February 2000, over 275.54 million people were estimated to be online.<sup>33</sup> These communication devices are converging rapidly. Radio is moving on-line, digital television promises greater interactivity and 3<sup>rd</sup> generation mobile telephony technology will lead to an explosion of mobile and fully networked devices over the next few years. Communication costs have dramatically fallen to create what Frances Cairncross has called "the death of distance."<sup>34</sup>

In the most advanced e-economies, a bandwidth revolution is now underway, with satellite, fiber optic, cable and wireless technologies joining new methods of squeezing more capacity from traditional copper telephone lines.<sup>35</sup> (Meanwhile, some of the world's most remote areas now have better virtual connections to the world economy than they do roads). The breadth and depth of the network is important. As author James Gleick comments: "even within the computer culture, people tend to overstate the importance of advances in heavy computing: the next leap forward in the megaflop, gigaflop, teraflop calculating performance of a supercomputer will not transform your life; the inexorable advances in small-computer connectivity will."<sup>36</sup>

Technological change has led to an explosion of the quantity of information available. Globally, scientists publish twice as many papers as they did 20 years ago, while in countries like China, Hong Kong, Singapore, South Korea, and Taiwan, the publication rate has doubled in a decade. Patent applications are increasing rapidly, too, with Brazilians, Indians and Americans filing, respectively, 42, 66, and 71 percent more patent applications in 1996 than in 1986. The way scientific knowledge is generated and used is also changing fundamentally. Michael Gibbons and his co-authors<sup>37</sup>, for

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<sup>32</sup> World Development Report 1999/2000 -- Entering the 21st Century: The Changing Development Landscape , World Bank, 1999

<sup>33</sup> Nua Internet Surveys, [www.nua.ie/how\\_many\\_online/index.html](http://www.nua.ie/how_many_online/index.html)

<sup>34</sup> Frances Cairncross, *The Death Of Distance: How The Communications Revolution Will Change Our Lives*, Economist Intelligence Unit: Harvard Business School Press, 1997

<sup>35</sup> *Faster, connected, smarter*, Hervé Gallaire, 21<sup>st</sup> Century Technologies – promises and perils of a dynamic future, OECD 1998. Hervé Gallaire is Vice-President of the Xerox Corporation.

<sup>36</sup> James Gleick, *Faster – the acceleration of just about everything*, Random House, 1999. The book's website is: <http://fasterbook.com/>

<sup>37</sup> Michael Gibbons, Camille Limoges, Helga Nowotny, Simon Schwartzman, Peter Scott and Martin Trow (1994) *The New Production of Knowledge : The Dynamics of Science and Research in Contemporary Societies*, SAGE Publications, California

example, argue that knowledge is increasingly produced in the context of its application. Problems are thus addressed based on the types of “real world” solutions required, rather than through the codified practice of a particular discipline. “Such knowledge is intended to be useful to someone”. It is also more likely to be generated by cross-disciplinary teams (often crossing traditional institutional boundaries); and it may well be disseminated dynamically through communication networks of highly mobile problem solvers. Finally, the contextualized nature of their work makes researchers more aware of the potential impacts – positive or negative – of their work. A higher degree of social accountability is therefore built in to the process, with a wider recognition that research cannot be judged on scientific and technological terms alone.

These new forms of knowledge are generating quite different kinds of economic structures. Knowledge or information-based services are growing in value as physical capital becomes less important.<sup>38</sup> Traditional book assets, for example, are thought to explain as little as 20 percent of the value of US companies.<sup>39</sup> Meanwhile some surprising industries turn out to have an information base. In the US, for example about one third of the value of the health care industry (about US\$350 billion) involves the transfer of information, while the SABRE flight booking system, an information service created by American Airlines, is now more valuable than the airline.<sup>40</sup> As a result, some companies are discovering that their core competency does not lie at the traditional heart of the business. Ford, for instance, has publicly considered pulling out of manufacturing cars, to concentrate on designing, marketing and distributing vehicles (its cars would be built by anonymous suppliers, but badged with the Ford name). Similarly, a Coca-Cola executive has noted that the company could survive the confiscation of all its assets – as long as it could keep the rights to its famous logo.

## **BUSY PEOPLE**

In the 1920s and 1930s, Alfred P. Sloan took Adam Smith’s concept of a “division of labor” to its extreme at General Motors, attempting to remove all enterprise from the production process. Workers were conceived as (unfortunately fallible) machines, and all decision-making centralized among a few managers. General Motors paid well, explicitly recognizing that the worker must seek his reward outside the workplace, rather than through any pleasure taken in working.

Today decision-making (and the expertise it requires) is much more widely distributed across many businesses, and what Adam Smith called the “dexterity in every particular workman” seen as a critical business asset. Labor has become more skilled, with scientists, technologists and inventors driving technological progress, while expertise in disciplines such as management and marketing is also highly prized (technological innovations are worthless without the knowledge of people needed to bring them successfully to market). Businesses need highly skilled, independently minded workers, and are spending more money on finding, training and retaining them.

Businesses increasingly see value concentrated in two areas:

- *Human capital*. Employees with specialized skills are increasingly in demand, as technology becomes more complex and processes become more technological. Innovation is increasingly prized, and those who can generate new ideas are able to exploit more open competition for their skills. Finally, employees with general skills – and the ability to keep learning – are also prized, as flexibility is rewarded by a fast-changing economy.

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<sup>38</sup> Manuel R. Agosin, David E. Bloom, and Eduardo Gitli. Op. cit.

<sup>39</sup> Living on Thin Air, Charles Leadbeater, citing a study by Professor Baruch Levi, at New York University’s Stern School of Business

<sup>40</sup> Philip Evans and Thomas S. Wurster, *Blown to Bits*, Harvard Business School: Boston, 2000

- *Relationships.* Relationships are increasingly recognized to contain value. Businesses are investing increasing amounts in maintaining good relationships with their employees, their customer base and their suppliers. Consumers continue to show rising concerns about standards of service, safety, and ethics. Brand and reputation are now invaluable assets. Companies rely on demand for their products or services, but they also need to maintain a broad mandate to operate.

The changing world of work is having an effect well beyond the internal organization of existing firms. Self-employment is now increasingly important across the world (though some countries are seeing decreasing numbers of self-employed people due to declines in the agricultural sector). Many of those making the most of self-employment are women<sup>41</sup>. Self-employment offers the flexibility of more control over time, there are fewer<sup>42</sup> institutionalized prejudices to overcome (the so-called “glass ceiling”), and can often be financed from the savings of a couple with two incomes (or family and friends), possibly supplemented with a bank loan given under an equal opportunity credit act. Women entrepreneurs are proving highly successful. According to the National Federation of Women Business Owners (NFWBO), in 1999 there were over 9 million women-owned US businesses (38 percent of all firms), each employing an average of around 3 people and accounting collectively for total sales of \$3.6 trillion. In 1996, there were over a million businesses owned by women of color – 13 percent of all women-owned firms). Globally, women typically comprise a quarter to a third of business owners.

Additionally, women-owned businesses also have a growing global presence. In 1998, the NFWBO, backed by IBM, conducted studies among women’s business associations in several countries.<sup>43</sup> Although not exhaustive, these snapshots provide important evidence of the level at which women’s businesses are exporting or importing goods and services in the global marketplace, from a ‘low’ in the US of 13 percent (where, of course, the internal market is large) up to 38 percent in Ireland.<sup>44</sup> The research further found that women involved in international trade have significantly higher revenues than those confining themselves to domestic markets. For example, in Mexico, 11 percent of women trading internationally had revenues over US\$500,000 compared with 1 percent of those exclusively operating in the domestic market. American, Canadian and Mexican women entrepreneurs were also more optimistic if involved in international trade, and Brazilian, Canadian and Irish women with a global business outlook were also more growth-oriented.<sup>45</sup>

Additionally, although women (and other marginalized groups) tend to have more trouble securing credit, they are often seen as being more reliable than their male counterparts. The Grameen Bank, for example, concentrates its lending on women – who make up 94 per cent of its clientele.<sup>46</sup> Another gender gap, the technological one, is already fast disappearing. According to Reuters, women now comprise around half of all Internet users in the US<sup>47</sup>.

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<sup>41</sup> Many of these remarks also apply to those from other marginalized groups – ethnic minorities, the elderly, the disabled etc.

<sup>42</sup> Although there can be problems at the interface of a new business and institutions like banks (e.g. access to start-up funding, access to capital etc.) In terms of credit, 52 percent of female business owners in the US have bank credit compared with 59 percent of male owners. Source: National Federation of Women Business Owners. ([www.nfwbo.org](http://www.nfwbo.org))

<sup>43</sup> Julie R. Weeks, *International Trade Opens New Doors for Women Entrepreneurs*, Center for International Private Enterprise. See: [www.cipe.org/ert/current/e33\\_5.html](http://www.cipe.org/ert/current/e33_5.html).

<sup>44</sup> Other figures: Canada (30 percent), Sao Paulo, Brazil (25 percent) and Mexico City (13 percent).

<sup>45</sup> “Between two-thirds and three-quarters of the women who own firms involved in international trade said that their primary business goal is expansion, compared with less than half to two-thirds of those who were not involved in international trade. (Data were not available for Mexico and the United States.)” Ibid.

<sup>46</sup> Bangladeshi economist Professor Muhammad Yunus, and the Grameen Bank which he set up, have more than convincingly demonstrated the value of microcredit for small businesses. Beginning with less than US\$50 and 20 borrowers, Grameen expanded rapidly, and now lends over US\$400 million annually to a membership base of over 2 million. ([www.grameen.org](http://www.grameen.org))

<sup>47</sup> Reuters, “Women constituted 50 percent of the US Internet audience for the first time during the holiday shopping season, according to a Nielsen NetRatings report”. (Jan 25 2000)

## SMALL BUSINESS

Whoever owns them, small businesses are essential to the success of any economy. Rates of independent entrepreneurship are not constant across countries, however. OECD figures show marked differences in business birthrates between countries with roughly comparable levels of income. In the US, the stock of small businesses increased by 4.4 percent per year between 1984 and 1991. In Canada, the figure was 2.8 percent. In the UK and Denmark however, (although over slightly different time periods, 1984-1989 and 1987-1991), the annual figures were only 0.7 and 0.6 percent.<sup>48</sup> Attitudes to entrepreneurs also vary greatly from country to country. In Japan, for example, only 8 percent of the population believes that starting a business is a respected occupation, compared to 38 percent in the United Kingdom, and 86 percent in Canada.

The Global Entrepreneurship Monitor (GEM)<sup>49</sup> – an initiative bringing together some of the world's leading academics to study the relationship between entrepreneurship and economic growth – recently classified ten countries according to their entrepreneurial activity. Italy and the UK are judged to have a 'medium' level of entrepreneurial activity and sit slightly above a 'low' entrepreneurial cluster, of Denmark, Finland, France, Germany and Japan. Both groups are rated well below a group of high achievers, USA, Canada and Israel. It has calculated that these variations could account for as much as 36 percent of the difference in the speeds at which these economies have been growing.

Entrepreneurship has an interesting relationship to risk (and its avoidance), as well as to the tension – present in both the industrial and knowledge revolutions – between individualism and collectivism. So, for example, in one classic index<sup>50</sup>, the American component of the highly entrepreneurial group above scores well on individualism, with USA at 96 and Canada at 80. Israel, however, scores only 54. The low entrepreneurial cluster lag somewhat, with Denmark at 74, Finland at 63, France at 71, Germany (West) at 67 and Japan at 46. The medium level UK scores well at 89, while Italy rates at 76. All of these countries, however, rate highly on individualism relative to others (e.g. West Africa, 20; Thailand, 29; Peru, 16; and Guatemala 6). Clearly several factors are at work, of which one of the most important is culture. (Culture changes slowly, and although the individualism data cited above, from 1980, is a generation out of date, a recent replication broadly supported these findings<sup>51</sup>).

Recently, management thinker John Kay has described entrepreneurship as “a disciplined form of pluralism”, in that it is a process that offers people the freedom to make their ideas concrete within the constraints of an existing social structure (which will rein them in, economically, if those ideas are unsuccessful). Entrepreneurship, in other words, is an expression of human capital – but has in-built constraints, too. The extent to which people are prepared to enter into this process reflects their sense of independence, their power to affect change, and their confidence in the future. The ability of society to support entrepreneurial activities is thus a measure of its ability to harness the energy of its citizens.

The importance of entrepreneurship is not confined to new businesses. Big businesses see “intrapreneurs” (i.e. those expressing an entrepreneurial attitude within a larger organization) as a frontline defense against nimble new entrants, while it is social entrepreneurs (i.e. those whose entrepreneurial efforts are primarily directed to social ends) rather than bureaucrats who are the engines behind efforts to renew social structures and institutions. Nor is entrepreneurship confined to

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<sup>48</sup> OECD, Employment Outlook, 1994, July

<sup>49</sup> [www.babson.edu/entrep/research/gem/Gem\\_2.html](http://www.babson.edu/entrep/research/gem/Gem_2.html)

<sup>50</sup> Gert Hofstede, *Culture's Consequences: International Differences in Work-Related Values*. 1980, Sage. Cited in David J. Hickson and Derek S. Pugh, *Management Worldwide: The Impact of Societal Culture on Organizations around the Globe*, Penguin: London, 1995.

<sup>51</sup> A more recent replication, however, found a high correlation with Hofstede's findings. C. Merritt, Replicating Hofstede: a study of pilots in eighteen countries, Aerospace Crew Research Project, The University of Texas at Austin, 1998. ([www.psy.utexas.edu/psy/helmreich/hofrep.htm](http://www.psy.utexas.edu/psy/helmreich/hofrep.htm)).

a small number of high-growth companies in exciting new sectors. The majority of small businesses are very small and these “micro-businesses” form a vital route into the labor market for large numbers of people. Enterprise is a vital tool for achieving economic regeneration, providing employment, encouraging people to develop new skills and helping strengthen social structures.<sup>52</sup>

The success of the small businesses is even more important to developing countries. In El Salvador, micro-enterprises were thought to account for more than a quarter of GDP in 1996 and 31 percent of employment. Three quarters of these enterprises are urban, many employing people on the fringe of the labor force (with women running about 65 percent of these firms). However, most of these businesses provide only inadequately for their owners. 70 percent provide less income than is needed to cover subsistence costs, while less than 5 percent are producing sufficient revenue for investment and growth. Skills are in short supply. 23 percent of owner managers have no schooling and 11 percent are illiterate. Credit is also hard to find. Across Latin America, less than 5 percent of small businesses receive any credit from the banking system, even though the sector probably contributes a fifth of the region’s GDP.<sup>53</sup>

Improving the quality of small businesses will be vital to achieving sustained rates of economic growth, as well as having a major impact on poverty, inequality, and the prospects of disadvantaged groups, such as women. The public sector, which is chiefly tasked with providing small business support, provides several examples of innovation in the sector.<sup>54</sup> Nevertheless, the public sector (and, in developing countries, the NGO sector), has yet to become renowned for its entrepreneurial energy or understanding. There are clearly interesting opportunities to spread best practice from within the private sector to these other, highly influential, sectors.

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<sup>52</sup> See for instance: HM Treasury (1999) *Enterprise and Social Exclusion*, HM Treasury, London

<sup>53</sup> The Grameen Bank’s repayment rate of over 98 per cent is the envy of mainstream banks – and persuasively refutes the argument that the poor are inherently high-risk borrowers. Models of commercially sustainable microfinance are also beginning to emerge elsewhere, such as Bank Rakyat Indonesia (BRI) in Indonesia, Banco Sol in Bolivia and Kalpia in El Salvador. BRI has 2.5 million borrowers and 22 million savings accounts (though fewer individual savers, as many savers have more than one account). For an outstanding guide to the area of microfinance, see Marguerite Robinson, *The Microfinance Revolution*, The World Bank, Washington, D.C.: forthcoming 2000.

<sup>54</sup> See, for example, *Communicating Change: The Best 4 Business 1998 Report* and *All Change: The Best 4 Business 1999 Report*, which detail award-winning small business support schemes in the UK. ([www.riverpath.com](http://www.riverpath.com)).

## Educated People

Developing human capital requires investments in two principal areas: education and health. Investment in education offers substantial returns and, quite possibly, increasing returns. According to the Inter-American Development Bank Annual Report, 1998-1999, a Latin American worker with six years of education (i.e. primary) will earn 50 percent more than someone who has not attended school. This gap rises to 120 percent for those with 12 years of education (i.e. secondary) and exceeds 200 percent for those with 17 years of education (i.e. tertiary). While these benefits are mainly 'private', education also confers public benefits, with better-trained workers adding to rising tax streams, becoming more effective entrepreneurs, and adding value to their society in a number of intangible ways. East Asia, for example, invested heavily in education at a time when the demographic transition meant it had many children to educate. This investment contributed substantially to the region's economic "miracle".

The following three graphs (figures 18-20) lay out the quantity of education received globally, in more and in less developed countries. The UNDP's *Human Development Report's* Education Index (on a scale of 0-1) shows a huge disparity between the industrialized nations, at 0.97, and the developing world, at 0.67 – with the least developed countries lagging at 0.46 – less than half that of the richer countries. There is some cheer in the progress made by poorer countries over the last thirty years at the primary level. However, the gap between the education-rich and education-poor remains wide at the secondary level, even though there are upward trends.

The real concern, however, is higher education. Here richer countries are continuing to expand access, having taken to heart the idea that higher education will be to the knowledge society what secondary education was to industrial economies (and what primary education was to agrarian economies). Developing countries are being left behind, increasing the likelihood that "knowledge poverty" will depress the pace of their development. It is interesting to note that secondary education tends to be more highly correlated with economic growth than primary education. In the future, we suspect, the correlation will be strongest with higher education, not secondary – a supposition reflected by the OECD, which has recently given a greater emphasis to higher education in its educational indicators.<sup>55</sup>

Improving access to higher education in developing countries will not be easy. Many donors, and some governments, still consider higher education a "luxury", especially when compared to other development priorities. Traditional economic analyses have not helped. By measuring returns on educational investment *only* in terms of income improvements, economists have missed the critical impact that higher education has on a modern society. All countries need higher education, not only to provide increasing numbers of students with highly specialized skills, but also to train generalists with the flexibility to innovate in a fast-changing world. Higher education institutions are vital nodes in the new economy, helping generate, select and absorb knowledge and to disseminate ideas and solutions into society. A further compelling reason for countries to invest in higher education lies in the world's increasing complexity. As rafts of international legislation and multilateral agreements emerge, for example, each country will need a cadre of highly intelligent, educated and trained people to look after their nation's interests.

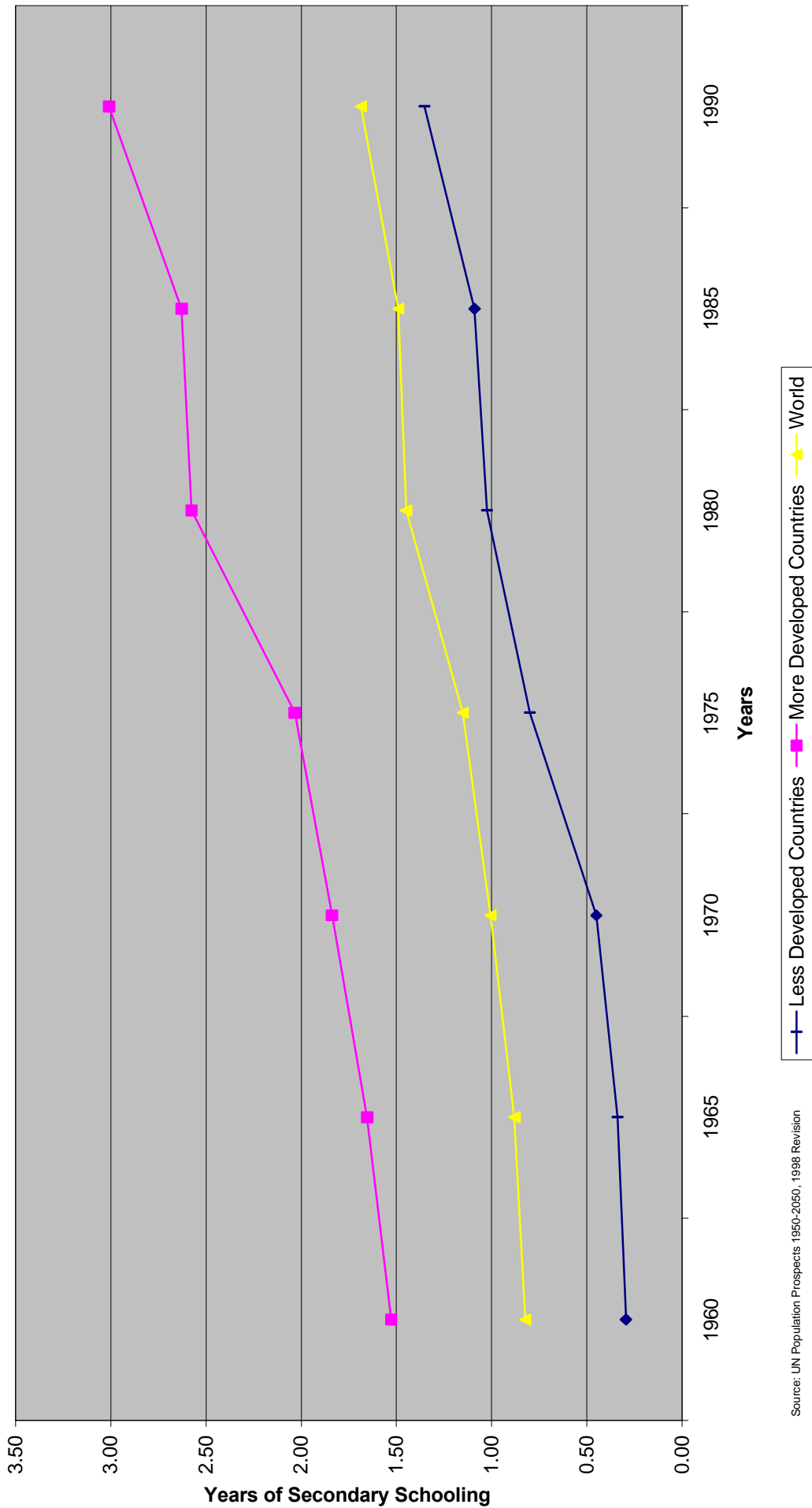
Higher education systems in developing countries are under great strain. Although not expanding as fast as in the developed world, many are coping poorly with increased demand. 50 percent of all higher education students are now in developing countries. In Latin America, for example, Argentina, Brazil and Mexico each have an enrolment of 1-2 million students in tertiary education, while 'mega-universities' like the National University of Mexico and the University of Buenos Aires, each have over 200,000 students.

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<sup>55</sup> *Education at a Glance – Indicators* (1997), OECD.

# Primary Schooling for Population Aged 15 and Up

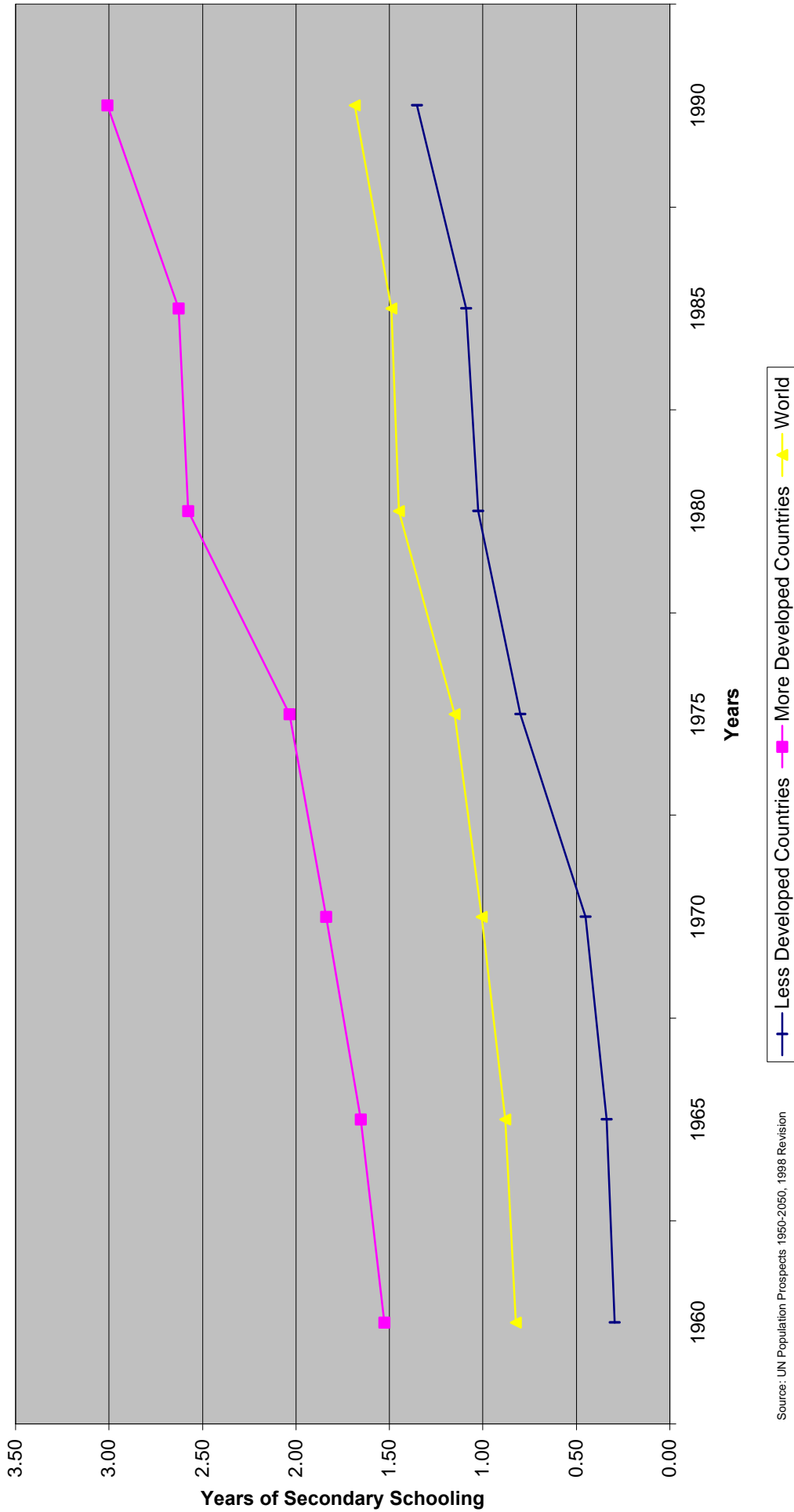
Figure 19: Secondary Schooling for Population Aged 15 and Up



Source: UN Population Prospects 1950-2050, 1998 Revision

## Secondary Schooling for Population Aged 15 and Up

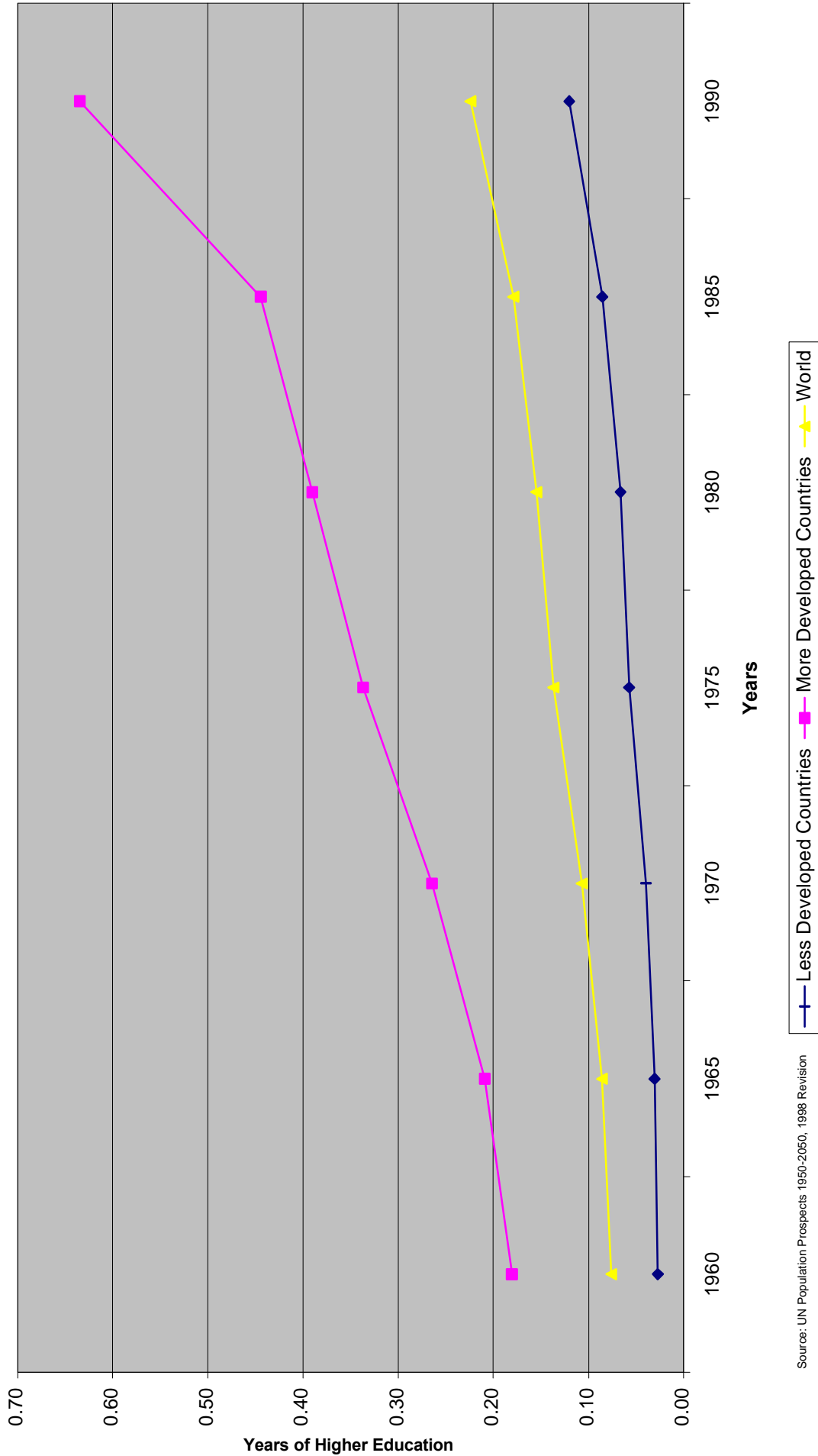
Figure 19: Secondary Schooling for Population Aged 15 and Up





# Higher Education for Population Aged 15 and Up

Figure 20: Higher Education for Population Aged 15 and Up



Source: UN Population Prospects 1950-2050, 1998 Revision

According to *Higher Education in Developing Countries: Peril and Promise*<sup>56</sup>, an important remedial step is “planned diversification”. Higher education systems should become increasingly differentiated, both vertically, as new players (especially from the private sector) enter the market and horizontally, as new institutions, programs and courses develop (in particular, distance learning). However, this diversification should not proceed in a chaotic fashion, as currently happens in many countries – not least because the quality of the education received, which is the central point of tertiary education, can be compromised. Effective debate is needed at the national level to set priorities for the system as a whole. These objectives should then be fulfilled through supervision (but not management) at a systemic level, allowing institutions to play to their strengths and serve different needs; compete for funding, faculty, and students; and innovate to take advantage of the opportunities offered by communication technology.

Higher education is likely to prove to be the latest in a number of industries dramatically transformed by the knowledge revolution. Distance learning has seen enormous expansion in the last 10 years, with the 5 largest programs (all in developing countries) established since 1978. With an aggregate enrollment of some two million students in 1997, they collectively account for about a tenth of all enrollment growth in developing countries over the past twenty years. New satellite- and Internet-based technologies will increasingly transform higher education, and help underpin the growing emphasis on “lifelong learning”. New entrants have the opportunity to radically change the way that students learn, while exploiting new economies of scale. These institutions will bring renewed competition to the sector, as students enroll across borders, without the need to leave their home country.

## Healthy People

Good health is also essential to creating – and maintaining – human capital and is an especially important challenge to developing countries. Healthy workers are physically more energetic, mentally more robust and take less time off due to ill health. In turn, their productivity makes companies more profitable, and a healthy workforce is an important way to attract foreign direct investment. (A survey of executives, for example, showed that some already see HIV/AIDS as a reason not to invest in South Africa<sup>57</sup>). Healthy children miss less school and learn faster when they do attend. Healthy adults, meanwhile, are likely to save more, both because they expect to enjoy a long retirement and because they have not run down their reserves during bouts of serious illness.

These macroeconomic effects are surprisingly strong. If two countries are compared, identical in all respects except one has a 5-year advantage in life expectancy, real income per capita in the healthier country will grow 0.3-0.5 percent faster than in its less healthy counterpart. This added spurt of growth is far from trivial, given that countries experienced an average per capita income growth of only 2 percent per year between 1965 and 1990. Such gains in life expectancy are also in reach of most developing countries, with world life expectancy increasing by around 20 years since 1950.<sup>58</sup>

Developing countries have seen remarkable improvements in health in recent years. Global public health efforts have seen family planning spread across the world and childhood vaccination shoot up from 5 percent in 1970 to over 80 percent of the world’s children today. However, there are serious threats. Malaria, far from ceasing to be a menace as the WHO suggested in the late sixties, continues to boost mortality rates, hitting young children particularly hard. Meanwhile the scourge of consumption (TB), which had become almost a historical memory in the West, is also rising fast. The

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<sup>56</sup> Task Force on Higher Education and Society, *Higher Education in Developing Countries: Peril and Promise*, Washington, D.C.: World Bank, March 2000.

<sup>57</sup> Reuters, October 15, 1999 (citing a Washington Post report)

<sup>58</sup> See David Bloom and David Canning, “The Health and Wealth of Nations,” *Science*, February 18, 2000. See also World Health Organization, *World Health Report 1999*, Geneva 1999.

most significant problem, however, is HIV/AIDS. 95 percent of HIV+ people live in developing countries, with life expectancy in Sub-Saharan Africa now falling – reversing the development gains of the past twenty years. 56 percent of the region’s population is not expected to reach 60, compared to 28 percent for developing countries as a whole. The effects on the global economy are likely to be substantial. 80 percent of those infected die in their 20s, 30s or 40s. They are today’s workforce, market and parents.<sup>59</sup>

The health concerns of rich countries are somewhat different, as they fight chronic diseases (such as heart disease and cancer) that are enormously expensive to treat. Many health systems are struggling to cope with what seems to be unlimited demand, a situation that will worsen as the population ages. As with pensions, rising demand is forcing governments to explore ways of transferring more responsibility to individuals. Again, this is not just a financial process. It can mean using increased participation as a tool to manage demand. Many countries have experimented with citizens’ juries<sup>60</sup> to make decisions about what treatments should be funded by the state when resources are limited, while the United Kingdom has launched a telephone based health service, *NHS Direct*, which aims to create the “informed health consumer”, less likely to make unnecessary trips to their hospital or general practitioner. The service is already receiving 100,000 calls a month and an NHS Direct web site has just been launched, in response to research showing that health (after sex) is the most popular subject for searching on the Internet.<sup>61</sup>

## Happy People

The security conferred by health, the opportunities provided by education and other sources of human capital have important economic benefits. A serious approach to human development requires policy-makers to see economic growth as only one element of building richer societies. The Human Development Index (HDI), developed by the United Nations Development Programme (UNDP), reflects this. It measures health, education, and income to produce an indicator reflecting achievements in “the most basic human capabilities – leading a long life, being knowledgeable and enjoying a decent standard of living”.<sup>62</sup>

Interest in measuring people’s quality of life (QOL) has risen in opposition to the tendency to use crude economic indicators as if they reflect the sum of social progress. Quality of life measurement began in the United States in the 1960s, when the National Aeronautics and Space Administration (NASA) tried to measure the effects of the space program on American feelings of well-being.<sup>63</sup> The “social indicators movement” was explicitly concerned with correcting the assumption that social progress and economic growth were synonymous. Traditionally, economists have used income as a proxy for well-being, but Sen argues that it performs this job poorly: “if we are really to know much about the

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<sup>59</sup> Further detail and arguments are developed in *A Moment In Time: AIDS and Business*, David Bloom, Allan Rosenfield and River Path Associates. American Foundation for AIDS Research (amfAR), November 30, 1999. ([www.riverpath.com](http://www.riverpath.com))

<sup>60</sup> “Citizens’ juries use a representative sample of voters from different constituencies. The participants are briefed in detail on all the background and current thinking relating to a particular issue (such as health care) and asked to discuss possible solutions, sometimes in a televised group.” From: *Citizens’ Juries: Theory into Practice*, Institute for Public Policy Research (IPPR), London, 1998. ([www.ippr.org.uk](http://www.ippr.org.uk))

<sup>61</sup> “Click here for appointment at nhs.uk”, *The Observer*, 5 December 1999. ([www.nhsdirect.nhs.uk](http://www.nhsdirect.nhs.uk))

<sup>62</sup> United Nations Development Programme (UNDP), *Human Development Report 1999*, Oxford University Press: Oxford.

<sup>63</sup> See Kenneth Land’s excellent survey of social indicators. The initial work on social indicators, which set out to “to develop a system of social indicators--statistics, statistical series, and other forms of evidence--with which to detect and anticipate social change” was carried out by the American Academy of Arts and Sciences. Kenneth Land, *Social Indicators*, Edgar F. Borgatta and Rhonda V. Montgomery (eds.), *Encyclopedia of Sociology*, Revised Edition. New York: Macmillan, 2000

'thriving' of... citizens, we need to know not only about the money they do or do not have, but a great deal about how they are able to conduct their lives."<sup>64</sup>

The measurement of quality of life is fraught with difficulties.<sup>65</sup> QOL indicators can take many forms. First, indicators can be simple or complex. In theory, simple indicators are easy to collect and allow comparisons across time and groups. Simple indicators may simplify, however, while complex indicators, if they can be collected, do not easily yield comparisons.<sup>66</sup> Second, the criteria measured can be determined objectively by researchers, or subjectively by those being researched. Again researchers face a dilemma, if they select what is measured, comparison is made easier, but it may be the researcher's value system that is being measured. If stakeholders are allowed to decide what is important to their quality of life, comparison across groups, or even between individuals, becomes impossible. Third, measures can be quantitative or qualitative. Quantitative measures either use a proxy or try to measure happiness directly (Erasmus University's World Database of Happiness provides a Catalogue of Happiness in Nations and a Catalogue of Happiness Correlates, as well as a Directory of Happiness Investigators). Qualitative techniques assume that QOL cannot be quantified satisfactorily, but that useful results will emerge by listening to what people have to say about what they feel and aspire to. Fourth, the scale on which quality of life is measured is important. QOL measurements may be taken for individuals, for a society as a whole, or for groups within that society. Indeed, for those working in developing countries, QOL indicators have been welcomed to disaggregate the well-being of groups within society, especially poor people and women.

Different ways of measuring QOL reflect, in part, practicalities, but they also reveal significant philosophical differences. Measuring QOL *outcomes*, for example, tends to reflect egalitarian beliefs. Ravi Kanbur, for example, imagines two players gambling for a cake and argues that some of the cake should be given to the loser after the game, as "individuals may not fully appreciate the consequences of their actions... tomorrow's hunger cannot be felt today." This position is anathema to those who argue for the importance of *opportunity*. Milton Friedman, for example, argues that the "resultant inequality of income is surely required to permit the individuals in question to make the most of their initial equity." For Friedman, the whole point of Kanbur's game is destroyed if the results are changed after the event. Finally, a focus on the *freedom* to participate is possible. Sen agrees with Friedman that the opportunity to play the game is more important than the outcome, but he argues that many people are denied the opportunity to participate. Their lack of agency inhibits both their ability to promote change and to determine what the goals of change should be.

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<sup>64</sup> See: Martha C. Nussbaum and Amartya Sen, eds., *The Quality of Life*, New Delhi, Oxford University Press, 1993; Amartya Sen, *Development as Freedom*, New Delhi, Oxford University Press, 1999.

<sup>65</sup> Bloom, David E., Patricia Craig, and Pia Malaney. (2000). *The Quality of Life in Rural Asia*. Oxford University Press, forthcoming.

<sup>66</sup> The UK's Department of the Environment, Transport and the Regions recently admitted that a number of its recently published social indicators are currently "too complicated to collect". The HDI was intended, by its inventor Mahbub ul Haq, to be "a measure of the same level of vulgarity as GNP – just one number – but a number that is not as blind to social aspects of lives as GNP is." And even the HDI is not strictly comparable from year to year. In 1999, the UNDP warned that "if a country ranks higher or lower on the HDI... that does not necessarily mean that its state of human development has deteriorated or improved." Changes could have resulted from refinements of methodology or discrepancies in data collection or quality.

## INTELLIGENT AGENTS

Sen's concentration on freedom reflects the insight that human development – and investment in human capital – aims to help increase the independence of people.<sup>67</sup> On its own, however, a focus on individual rights and freedoms is inadequate. For the individual cannot be considered in isolation. The links between people – the strength or weakness of social capital – have a critical impact on a society's prospects. Markets, for example, are a forum for individual economic expression, but they are rule-bound, reliant on a complex system of social norms. A legitimate and sustainable system of "social capitalism" must simultaneously take advantage of the market mechanism and institutionalize mechanisms for promoting public interests that markets cannot. This includes allowing challenges to inflexible social and economic structures, while also ensuring that individualistic attitudes do not prevent the formation of new, relevant, and rewarding social and economic forms.

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<sup>67</sup> It is interesting to note how opposition to globalization – whether from left or right – crystallizes around a loss of agency. US Union leader, Jay Mazur, for example, has argued that "the forces behind global economic change – which exalt deregulation, cater to corporations, undermine social structures, and ignore popular concerns – cannot be sustained. Globalization is leaving perilous instability in its wake. It is hurting too many and helping too few." Writers David Rooney and Greg Hearn meanwhile, depict anti-change and anti-globalization right wingers as "typically poorly educated, middle aged or older... They feel angry, impotent and ignored. Although these people are negatively portrayed in the media as rednecks and other extremists who are out of step with the 'realities' of globalization, they are nevertheless representatives of a class of people who suffer because of the poor distribution of wealth, knowledge and opportunity." Jay Mazur quotes MIT economist Paul Krugman's claim that the Asian economies were vulnerable because they had "become better free market economies, not worse (see Jay Mazur, "Labor's new internationalism", *Foreign Affairs*, January/February 2000). Mazur is Chair of the American Foundation of Labor and Congress of Industrial Organizations (AFL-CIO) International Affairs Committee, as well as President of the Union of Needletrade, Industrial, and Textile Employees. See also *The Zone of Entanglement – Change, Non-Change and the New Managerial Ideology of Ephemeria*, David Rooney and Greg Hearn, Foresight, April 1999, Camford Publishing, Cambridge, UK.

## Three – The social perspective

### ORIGINS OF SOCIAL CAPITAL

There is some dispute as to when the term 'social capital' first emerged, though the current leading contender appears to be Lyda Hanifan, in 1916.<sup>68</sup> Social capital has many sources. The most important is undoubtedly the family, with communities, civil society, the public sector, business, and various networks and associations all playing a role in a complex, and dynamic, mosaic.<sup>69</sup> As a term, however, social capital has only recently begun to be taken seriously by economists and policymakers. Writers like Robert Putnam<sup>70</sup> and Everett Ladd<sup>71</sup> have explored in detail why some democracies work and others do not. They argue that social capital is a critical influence, operating through the power of association, trust and cooperation.<sup>72</sup>

More recently, Francis Fukuyama has explored what he describes as a "great disruption"<sup>73</sup> across many rich countries, caused by declining levels of social capital and rising levels of individualism. He points to rising crime rates and declining levels of trust in institutions as the clearest signs of this disruption. The WHO estimates the global annual cost of injuries from violence at some US\$ 500 billion, while Russia, which has seen a collapse in its social capital, has 1539<sup>74</sup> people in prison for every 100,000 of its population (the figure in the USA, commonly thought to have a high prison population, is only 645<sup>75</sup>).

Falling levels of political participation, meanwhile, is having a direct impact on democracy. In the USA, 61 percent of those who said they trusted politicians had voted in the previous general election, compared to only 25 percent of those who expressed low levels of trust. In Western Europe, a poll showed that in 1990 confidence was declining in governments and institutions in 6 countries, stable but low in 4 more, and rising only in Denmark.<sup>76</sup> Cynicism about politicians' financial probity is even stronger in less developed countries, as can be seen in evidence from the Global Competitiveness Indicators. On a scale from 1, "strongly disagreeing" that public trust in the financial honesty of politicians is very high, to 7 ("strongly agreeing"), the global mean is weakly negative at 3.31, but more strongly negative in less developed countries at 2.73. Several countries, including Russia (1.71),

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<sup>68</sup> "A social capital referred to those tangible substances [that] count for most in the daily lives of people: namely good will, fellowship, sympathy, and social intercourse among the individuals and families who make up a social unit... If [an individual comes] into contact with his neighbor, and they with other neighbors, there will be an accumulation of social capital, which may immediately satisfy his social needs and which may bear a social potentiality sufficient to the substantial improvement of living conditions in the whole community."

Lyda J. Hanifan (1916) 'The rural school community center' *Annals of the American Academy of Political and Social Science* 67: 130-138. (Cited by World Bank website social capital newsletter, which is seeking other contenders for the earliest use of the term: [www.worldbank.org/poverty/scapital](http://www.worldbank.org/poverty/scapital)).

<sup>69</sup> See for example the World Bank Social Capital Website: [www.worldbank.org/poverty/scapital/sources/index.htm](http://www.worldbank.org/poverty/scapital/sources/index.htm)

<sup>70</sup> Robert D. Putnam, *Making Democracy Work: Civic Traditions in Modern Italy*. Princeton: Princeton University Press, 1993.

<sup>71</sup> Everett Ladd, *The American Polity*, 5th ed. Norton, 1993.

<sup>72</sup> The concept of social capital is not without its critics. Nobel Laureate and economist Robert Solow has described the concept as "an attempt to gain conviction from a bad analogy." While admitting the importance of the underlying ideas, he asks how one invests in social capital and how that investment depreciates. In other words, what is the value of a given stock of social capital? Such measurement is elusive.

<sup>73</sup> Francis Fukuyama, *The Great Disruption: Human Nature and the Reconstitution of Social Order*, Free Press, 1999

<sup>74</sup> 1994 figure. Human Development Report, 1999. Op. cit.

<sup>75</sup> The Russian figure is as reported in the 1999 Human Development Report and is for 1994. The American figure was 645 in 1997. In February, 2000, US jails racked up their 2 millionth prisoner. Duncan Campbell, "Anger grows as US jails its two millionth inmate: The land of the free is now home to 25% of the world's prison population", *The Guardian*, February 15, 2000.

<sup>76</sup> *The Third Way*, Anthony Giddens, 1998, Polity Press, [www.polity.co.uk](http://www.polity.co.uk)

Ukraine (1.64), Bolivia (1.6), Venezuela (1.52), Korea (2.1) and Zimbabwe (1.83) show particularly low levels of confidence. Conversely, the weak positive of Chile (4.01) exceeds that of its *alma mater* Spain (3.89).

## A TAIL OF TWO REVOLUTIONS

The power of social capital is seen in the progress made by countries since the “fall of communism”. This was both a triumph and an embarrassment to the democratic world. Initially pundits looked forward to a “new world order”, but the transformation of the former communist countries to the market economy has been traumatic – and the new order is yet to emerge. The World Bank, ironically, now holds up China as a model, contrasting its “cautious and measured road to market reform, starting with agriculture and small and medium enterprises, versus Russia’s rush into liberalization.” Yet it notes that China, the other great revolutionary country of the 20<sup>th</sup> century, has now achieved “perhaps the most spectacular poverty reduction in the history of the world”.

Russia’s fate is a challenge to supporters of human development, as much as to purist free marketers. Russia’s people were relatively well educated and healthy as they started to build a liberal democracy, but a lack of social capital was enough to negate this advantage. Economic and human development indicators have fallen fast following Russia’s transition to a market economy. The importance of social capital is dramatically shown through its link to health in Russia. Russians are dying younger and rapidly sinking into poverty. Life expectancy has fallen from 70 in 1989 to 64 in 1995, representing at least 1.3 million extra deaths. The crisis has hit men especially hard, whose life expectancy is now only 57.6 years, 13.6 years less than women’s. Most of the extra deaths are concentrated amongst middle aged men, due to cardio-vascular disease, accidents, injuries, poisoning, homicide and suicide. The demographic transition is not going into reverse, however, as fertility is sinking even faster (now down to 1.2 live births per woman). High mortality/low fertility is a totally new model, showing a refusal to participate in the most fundamental human and social impulse, having children. A key factor in Russia’s modern tragedy is alcohol – life expectancies rose in the brief period when Gorbachev restricted sales – although a deteriorating diet and increased smoking also contribute. Pollution may also be a factor, while the deteriorating medical system has exacerbated the crisis.

Bruce Kennedy, Ichiro Kawachi, and Elizabeth Brainard have described the very low levels of confidence in civic structures prevalent among many Russians. They show that levels of trust in *local* government can account for 14 percent of the variation in total male mortality among Russian regions, with disinterest in politics and lack of voting participation also strongly associated with male mortality. Crime and conflict at work (chosen as factors showing lack of social cohesion) are further predictors of mortality. Interestingly, these local factors were much more important than regional or national ones. Trust in regional government only had a weak effect on mortality, while trust in national government was not significant.<sup>77</sup> Russian social capital seems to be concentrated in extremely informal networks, with two thirds of Russians saying they have a friend who would lend them as much as a week’s wages if their household was short of money. Unfortunately, this leaves the socially isolated exceptionally vulnerable. Quite simply: “those who have access to social capital get ahead; those who do not get sick and die.”

## Group versus individual?

The idea of a “great disruption” in social capital, and that individualistic attitudes can differ from the needs of a community, does not imply that individual freedom is undesirable and a particular set of collective values should be re-imposed. The long-standing tension is between individuals and

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<sup>77</sup> Kennedy BP, Kawachi I, Brainard E. The role of social capital in the Russian mortality crisis. *World Development* 1998; 26: 2029-2043.

organizations, rights and responsibilities. So while individuals have a series of freedoms and opportunities (often hard won), they also have a responsibility to the groups in which they participate. Organizations, meanwhile, exchange a mandate to operate, for responsibilities to those who grant that mandate, whether customers, shareholders, taxpayers, or voters. Achieving an effective and workable balance is essential, not least because responsibilities are an effective way to coordinate complex behaviors among large groups of interdependent individuals.

Democracy, for example, relies on individual participation and has disrupted many traditional social structures. Some have argued that it should be limited, an opinion strongly associated with Singapore's former Prime Minister Lee Kwan Yew. He argued that so-called "Asian values", with an emphasis on responsibilities rather than individual rights, were fundamental to East Asian growth. However, a long tradition of libertarian thinkers – once again, many dating from the time of the first industrial revolution – has argued that an individual has sovereignty over him or herself. Furthermore, many staked their "lives, fortunes, and sacred honor" on stating their independence from governmental "tyranny"<sup>78</sup>. A generation later, John Stuart Mill rejected the encroachment of society and tradition, arguing that "Human nature is not a machine to be built after a model, and set to do exactly the work prescribed for it, but a tree, which requires to grow and develop itself on all sides, according to the tendency of the inward forces which make it a living thing."<sup>79</sup>

Many educationalists have worked firmly in this tradition and education has often been a disruptive force, especially at times when access is expanding rapidly. In Southern Italy, for example, many children were leaving school around the age of 12 and therefore receiving all their education within the small town in which they were born. Now that the compulsory school leaving age has been raised, students are bussed to secondary schools in larger towns, representing a decisive challenge to fixed communities. Similarly, the expansion of higher education in the United States in the 1960s was associated with rising student activism and the rejection of social norms. Indeed, the very notion of academic freedom champions the right of the individual over the community, as seen in this definition of academic freedom quoted by the Task Force on Higher Education and Society<sup>80</sup>: "the right of scholars to pursue their research, to teach, and to publish without control or restraint from the institutions that employ them."

Social structures can also act against the social mobility which is essential to a modern society. While loose networks may facilitate mobility and engender trust across a society, tighter groups may do the opposite. Societies with especially strong families may see low trust levels at a community level, for example, while members of fundamentalist religious groups tend to have low levels of trust for other members of society. Carol Graham and Stefano Pettinato<sup>81</sup> suggest upwardly mobile people are less likely than average to belong to neighborhood or other civil associations. Their individualism is contrasted with the less mobile, who rely heavily on civic associations. In this case, group membership lessens levels of risk, but decreases opportunity. The role of these groups is to "strengthen strong ties – kinship and other close relations – as a coping mechanism that compensates for the absence of ties beyond the neighborhood that can result in new jobs or public goods." In extreme cases, this kind of group can act as a poverty trap.

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<sup>78</sup> A good overview of the history of libertarian thought can be found at [www.libertarian.org](http://www.libertarian.org).

<sup>79</sup> On Liberty (1859) Chapter 3: On Individuality, As One of the Elements of Well-Being.

<sup>80</sup> The Task Force on Higher Education and Society, *Higher Education in Developing Countries: Peril and Promise*, World Bank 2000 – already cited

<sup>81</sup> Assessing Hardship and Happiness: Trends in Mobility and Expectations in the New Market Economies

CSED Working Paper No. 7, Center on Social and Economic Dynamics at the Brookings Institution, October 1999. [www.brook.edu/es/dynamics/papers/happiness/happiness.htm](http://www.brook.edu/es/dynamics/papers/happiness/happiness.htm)



## On the margins

Exclusion is one of the greatest threats to a global economic system that should be based on opportunity and merit. Many of the world's people are currently being left behind by technological progress. According to British Telecom, half the world's people have never made a telephone call, while the example of Albania, Europe's poorest country, shows dramatic exclusion. In 1996, foreigners and foreign companies made nearly 19,000 patent applications in Albania. Only one was made by an Albanian.<sup>82</sup>

Mansoob Murshed<sup>83</sup> argues that there is now direct evidence that the deleterious side effects of globalization undermine its overall prospects. "Unlike in the past," he writes, "it is now widely believed that income inequality actually hampers growth prospects." Costs include those of internal conflict, which discourage investment. One high-profile example is soccer's World Cup. South Africa would be the unassailable favorite to host the 2006 competition but for fears about its crime rate. Should it lose out to one of the other bidders – the United Kingdom and Germany – it will miss out on an event that is not only lucrative, but also enormously prestigious.

Income inequality between and within societies is clearly present and, in many cases, seems to be growing. In Mongolia, the poorest fifth share only 7.3 percent of the country's income, while the richest fifth take 40.9 percent. The United States is even more unequal, with the poorest fifth sharing 4.8 percent, against 45.2 percent for the richest.<sup>84</sup> These figures serve only as a proxy for the real costs borne by the 'have nots', not all of which are susceptible to economic representation.

225 years after Thomas Paine published "African Slavery in America", it is shocking to read that there are up to 30 million slaves in the world today. Slavery is the exact antithesis of mobility, and according to Index on Censorship, over 27 million people work for no pay as bonded laborers, as domestics or sex slaves, solely to escape violence:

"To help us see who really is a slave we need to remember that there is an irreducible core to slavery: violence. The control of one person by another through violence (or its threat) is the constant attribute of slavery throughout history. Couple that with an economic exploitation in which someone is paid nothing and you have a good working definition of the new slavery that encompasses about 27 million people around the world." ... "It costs about US\$2,000 to enslave a young woman into a brothel in Thailand. Once there she will generate as much as US\$75,000 profit each year. She won't be able to keep that up for more than four or five years since HIV is widespread among the men who use her. But the purchase price is low, the profits high and she can be easily replaced if she is ill, injured or just troublesome. Today's slaves are disposable.

At US\$2,000 the young woman in a Thai brothel is one of the world's more costly slaves. People, especially children, can be enslaved today for as little as US\$45. The 11-year-old boy I met in India six weeks ago had been placed in bondage by his parents in exchange for about US\$35."<sup>85</sup>

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<sup>82</sup> World Development Report 1999/2000 op cit

<sup>83</sup> S. Mansoob Murshed, Research Fellow, UNU/WIDER, *Globalization and small vulnerable economies: a survey of the issues* (31 August 1999)

<sup>84</sup> World Development Report 1999/2000 op cit

<sup>85</sup> Kevin Bales, *The New Slavery: Throwing People, Index on Censorship, 1/00, London. www.indexoncensorship.org*

The new slavery is based on high margins and low costs of ownership: in 1850, the average agricultural slave in Alabama cost around US\$40,000 at today's prices. The equivalent slave today can be bought for US\$1000. To quote William Cowper, "Freedom has a thousand charms to show that slaves, howe'er contented, never know."

## **SOCIAL MOBILITY**

Many developed countries have recently seen a shift in focus from welfare politics to policies intended to tackle social exclusion. Expanding choice and increasing opportunity are crucially important. Workers are often seen as bearing the bulk of the costs associated with labor flexibility, while employers are seen as reaping the principal benefits. Flexibility can, however, operate in a more reciprocal way. Here, labor has a responsibility to be flexible to maximize economic opportunities, for which it enjoys a larger share of the accruing benefits. Without this happening, and being seen to happen, there is little reason for people to work in ways that seem more risky. Within this context, well-constructed cushions for the economically vulnerable can actually increase flexibility – they decrease the scale of risk experienced by the wider population and thereby encourage bold and future-oriented action.

Safety nets may encourage risk taking. There are many mechanisms that can be devised to protect the vulnerable. These range from unemployment insurance, providing income security to be used to finance periods of productive search, to retraining programs, enabling workers to acquire the new skills they need to adapt to changing work opportunities. Unlike strengthening basic education, whose beneficial impact on labor productivity is enjoyed after a long lag, retraining programs confer their benefits with far more immediacy. Recent research by National Bureau of Economic Research (NBER) scholars<sup>86</sup> shows that there is no hard evidence in developed countries of an actual (as opposed to hypothetical) trade-off between social protection and labor market flexibility or economic performance. In other words, people's need for security (often threatened by globalization) can be managed without diminishing profitability. This work explores whether the higher unemployment and slower economic growth rates in Western Europe compared with the U.S.A. since the late 1980s can be accounted for by cross-country differences in social protection legislation and programs. Based on 11 studies, the NBER research shows that social programs do lead to behavioral change, but that these do not account for net declines in the quality of labor market outcomes. In countries with social protection legislation that makes it difficult or costly to lay off workers, for example, labor market responses to macroeconomic shocks tend to take the form of reductions in hours, rather than job loss. In other words, adjustment successfully takes place – but is spread over a larger pool of workers.

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<sup>86</sup> Rebecca M. Blank, ed., *Social Protection versus Economic Flexibility: Is There a Tradeoff?*, 1994, Chicago: The University of Chicago Press.

## WOMEN AND CHANGING COMMUNITIES

The potential for clashes between individuals and social structures provides a powerful argument for a continual process of social renewal, whereby institutions are constantly being rebuilt to better meet people's changing needs. The importance of this process can be seen when the changing role of women is considered. The increase in women's rights has had consequences for:

- *Individual freedom.* The status of women continues to improve dramatically in most countries, and reversals to this freedom seem inconceivable in the developed world – and unlikely in many developing world countries (the Afghanistans of this world notwithstanding). Indeed, women are likely to be a driving force for development in most countries, as recognized by the priority given to female education by most development organizations and some developing country governments.
- *Economy.* Women now make up 43 percent of the workforce in high-income countries (up 5 percent on 1980) and 39 percent in low and middle-income countries (up from 1 percent on 1980). Female labor force participation is associated with lower fertility, which decreases the dependency ratio and has a significant impact on prospects for economic growth. Women have been easily assimilated into the workforce for a number of reasons. Women have: been prepared (though not happy) to work for lower wages than men; been willing to take on part time, temporary and casual jobs, increasing labor market flexibility; have tended to have skills suitable for jobs in the service industry and have become increasingly highly educated, catching up with men in the educational system in many countries. In addition, working mothers have less time for unpaid work in the family, increasing demand for services, and spend less time with their children.<sup>87</sup> The nature of women's paid labor is also becoming more demanding, which provides an additional stress.<sup>88</sup>

However, these changes have also had a (mostly negative) impact on social structures, especially the family. Rising levels of income have allowed women to seek divorce more easily and to raise children on their own. (Many men have been more than willing to take the opportunity to absent themselves from childcare.) Additionally, women tend to be the principal resource of carers in communities. Women therefore face a double and sometimes *triple* burden of work, adding considerable hours of unpaid domestic (and sometimes carer) labor to the demands of a paid job. In one study<sup>89</sup> in Bangladesh, women in the formal sector were working more than 20 hours paid and unpaid work each week more than men. Family breakdown has also had an impact on children. It is a significant cause of poverty and is also a predictor of lower educational achievement. Children's loss of security is most dramatically illustrated through increases in their vulnerability to child abuse. A study in the UK found that a child living with natural parents is half as likely to suffer sexual abuse as the average child, while one living with a stepfather is 2.8 to 5 times more likely.<sup>90</sup>

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<sup>87</sup> The rise of the child as an avid (and highly valuable) consumer may not be unrelated to the diminishing amount of time parents, and particularly mothers, have available. This may be a function of parental compensation (in terms of presents, 'treats' and costed activities) as well as the need to organize children's time while away from their parents – which clearly opens a range of opportunities in the market.

<sup>88</sup> Levels of drug abuse, alcoholism and promiscuity are all rising among young women in the West. Whether these will have additional impacts on fertility has yet to become clear.

<sup>89</sup> Cited in *Human Development Report 1999*

<sup>90</sup> Robert Whelan, *Broken Homes and Battered Children: A Study of the Relationship Between Child Abuse and Family Type*, Family Education Trust, Oxford, 1994

It is impossible – and undesirable – to return to the “traditional family” in most parts of the world. But this does not mean countries can do without the advantages that strong families bring. A process of social renewal is needed to reinvent the family, satisfying the needs of children, women, and men (see figure 21).

Figure 21: <b>Two Centuries, Two Revolutions</b>	
<b>1775</b>	African Slavery in America (Thomas Paine)
<b>1776</b>	An Inquiry into the Nature and Causes of the Wealth of Nations (Adam Smith) American Declaration of Independence
<b>1777</b>	The State of Prisons (John Howard)
<b>1790</b>	First United States census began
<b>1792</b>	The Rights of Man (Thomas Paine)
<b>1793</b>	Vindication of the Rights of Women (Mary Wollstonecraft)
<b>1798</b>	Essay on the Principle of Population (Thomas Malthus)
<b>1799</b>	Travels into the Interior Districts of Africa (Mungo Park)
<hr/>	
<b>1975</b>	First microcomputer
<b>1981</b>	IBM PC
<b>1984</b>	Internet domain names
<b>1989</b>	Microsoft Windows
<b>1991</b>	Tim Berners-Lee at CERN donates the World Wide Web to the world America Online (AOL) starts up
<b>1996</b>	Ted Turner donates \$1 billion to the UN
<b>1997</b>	America Online buys Netscape for \$4.2 billion
<b>1998</b>	First cyberwar accompanies real war between Serbia & Kosovo
<b>1999</b>	275 million online Bill and Melinda Gates Foundation donates \$1 billion for ethnic minority scholarships and \$750 million for vaccines for children in developing countries
<b>2000</b>	AOL and Time Warner \$160 billion merger bid Bill and Melinda Gates Foundation grows by \$5 billion to \$21.8 billion
<p><i>Sources:</i></p> <p>A Sociology Timeline from 1600 (<a href="http://www.ac.wvu.edu/~stephan/timeline.html">www.ac.wvu.edu/~stephan/timeline.html</a>)</p> <p>Milestones in Computer Development (<a href="http://www.usouthal.edu/usa/cis/faculty/daigle/project1/timeline.htm">www.usouthal.edu/usa/cis/faculty/daigle/project1/timeline.htm</a>)</p> <p>Hobbes Internet Timeline v.5.0 (<a href="http://www.isoc.org/guest/zakon/Internet/History/HIT.html">www.isoc.org/guest/zakon/Internet/History/HIT.html</a>)</p> <p>Nua Internet Surveys: How many online? (<a href="http://www.nua.ie/surveys/how_many_online/index.html">www.nua.ie/surveys/how_many_online/index.html</a>)</p>	

## IN WHOM DO WE TRUST?

Falling levels of trust also create a need for social innovation and renewal. Lack of trust is usually presented as if it is the individual's fault, but in many modern societies declining levels of trust are a *rational* response from the public to their discovery that institutions serve them poorly. On an institutional level, the World Bank points out that successful corporations continually reinvent themselves, "continuously adapting their internal rules, centralizing some functions, decentralizing others, adding discretion where advantageous, and modifying the criteria for rewards when doing so is likely to improve performance." Public sector organizations have not been relentlessly innovative to anything like the same extent and most countries struggle on with institutions that became outmoded and even counterproductive twenty years ago.

The problem of trust is thrown into sharp relief by controversies over the direction of scientific research. These controversies have serious social and economic consequences. BSE ("mad cow disease") was the UK's most expensive peacetime disaster and led to the collapse of the beef industry, which has in turn had a significant effect on British rural economies. The scale and nature of the problem was repeatedly denied by the government and by government scientists, though it appears that reservations about this line were expressed in private (the public enquiry has yet to report on this issue). Expert reaction to this and other scientific controversies has tended to assert that the public suffers from a deficit of knowledge. Education can therefore be used to ensure that, over time, public opinion converges with scientific orthodoxy. The "deficit model" does not provide a good explanation of the public understanding of science, however. The Wellcome Trust, for example, reports research into public attitudes toward cloning and finds that the more informed the public becomes about cloning research, the more concerned it becomes about the moral and philosophical complexities of scientific advances. (Indeed, the sophistication of the panel's opinions as they developed surprised Wellcome)<sup>91</sup>.

According to Anthony Giddens, this way of thinking fits with the "essentially skeptical character of science".<sup>92</sup> By refusing to passively accept expert advice, people accept that they must take decisions "in the context of conflicting and changeable scientific and technological information." It also accords with the increasingly contextualized nature of knowledge production (as discussed above). As a result, Alan Irwin, has identified three models governing the public's relationship with scientific discourse:<sup>93</sup>

- First, the *enlightenment model* (dating from the 17th century), whereby science gains its legitimacy from the government or the crown; public understanding of science involves diffusion of knowledge from scientists to a narrow elite, with only "trickle down" to a wider public.
- Second, the *economic model*, (dating from the late 20th century), by which science gains legitimacy from the industrial sector, and public ignorance is seen as a threat to technological progress. This economic imperative ensures that scientific knowledge is diffused more widely, though communication is essentially one-way, from science to the public.
- Third, the *democratic model* (not yet fully realized) where what Irwin refers to as "the public's legitimate interest in science" and also provide a mandate for the private sector to operate. Under the enlightenment model, scientists dictate the research agenda. Under the economic model, funding is applied more strategically, with public and private funders attempting to manage the

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<sup>91</sup> The Wellcome Trust, Medicine and Society Programme (1998) 'Public Perspectives on Human Cloning', The Wellcome Trust, London [www.wellcome.ac.uk]

<sup>92</sup> The BBC 1999 Reith Lectures [http://news.bbc.co.uk/hi/english/static/events/reith\_99/default.htm]

<sup>93</sup> See for example Alan Irwin, "Public Participation and Changing Agendas in Science", presentation to the presentation at the UK Committee for the Public Understanding of Science's Forum April 1999: Building Bridges to Science. [http://www.spsg.org/pus/presentation.html]

direction that research takes. In theory, the democratic model allows for two-way communication between the public and science, with the consumer influencing the direction of privately-funded research and the taxpayer influencing the remit of government-funded science, through new consultative mechanisms (some of which, such as citizen's juries, are already in use in a growing number of countries).

## Positive deviancy

The three scientific models are not exclusive. Rather, each successive model develops alongside the earlier one, but the direction is clearly towards wider diffusion, greater transparency (and accountability), and higher levels of public agency. This direction can be clearly seen in some of the uses to which new technologies – in particular the Internet and mobile telephony – have been put. The online auction house, Ebay ([www.ebay.com](http://www.ebay.com)), for example, facilitates these processes, and trust in general, by actively encouraging both buyers and sellers to comment on each other. With a few clicks of the mouse, any bidder or vendor can check the record of the other party. Several hundred positive recommendations of that party – usually with email addresses enabling any queries to be followed up – provide an effective proxy for 'word of mouth'. The implications for public institutions – and in particular, for government – of the democratic opportunities offered by these new technologies are profound. Indeed, Tim Berners-Lee, the inventor of the World Wide Web, saw his creation "as a powerful force for social change and individual creativity. He has never profited personally from the Web [but saw it as] a new way of thinking and a means to greater freedom and social growth than ever before possible."<sup>94</sup>

Freeing the individual to facilitate socially is seen in the concept of the "positive deviant" developed by development NGO, Save the Children. Fieldworkers in Thanh Hoa province in Vietnam, an area with high levels of child malnutrition, looked at families who were avoiding malnutrition despite having the same meager resources as their neighbors. They found these families supplemented their diet with sweet-potato greens as well as shrimps and crabs from rice paddies, and fed their children at least three times a day, rather than the twice a day customary in the community. Although these food sources were freely available, they were generally regarded as unsuitable for young children. These "positive deviants" had an extraordinary effect on the rest of the community once a mechanism was set up to diffuse their knowledge. Within two years, 80 percent of the children participating in the project were no longer malnourished.

The concept of positive deviancy can be applied:

- *Socially*. The late twentieth century was distinguished by an explosion of new NGOs. In 1968, there were 577 NGOs affiliated to the UN; thirty years later this figure had reached 2900.<sup>95</sup> This number represents only a tiny fraction of NGO activity, of course. In the developed world, for example, Canada has 78,000 registered charities, England and Wales over 180,000, while GuideStar<sup>96</sup> has a searchable database of over 120,000 US-based non-profit organizations. The developing world has also seen rapid growth. For example, government-registered NGOs in Nepal stood at 220 in 1990 and 1,210 in 1993, while in Tunisia the number shot up from 1,886 in 1988 to 5,186 in 1991. (This is often a response to an influx of international aid monies). Many

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<sup>94</sup> World Wide Web Consortium, Weaving the Web overview ([www.w3.org/People/Berners-Lee/Weaving/Overview.html](http://www.w3.org/People/Berners-Lee/Weaving/Overview.html)). See: Tim Berners-Lee, Mark Fischetti (contributor) and Michael Dertouzos, *Weaving the Web: The Original Design and Ultimate Destiny of the World Wide Web by its Inventor*, Harper: San Francisco, 1999

<sup>95</sup> The United Nations and Civil Society: The Role of NGOs, Report of the Thirtieth United Nations Issues Conference, Sponsored by The Stanley Foundation, February 19-21, 1998, Convened at Arden House, Harriman, New York.

<sup>96</sup> [www.guidestar.org](http://www.guidestar.org)

NGOs, especially those in South Asia, have also grown dramatically in size and reach.<sup>97</sup> This has often been helped by the emergence of global networks of NGOs, with considerable reach and effectiveness. The World Bank, for example, is working with the Bretton Woods Project (which coordinates a network of NGOs interested in the impact of World Bank and IMF financing on developing countries) to organize a global consultation exercise on its year 2000 World Development Report. At Seattle, meanwhile, a coalition of NGOs succeeded in appearing better coordinated and more focused than the world's governments.

- *Politically.* Democratic systems only maintain their legitimacy while they remain open and avoid what Richard Rose has described as “the circulation of rascals”.<sup>98</sup> Government organizations need to find ways to harness positive deviants in order to demonstrate relevance and accountability. (One might almost think of “positive deviants” as what marketing people call “early adopters”.) Fukuyama advocates both action and inaction by government organizations – action where governments can create new forms of social order, inaction where the government would otherwise block individuals and communities from creating social order for themselves.
- *Economically.* According to Philip Evans and Thomas Wurster<sup>99</sup>, markets have traditionally relied on a trade-off between the ‘richness’ and ‘reach’ of information. Richness refers to the quality of the information, as defined by its “customization” to each individual user, while reach means the number of people who share the information. Rich information could be shared with small numbers of people, and less rich information with large numbers of people. New knowledge-based industries, however, are eliminating this trade-off as very large numbers of people exchange very rich information. The results are new economic networks, which (at least in theory) combine individual and group values, in what has been described as “the zone of entanglement of competition and cooperation.” Additionally, the new technology not only reduces barriers to entry, but also creates the possibility of new “microniche” markets for products and services, which in due course bring benefits (social, economic and communicative) to hitherto marginalized groups.

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<sup>97</sup> “NGOs such as BRAC and PROSHIKA in Bangladesh, Sarvodaya and SANASA in Sri Lanka, and SEWA and the Working Women’s Forum in India, each work with millions of people in thousands of villages. BRAC, for example, has more than 10,000 staff, covers 15,000 villages, and plans to expand still further to work with three million people and with children in over 100,000 schools.” Michael Edwards and David Hulme, “Too Close for Comfort? The Impact of Official Aid on Nongovernmental Organizations”, *World Development*, Volume 24, pp. 961-973. (1996) Elsevier Science: Oxford

<sup>98</sup> Richard Rose, “Getting Things Done in an Antimodern Society: Social Capital Networks in Russia” in *Social Capital: A Multifaceted Perspective*, Partha Dasgupta and Ismail Serageldin, editors, World Bank, 1999

<sup>99</sup> *Blown to Bits*. Op. cit.

## Conclusion: Virtuous spirals

Globalization is often seen as a flattening force, a threat to the culture and independence of other groups (whether a sovereign nation, an indigenous tribe, or a rural community in a prosperous country). It has been consistently portrayed as being mostly, if not exclusively, about money and the rights of unspecified businesses to make more of it at the expense of individuals and their societies. Diversity is threatened and, ultimately, destroyed.

Globalization is not an impersonal force, however, and it cannot afford to destroy diversity. The knowledge economy is rooted in choice – not just choices made today, but also those that propelled families to have fewer children and deny the “dark” view of Revered Malthus, that people were condemned by their base sexual passions to hover forever on the edge of misery and poverty.

Globalization relies on openness. It relies on people and the rich return from investment in human capital. It also relies on those “positive deviants”, who are necessary to the ongoing process of building societies that serve the needs of their members (rather than the other way round).

We believe that globalization will continue to increase the value of people. Human, economic, and social development will become ever-more intricately intertwined (and essays like this one ever longer). Policy-makers will choose between a partisan approach serving narrow interests or a much more diverse project, which addresses a range of issues “in the round”.

This diverse approach will never be the easiest to adopt. But the extra commitment will often bring unexpected results. The synergies between human, social, and economic development are powerful, and can create long-lasting virtuous spirals. It is, we think, only those societies that can lock themselves into these spirals that will experience long-lasting, positive, sustainable change.

Globalization currently faces a storm of well-organized, grassroots protest. This protest is a natural response to global institutions that have lost connection to the people to whom they are accountable and who express very little vision of the social capitalism we propose. It is time to build – and communicate – a new vision.





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