

# EQUITY IN A GLOBAL SOCIETY

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"Free Enterprise was born with man and shall survive as long as man survives".

— **A. D. Shroff**

1899-1965

Founder-President

Forum of Free Enterprise

# **EQUITY IN A GLOBAL SOCIETY**

by

**Dr. I. G. Patel\***

## **SOCIAL SCIENCES**

Social sciences are about interactions, about relationships, between individual members of a group or a society and between each member and the group or society as a whole. But individuals are members at the same time of a variety of overlapping groups: of families, professions, races, religions, nations and indeed of the community of mankind. The relations between different groups or societies are, in fact, an even more important part of social sciences than the interactions within each group. The interactions or the relations may not be all of the same intensity; nor may they all be defined with the same precision as to aims, rules, procedures or institutional and legal arrangements. Tradition, custom or convention plays as important a role as do rules or laws; and reason is at least as relevant in shaping these relationships as tradition or morality. Passions and the subconscious ways of

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\* The author is an internationally renowned economist. He is a former Governor of the Reserve Bank of India. He is also a former Director of the London School of Economics (LSE). The text is based upon the LSE Centenary Lecture delivered on 26th October, 1995.

human beings, which are not always the same individually as they are in a group, are also a part of the total social landscape. Add to this the fact that the societies to which we belong are always changing, and have each a different history or rationale, and we get a rich mosaic of many hues that makes for all the splendour of the social sciences.

In this sense, Mrs. Thatcher was right — both more right and less right than she imagined — when she said that there is no such thing as society. There is certainly no such thing as *the* society. There *are*, however, societies and each has a *social* sense of its own. But there is no necessary convergence in the real or imagined "sense" that binds together the different societies to which we belong, or with which we have to co-exist.

Should there be such a convergence? Indeed, is any convergence possible between different families, races, nations and religious groups — each with a different, if overlapping and interacting, history and tradition? Possible or not, I believe there has to be constant endeavour to bring about as much convergence as is possible, if only in the interest of peaceful co-existence among the different constituents of our global society. Whether or not there are common values or standards, by which to judge or shape all human relationships, will perhaps be debated for all time to come. But it is a historical fact that mankind has striven for such a convergence, and has proclaimed certain universal values or standards from time to time. It is this striving which has resulted as much in strife and inhumanity as in what we understand by the term "civilization", i.e., sublimation from the instinctive and

the self-centred and from brute force to something self-conscious and rational and moral.

Despite the mixed lessons of history, I do not think we can exclude from the scope of the social sciences questions regarding what might be the most appropriate values or standards by which to judge and even shape social relations in all their diversity and complexity. For one thing, such values and belief in them are a fact of social life, so that one has to study them as well as changes and variations in them. With all respect, "to study the causes of things" cannot be an adequate description of the task of a school of social sciences. Things change, so that it is important to understand why and how they change or are likely to change; and if we can do that, it is incumbent upon us as scientists to outline all the different ways in which the shape of things to come *can* be changed. The limits of such change may be broad or narrow and variant over time and space. And yet, not just the way things *are* but all the possible ways in which things *can* be, has to be the definition of our task.

This is, of course, still a step short of exploring what *should* be, or prescribing it. There is undoubtedly substance in the argument that when it comes to deciding what should actually be done, an academic at the London School of Economics can have only one vote, just like any other citizen. But does it mean that an academic should not strive to lay out options or issues in a manner which might increase the chances of what might be accepted by most people? Should we also not seek a common standard which might command the greatest acceptance?

## VALUE JUDGEMENTS

In my younger days, I was repelled by the argument so fashionable at the LSE then that interpersonal comparisons of utility are not possible and, as such, utilities cannot be aggregated into some social whole. As I have grown older, I have come to be more amused than annoyed by the pretence of such pristine purity. The argument invalidated any discussion of what might be construed as a better distribution of income or wealth. At a certain level, it is, of course, undeniable that you cannot compare my satisfaction from eating ice-cream with yours from eating an identical scoop from the same can. But at a more significant level, we know that an extra dollar in the pocket of a poor peasant in Malawi means much more than a dollar in my pocket or yours. We instinctively accept this, even if we cannot prove it. Is it not incumbent upon us, then to lay out all distributional changes resulting from a particular policy? Should we not at least make some calculations as to how the total of national income — which everyone accepts as a surrogate for national wellbeing — might change, depending on whether we value a dollar in the pocket of the poorest 10 per cent of the population as twice as important or thrice as important as a dollar in the pocket of the richest 10 per cent? We cannot of course prove whether a factor of two or three or four is the true factor. But such exercises will be accepted as legitimate by most people and might facilitate some desirable distributional changes.

As it is, economists do aggregate and, therefore, do make an implicit assumption about the value of a dollar in different pockets; and we do arrive at conclusions which are supposed to apply to the community as a whole. Unashamedly, we assume that a dollar has

the same value for everyone; and all policy recommendations, whether macro-economic or micro-economic, implicitly assume that a dollar is a dollar irrespective of who earns it or who loses it. As it often happens, theoretical niceties are used in defence of the *status quo*.

As a matter of fact, even the most sanitised economists do not keep away from questions of "should" or of policy. They pretend that they do so as political economists, not as economists. But a political economist in my book is as much an objective analyst as an economist — only, he does not abstract from political reality or principles. Values come in only when we deal with policies designed to change things in a certain direction; and as a group, social scientists do not, should not and, indeed, cannot keep away from questions of policy. That they may do so in varying degrees in the interest of division of labour does not negate this proposition. I am all for making our values explicit and not rationalised as analysis. But we cannot exclude values from our analysis. Nor can we exclude from our inquiry the search for some value or standard that might command more general, if not universal, acceptance.

Every society, in other words, and, the global society in particular, should be judged and shaped with reference to some explicit value or standard — or better still, an explicit *set* of values and standards. That such values and standards may be complex or conflicting and even vague and often difficult to reconcile in practice does not diminish the validity of this proposition. Without explicit reference to some values, what will take over are other things such as military or political or money power. In human affairs, there is always somebody or some

group which tries to put its imprint on the social fabric. There are also always circumstances which shape the future to a considerable extent. Do we accept this fatalistically, or do we have a sense of where we should be going and at least try to go there? And I need hardly add that a sense of where *not* to go also implies a value or a standard. Avoiding hell is as much a moral proposition as aspiring to heaven. Whether or not there is a heaven anywhere, there are many hells here on earth. There *are* limits, I am sure, above which we may not rise. But in the absence of some sense of direction, there is no floor below which we may not sink.

## **REASON AND TRADITION**

To emphasise the importance of values is not, of course, to underestimate the importance of reason and tradition. Due regard has to be paid to what is rational or achievable and to the inevitable complexity of most consequences. Tradition encapsulates the amalgam of values and reason as distilled from past experience, and as such is valuable for shaping social relations. But with the passage of time and change in circumstances, traditions have to adapt if they are not to fly in the face of reason and morality. Most of us think that reason is constant, faithful and steadfast — the rules of reasoning and concluding are supposed to be the same for all time and for all people and disciplines. The fact that reason must reckon with human passions or sinfulness as well as with uncertainty does not invalidate the claim of reason to be as sure a guide as is humanly possible. If a similar constancy and universality could be claimed for morality or values, we can at least imagine a standard procedure for adapting tradition and indeed for deriving a common tradition, if not common



rules, procedures and laws, for our ever-changing social landscape.

I venture to think that the same constancy, faithfulness, steadfastness and indeed universality that we can reasonably claim for "reason" can be claimed for "values" with equal justification. Mankind has always believed in some core of values. "*Satyam, shivam, sundaram*" or truth, beauty and goodness, in the Indian tradition or liberty, equality and fraternity in the spirit of the Enlightenment have a universal appeal. Most of us perhaps today would vote for peace, democracy and human rights. These terms are not precise and do not always serve as a clear guide to action. But that does not negate their validity or usefulness any more than the limitations of reason can argue for banishing it from our midst.

## **EQUITY**

On my part, I like the term 'equity' to signify the one common standard or value with reference to which we can judge and shape all social relations. Again, like all terms of value, the term 'equity' has a rich resonance. But the central note it strikes to me is that of "balance" — holding the scales even as between different things. We have always to strike a balance between different, often conflicting things, traditions, values, considerations and indeed interests. It is this need for balance that makes the search for social excellence or progress invariably a search for the second best. "Equity" is more inclusive than human rights, for example, because it reminds us that there has to be a certain balance between the rights of an individual and his obligations towards other members of his group as well as towards the group as a whole. Each group

has similar rights and obligations towards each member of that group as well as towards other groups. Without such a balance, democracy may degenerate into anarchy or tyranny and civil strife, and governance itself become impossible. There has to be a balance between values and reason also — between what is desirable and what is achievable.

There has to be balance, again, between tradition and what reason and values might dictate at any given time. Such is the hold of tradition that you cannot sweep it away simply by laws, however rational or moral they may be. There is an obligation on all of us of good manners, of understanding others, of trying to put ourselves in their place, of patience, of respectful discussion and persuasion. Without that, peace is not possible.

There is a saying in Sanskrit: tell the truth, but tell it pleasantly; even that which is truthful should not be spoken unpleasantly. "Satyam bruyat, priyam bruyat, na bruyat satyam apriyam." You cannot fling truth at others either rudely or even patronisingly if you want to change and persuade peacefully rather than by force or fear or fraud.

There has also to be a certain balance between what is rational and moral on the one hand and the dark side of human beings which often becomes darker still in groups and societies. While such forces have to be resisted and opposed or circumscribed, they may also have to be endured to some extent and for some

time. That is where, apart from good manners, understanding and respect, there has also to be certain charity, acceptance and forgiveness in human relations. As the poet puts it, it is necessary to have pity on one's own poor heart.

In emphasising balance between reason, values, tradition, passions, change and acceptance, the term 'equity' enriches our concepts of peace, democracy and human rights rather than diminishes them. At the same time, we cannot overlook some other notions implicit in the concept of equity as commonly understood. Equity or holding the scales even generally means absence of unreasonable constraint and the presence of reasonable opportunity for every member of society. In fact, it is the concern for equal or reasonable opportunity for all and the absence of unreasonable constraint or fear for all which constitutes the basis or rationale of peace or democracy and human rights, and indeed, of social existence. Our idea of what constitutes unreasonable constraint or a reasonable opportunity changes over time — not necessarily towards including more and more under these categories, despite what one might expect from recent experience. Today, most of us regard a certain minimum of nutrition, shelter, health and education as prerequisites for reasonable opportunity for all.

Constraint too, can arise from heredity, physical handicaps, forces of tradition or the exercise of undue power by others — whether this power is political, social, economic or religious. The frontiers of equity

have expanded greatly over recent years to include women, the handicapped, cultural, religious and ethnic minorities, persons with alternative life styles, future generations and even the animal kingdom and Mother Earth. These and other claims of equity will continue to be asserted by millions of individuals and thousands of groups, and the claims will be pressed not only at the local or the national level, but at international forums and institutions as well. The emergence of a global society is a process which cannot be reversed and will indeed gather momentum and move progressively towards a global consciousness.

## **A GLOBAL SOCIETY**

The trend towards the evolution of a global society is generally thought of in economic terms and in terms of the consequences of the revolution in communication technologies. There is undoubtedly much greater economic integration among the nations of the world today than during the past 70 or 80 years. It is well to remember, however, that there was perhaps even greater economic integration at least in terms of trade, finance and movement of labour during several decades before the First World War. The edifice of the global economy before 1914 collapsed for reasons which may also be well worth remembering. It collapsed essentially because of the iniquitous nature of that integration. The features that distinguish global economic integration now under way from that before 1914 are not so much freedom of trade and capital flows as the combination of globalisation of production and investment through multinational corporations, and the spread of education over large parts of the world, with

the consequent growth and spread in the absorptive capacity for capital and technology. The danger comes from obstacles to mobility of labour, threats of protectionism and new international arrangements which carry the seeds of a new inequity.

Similarly, at a superficial level, the revolution in communication technologies is bringing about a certain global homogeneity in tastes and manners as shown in the increasing popularity everywhere of Coca-Cola, MacDonalds and indeed lurid images of sexuality, masculinity and violence. At a deeper level, however, there is also the emergence of a global consciousness and it is only partially assisted and indeed often vitiated by the rapidity and frequency with which images of wars, famine, strife and natural disasters are flashed around the world.

What is at least as important in the growth of this global consciousness or ethos, as the revolution in communication technologies, is the growth of certain facets of the international civil society, viz. voluntary or non-governmental organisations. It is these organisations that seek to raise global consciousness, press issues and demand solutions. To say that a growing network of voluntary organisations is forcing us towards action to alleviate inequity and suffering at a global level is not to say that they are always the agents of desirable change. At times, at least some of them, however nobly, may become agents of inequity and even suffering. Many of them lack real accountability, have a single or simple agenda not encompassing all the complexity of real life and are sometimes led by people prone to self-righteousness. Good intentions are not always a sure guide to a good life. But the fact

remains that we have now a new dimension in our global society, viz. a drive towards common or universal standards and consciousness and a new global constituency for change. Communications technologies only facilitate this social phenomenon.

Another important distinguishing feature of the emerging global society is that some of the institutions for the management and governance of this society and for steering it in desirable directions are already in place. Even during the inter-war years, we had created not just the League of Nations but the International Labour Organisation, the International Telecommunications Union and other similar bodies. Since the end of the war, we have had not just the United Nations with a Security Council with power to deal with threats to world peace but several specialised agencies to deal with specific global problems — to name just a few, the World Health Organisation, UNESCO, FAO, the World Bank, the IMF and, more recently, the agencies in the field of environment and now the World Trade Organisation. There is thus awareness of some global needs and objectives and of the necessity to make institutional arrangements to deal with these needs and objectives. We have as such a full-fledged global society and a network of institutions which are being called upon to solve an increasing number of problems in terms of global norms. The fact that global institutions work side by side with regional and national societies and institutions and indeed with a myriad other societies with an ethnic, religious or other identity creates a rather piquant situation. But we can no longer wish away the global society and its institutions. We can only strive to make them more effective and equitable.

Equity in the international arena, in the ultimate analysis, cannot be secured merely by rules and procedures and institutions, however necessary they may be. Unequal power will always be a reality internationally and it will bend rules and institutions at its will at least to some extent. This unequal power, however, can be circumscribed by continuing vigilance and enquiry, not just into what might be happening but how it can be improved in practice by changes, if necessary, in the rules, procedures and institutions. This was the faith which led to the founding of LSE a hundred years ago. The focus then was on equity at the national level. For our next century, nothing can be more appropriate than reasserting the same faith; this time, with an accent on equity in the emerging global society.

To illustrate my concern and to underline my plea, I shall refer in brief to five difficult but unavoidable problems which will become even more urgent and insistent in the years to come:

1. The legitimacy of individual and group rights and the role of the global society vis-a-vis these rights;
2. Equity in the governance of international institutions;
3. Equity in international economic relations;
4. Equity and global environmental protection; and
5. Matching responsibilities with resources at the global level.

## **EQUITY AND ECONOMICS**

Even an oligarchic form of governance can be tolerable if it delivers results which are by and large just and fair and in the interest of most countries. In the economic field, it is, I think, fair to claim that the record of

our international institutions is encouraging. In our anxiety for the better and the best, we should not decry what is not at all that bad. In fact, it is the positive experience with international economic co-operation since the second world war that gives rise to hope for further progress.

Such progress is certainly called for in the interest of equity and, indeed, we have to reckon with the real danger of retrogression in the absence of concerted action to avert it. It is not at all easy to be dogmatic; and certainly, there are no quick fixes available. Let me, however, refer to three economic issues which require both vigilance and the highest intellectual efforts.

In the field of macro-economic management, the certainties of yester-years — whether of the Keynesian or of the Monetarist variety — are gone, and no clear convergence has taken place either about theory or about practice. Our institutions have become purveyors of counsels of perfection whereas what the world needs is a strategy that takes into account the frailties of human institutions, above all of democratic governments which do not seem capable of consistent or far-sighted action. The US is not alone in not being able to manage a deficit; and however unfair it may seem for the richest country to be the greatest absorber of the savings of other countries, it is difficult to see what can be done about this internationally which may not be worse than the disease itself. After all, it is open to the Japanese not to buy American bonds. If they do not do so, it must be for good reasons.

Counsels of perfection are about as useful as Sunday Sermons — useful, but certainly not sufficient. Exhortations to raise savings everywhere and curb consumerism are important now as ever. But they are not a substitute



for a workable formula or model for the macro-economic management of the global economy. There is no necessary reason why all good things in economics might go together. Isaac Bashevis Singer had a point when he asked: where is it written that all good things in life can go together? But if we have to make do with the second best, we need to lay out a variety of scenarios with their international as well as national ramifications, in terms of both production and distribution. Only then can we make a more rational and fair choice. In working out such scenarios, it will not do to exclude, on ideological or seemingly practical grounds, some less fashionable ideas such as incomes policies or selective controls and some redistribution.

Meanwhile, the high rate of unemployment in the industrially advanced countries poses a real threat to the prospects of the newly industrialising countries. There has undoubtedly been a sizeable growth in prosperity around the world in the past few decades even if this growth is uneven. The two factors most responsible for this are the spread of education and the consequent increase in the absorptive capacity for capital and technology, and an open trade environment which provided the stimulus of demand. Education will spread even further. But will the open trade environment that helped Korea, Taiwan, Thailand and Malaysia be available equally to late comers?

It is idle to pretend that competition from poor countries is not at least one reason for a part of the unemployment in the richer countries and for the downward pressure on real wages for some sections of the population. Rich countries can afford to protect a section of their labour force at the expense of another, precisely because

they are rich. They can do so at least for some time. They can even afford to buy some stability in the present at the expense of greater prosperity in the future. But are the poorer countries and their well-being to be left out entirely in the reckoning of social scientists in institutions like the LSE? Often, the drive for protection is justified on spurious moral grounds — that foreign goods are unfairly produced, with low wages or low environmental standards. There is nothing new in all this — we are only hearing echoes of the days when the Labour Party used to argue against the export of British capital or the ground that it meant exporting British jobs, when even Liberals plumped for Imperial Preference and everyone indulged in Japan — baiting which was at least one reason for driving that country into a corner.

These issues are familiar territory for economists. Adjustment is inevitable for all countries at all times if we are to prosper together. Without such adjustment and by restricting trade, we would hurt both ourselves and others. In my time at the LSE, I regretted that we had no chair in International Trade and that very little priority was given to this vital subject of trade policy. I am glad that this has now been rectified. On this question of trade policy and the way it is resolved hang the fortunes of millions of Chinese and Indians today and of Africans and others tomorrow, as sooner or later, they too will have to travel the same path.

This brings me to the greatest shame and inequity of modern times — the persistence of extreme poverty in the midst of plenty. I am not one of those who believe that poverty can be eliminated overnight or by

mere transfers. But we know that what enables all people to help themselves, apart from peace, are good health, good nutrition, good education and sanitary living conditions. In the event of natural or man-made disasters, we rush to provide help. But why are we so tardy when it comes to making a systematic attack on world poverty?

Of late, there is even a retreat from international as well as national responsibility in this area. What is required internationally is not a revolutionary change but just doubling of aid budgets in many developed countries to bring them up to the target of 0.7 per cent of national income and hopefully, a bit more. If Norway or Sweden or the Netherlands can achieve the aid target and even exceed it, what is it that really ails the British or the Americans? If aid needs to be redirected or better administered, what stands in the way unless it is narrow national commercial or political or security interests? The argument about urgent and unmet domestic needs does not wash. Those who are sensitive and generous at home are likely to be so abroad also — and *vice versa*. If our Social Administration department is concerned about world health problems, it is because it is in the first place concerned about national health in Britain.

More than 30 years ago, at a seminar in Washington DC, a Russian participant asked me why I thought Russia had an obligation to assist India. It is difficult to answer such a question without sounding pompous. So, rather dishonestly, I tried a facetious tack. I said that as a good Hindu, I believed in another life after this one. Since neither he nor I can prove or disprove this, there was one chance in two that it was true. And

since two-thirds of the world is poor, there was one chance in three that he might be born in India or Africa in his next life. Why should he not spend a little of his money now to make sure that India and Africa are more habitable by then?

Today, perhaps, I would give different answers to the Russian question. The first is the one I alluded to earlier: a dollar more for a poor man is worth more than a dollar less for the rich man. Most of us who live well know this. The late Walter Lippman, the celebrated American columnist, put it well: a larger aid budget in the US might mean a slightly shorter fin for American cars. For the poor of the world, it might make the difference between life and death.

There is another telling reason. Do we ever stop to ask what has one really done to deserve being born in, say, Sweden? Or for that matter, in a rich Indian family? What inherent right do we have to claim that the accumulated wealth of Sweden or of the family, is only for the Swedes or the family to enjoy? The accident of birth is just that: an accident, no more; and like all free lunches, we should at least be prepared to pay something for it.

Undoubtedly, these are ethical rather than scientific considerations. But Universities cannot banish values from their midst. LSE is not just a research institution. It is also a teaching institution. Arguably, our reputation during the first century of our existence has been based more on teaching than on research. A teaching institution has always to ask: whom should we teach? And what should we teach? I am afraid financial exigencies have made us stray from the right path in both these respects. We may claim that our student body is truly international

and that it is drawn from more than a hundred countries. But does it represent the best available academic talent from around the world? The answer is equally uncomfortable if we look at the shifts in what we teach.

In a society which measures the value of higher education in terms of the higher incomes that our students can earn over a life time, this perversion is perhaps unavoidable. But we can at least try and rectify it as best as we can. In the area of whom to teach, we know we must give the highest priority to scholarships in our fund-raising drive. I hope this is the case. In the area of what to teach, we can include subjects which made our students better members of the emerging international society. I had ventured on one or two occasions to speak of the importance of literature for social scientists. Today, with the irresponsibility that comes from retirement, I would go a step further and plead for a study of world classics, not just of literature but of religion and philosophy as well, and for some explicit exploration of ethical issues.

The world citizen of tomorrow will have to learn to take pride in the achievements of men and women as such and not just the achievements of English men or Indian women. Shakespeare is an English dramatist. But he is also a product of world history and a part of the inheritance of all of us. A noted poet from my part of India once asked: what kind of a Gujarati is he who is only a Gujarati? Even Adam Smith saw true self-interest in self-esteem which comes from being esteemed well by others. He was not referring merely to esteem that comes from wealth or from one's immediate neighbours or even during ones own lifetime. In saying all this at the LSE, I know I am pushing at a door

which is more than half open. We already have a Centre for the Study of Global Governance. The two books which our teachers put together specially for our centenary are entitled: *LSE and Freedom and LSE and Equality*.

## **IN CONCLUSION**

My main purpose has been to argue in favour of value-directed social science and to urge that social scientists pay greater attention to equity in our global society. Values matter at least as much as tradition and reason. Much of what passes as innocuous and objective and scientific in social sciences is not all that innocuous or objective and scientific and carries concealed assumptions loaded with implicit value judgments. Social science without social concern or interest in social policy would be a sterile discipline.

*The views expressed in this booklet are not necessarily those of the Forum of Free Enterprise*

“People must come to accept private enterprise not as a necessary evil, but as an affirmative good”.

— **Eugene Black**

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