

The Bellagio Initiative

The Future of Philanthropy and Development in
the Pursuit of Human Wellbeing

Online Consultation

The Inclusive Economy

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The Broker

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The Resource Alliance has a vision of a strong and sustainable civil society. It aims to achieve this through building skills and knowledge, and promoting excellence. To help organisations increase their fundraising capabilities, the Resource Alliance provides a range of services and resources, including conferences, international and regional workshops, accredited in-depth courses in fundraising and communications, tailor-made training and mentoring, research, publications, newsletters and award programmes.

The Rockefeller Foundation has a mission to promote the wellbeing of people throughout the world. It has remained unchanged since its founding in 1913. Its vision is that this century will be one in which globalisation's benefits are more widely shared and its challenges are more easily weathered. To realise this vision, the Foundation seeks to achieve two fundamental goals in its work:

1. It seeks to build resilience that enhances individual, community and institutional capacity to survive, adapt, and grow in the face of acute crises and chronic stresses.
2. It seeks to promote growth with equity so that poor and vulnerable people have more access to opportunities that improve their lives.

In order to achieve these goals, the Foundation provides much of its support through time-bound initiatives that have defined objectives and strategies for impact.



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The inclusive economy

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In the framework of the Bellagio Initiative, *The Broker* hosted a lively online debate on human wellbeing and inclusive economics in the twenty-first century. Our contributors agree that economic growth as measured by GDP generally has very little to do with human wellbeing per se. We should start viewing and measuring development as a social phenomenon that originates in the social nature of human beings. Although replacing GDP with an alternative measurement that is equally simple and intuitive is not an easy task, we should look towards the relational aspects of wellbeing to come up with a socially oriented parameter that does justice to what actually makes life worthwhile.

Context

The Bellagio Initiative on the 'Future of Philanthropy and Development in the Pursuit of Human Wellbeing' is a series of global consultations that aims to rethink the framework for philanthropy and development, seeking to be inspired by innovative trends and new opportunities from a wide range of disciplines and practices. The initiative addresses the challenges of promoting human wellbeing in today's world that is changing ever more quickly. The project is led by the Institute of Development Studies (IDS) and the Resource Alliance (RA), and supported by the Rockefeller Foundation.

The contribution by *The Broker* consists of an online debate on a series of questions related to the promotion of human wellbeing in general, and the transformation towards a global sustainable and inclusive economy in particular.

Framework of the discussion

Development agencies and philanthropic trusts have traditionally been focusing on poverty reduction based on the orthodox economic growth model in which profit maximisation and efficiency are prominent, as emphasised by traditional international development agendas. When adopting the concept of human wellbeing as our starting point, we find that development should no longer only be about reducing poverty but should instead be about fundamentally confronting the origins of the unequal distribution of human wellbeing that currently exists in the world.

This is framed in terms of an understanding of sustainability that goes well beyond the natural environment, by explicitly including aspects of global social and political sustainability. Recognising that the purpose of development is the promotion of human wellbeing helped to focus our discussion. At the same time, it opened up and changed the agenda of issues that are at stake. This focus offered a new, powerful perspective with a great potential to confront the challenges that humanity is faced with today. If we adopt this significantly different perspective on what we are doing, how does this impact the way we look towards the future?

Growth versus wellbeing

The real challenge of our time is in achieving human wellbeing for all and living together in a world system in which we experience scarcity, complex risks and great inequalities, writes IDS Professor Allister McGregor. As most of the contributors to the Bellagio discussion confirm, the overall sentiment is that the traditional economic focus on growth and GDP per capita does not quite do the trick of pointing us in the right direction. 'Everybody knows the limitations of economic growth and GDP', notes Dirk Bol – an economist with extensive experience in development – in his blog. Surely, economic growth remains relevant as sustainable redistribution of wealth and income cannot be achieved without it, but we do need to acknowledge its limitations and our understanding of it needs to be significantly adapted.

Despite the fact that growth as an objective of economic policy is needed it should not be the primary one, argues Charles Seaford – head of the Centre for Well-being at the New Economics Foundation – in his blog. The limitations of growth as an indicator of wellbeing are significant, many contributors contend. Hence, there is a great need to start including more diverse aspects of what it is that constitutes human wellbeing. Henk Molenaar, executive director at WOTRO Science for Development, summarises quite nicely:

Growth is a built-in necessity of capitalism that forces itself upon us as growth compulsion. Its lure is based on a distortion of our perception. We feel that growth allows us to satisfy our needs, and we fail to see that growth compulsion leads to the continuous multiplication of needs, the general spreading of scarcity, and the increase of inequality.

Alternatives to GDP

Rather than throwing GDP out the window altogether, we need to demystify it and determine its rightful place in evaluating collective wellbeing. And while doing so, 'let us not fall into the pitfall of demonizing it', Molenaar warns. There are some clear facts that we should keep in mind when evaluating the limitations of growth. According to Seaford, we should keep in mind that increased material consumption does increase wellbeing, particularly for the least well off among us. Nonetheless, increased economic activity as signalled by GDP growth does not necessarily translate into increased income for the least well off – hence, this is one of the major factors that inflates GDP per capita as a meaningful measure of wellbeing. Also, there is a range of things that are as, or more, important than income to wellbeing for many people. And lastly, the current association of growth with a rise in carbon emissions and other threats to sustainability is not necessarily a feature of our future economy. By emphasising these facts, Seaford urges us to take into account the complexity of growth.

Economic growth is generally considered an important driver of human development. Economists disagree about whether it is just one aspect of it or the crucial ingredient, writes Nicky Pouw, development economist and assistant professor at the University of Amsterdam. Seaford warns us that we should beware of the 'curiously ideological character' that the debate on growth tends to take. 'Growth is not necessarily a good or bad thing. However, it should not be the primary objective of economic policy', he argues. We shouldn't be discussing whether to be in favour of or against growth. Rather, we should discuss what alternative targets policymakers should be using instead to

meaningfully measure the economic success of society. Lucia Nass, who works as an independent capacity development facilitator, adds to this by saying that '[g]rowth should not be about what's good for business, but about what's good for society'.

Hence, the acknowledgement of the limitations of growth is widely shared among the contributors to the discussion. In the absence of an alternative, 'GDP becomes the default option and growth becomes the primary social objective', Seaford observes. This leads us to conclude that we need a new measure of progress. And we need it now, or soon at least. Much of the debate revolved around the question of what this alternative could be, and in what direction we should be looking for it.

Let's face it, we are all interconnected

It's particularly Pouw's framing of wellbeing 'as understood in a global, interconnected way', that makes sense to our readers and contributors. It is this ethical point that should steer our development policies nationally and globally, Pouw contends. Nass emphasises the importance of a truly global perspective by offering the example of contemporary Dutch politics: 'Dutch politics today care about the wellbeing of the Dutch without connecting it to the wellbeing of others in this world'. Pouw adds to this by asking the following very legitimate question: 'How much inequality are we prepared to accept – to the extent that people and countries grow disconnected forever?'

The importance of simplicity and intuitive clarity

Ideally, an alternative to GDP would entail 'equal simplicity and intuitive clarity', Molenaar states. The strength of the GDP concept lies here, which holds that the series of complex composite indices that we are currently proposing to measure human development are not up for the fight, by definition. One of the major characteristics of a viable alternative to GDP would be its potential for meaningful operationalisation. Until now, we have been unable to come up with an operationalisable alternative: 'Nothing better has yet come up in an operational way', Bol states. As Molenaar advocates, 'We are in need of a single, powerful concept to rival growth as development paradigm'. Needless to say, this is not an easy task. Nonetheless, the concept is likely to be found in the dimension of life that is not based on the logic of accumulation and competition, i.e. the social nature of human beings. If we want to make a difference, we should start looking at and measuring development as a social phenomenon that is 'nested in relations rather than individuals', Molenaar contends.

An economics that serves its public purpose

The 'corruption' of the economics profession is a topic that repeatedly surfaces in the debate about wellbeing. Katherine Zobre, a recent graduate from the international development studies Master's programme at the University of Amsterdam, argues that 'the loudest voices in the economics communities have failed to serve their public purpose'. Pouw supports this statement by drawing attention to the destructive forces of 'propelling risks'. Dean Baker, co-director of the Center for Economics and Policy Research in Washington D.C., takes it even further by qualifying the 'corruption of the economics profession' as a more fundamental issue than the measurement of wellbeing and alternatives to GDP. 'If the economics profession is not honest in discussions of its pursuit of growth, then there is zero reason to believe that it would be any more honest in its pursuit of any other measure', he observes.

To state his case, Baker offers the striking example of a physician assessing a patient's health:

As a practical matter, no serious economist would argue that economic growth is a comprehensive measure of wellbeing. It is a useful measure in the same way that weight is a useful measure in determining whether someone is healthy. If a person has a near ideal weight, it doesn't mean that they are not suffering from cancer or some other fatal disease. However, if they are 50 pounds underweight or overweight then it is likely that they have some serious health issues.

The bottom line here is that any reasonable economist will agree that we need to look beyond GDP, or GDP per capita for that matter, to assess an economy's health. We need to look at distribution, the state of the environment, the quality of health care and education, as well as a variety of other measures to assess wellbeing.

In response to Baker, Elizabeth Kronoff of the Insaan Group points out that 'there is no incentive to change policy if there are no personal consequences for poor policy performance'. In other words, mere evaluation is not enough: we need the political or business will to move and address failure and success. Seaford hints at the same dilemma by asking who is to hold economists to account and how. Although accountability may be a big part of the problem, measurement is a component of it by definition: 'New forms of measurement are in essence accountability mechanisms. Part of their function is to give politicians (and the public) the tools and the confidence to challenge the professionals'.

Hence, in summary, it is fair to say that the fundamental problem we are facing is a lack of accountability of the economic profession to the public as a whole, not merely the fact that economists are using the wrong measure. In the same vein, in terms of discourse – not in the least on the side of the financial sector – economists should not be so reluctant to take an ethical or moral stance, Pouw points out.

Do we need another set of models and theories?

Some argued that yet another set of development models or new economic theories are redundant. For example, Wieck Wildeboer, development economist and former Dutch ambassador, writes that our present models and strategies sufficiently cover the preliminary requirements for wellbeing. According to Wildeboer, 'lack of implementation of [poverty reduction strategies] remains the root cause of poverty, inequality and the lack of opportunity to participate in the benefits of economic growth'. Instead of new economic theories, development models, or even funding, he argues that what we really need are 'capable, dedicated, uncorruptable politicians and bureaucrats' to execute these strategies. Russell Lewis, Managing Director of Rusden Management Services, adds to this observation by emphasising the need for attention to the so-called 'soft' skills to complement technical skills training if we want capacity building to be truly sustainable. In this regard, one contributor – Claudio Shuftan, consultant in public health and nutrition – expresses criticism of philanthropies. According to him, they look at capacity building from a purely technocratic perspective.

Nonetheless, the dominant feeling among our contributors is that different economic models *are* indeed needed to capture the increased interconnectedness of uncertainties and risks across borders, as Pouw argues. An important element of the paradigm that would bring about these models and theories is the acknowledgement that, in order to promote the development of poor people and poor countries, significant changes are required in the current living standards of the well off. These changes are required to alter the dependence structure that is inherent to the historical power inequalities that underlie our contemporary economic world system. 'Growth compulsion unavoidably creates and increases inequality', Molenaar states. So we need to somehow face our growth compulsion, and start resisting it, if we really want to make a difference. Pouw further pushes the urgency of this by framing the current global economic power distribution as a very temporary status quo. The emerging economies of China, India and Brazil are soon to dominate us: 'the benefits of globalization are about to swop owners', she writes. So we'd better be in a hurry.

Practical measures in order to kickstart this process have been mentioned. As independent researcher David Sogge argues, for example, we need to evaluate the financial 'aid' from poor to rich countries that comes in the form of illicit unrecorded resource transfers, in the same way as we evaluate official foreign development aid. Although he acknowledges the major obstacles that such an initiative would face, he urges that 'resulting information and data collections could trigger breakthroughs, capture the attention of parliamentarians and add to the political momentum for change'. Sogge's plea found an enthusiastic following on Twitter in the tax justice community.

A paradigm shift is underway

However, there is room for optimism because, if we look closely, we may notice that a meaningful paradigm shift is in the making. Cultural thinker, innovator and policy advisor

Michiel Schwarz urges us to look towards the emerging culture of the twenty-first century – ‘sustainism’ as he calls it – as it captures the new paradigm that will come to shape our collective perceptions of wellbeing and how we wish to design our living environment. It is important to emphasise the broad cultural meaning of this new paradigm: it does concern economics, but goes much further than that. And rightly so. As Schwarz argues, economics is actually part of culture – not vice versa. This means that we are in charge, as our economies are shaped by what we value, what we desire, and how we perceive our future. Others add to this notion. For example, Tanja Van de Linde, senior advisor at Plan Netherlands, writes that we need a new development model that puts greater emphasis on culture and social exclusion. And as Nass argues, ‘Rather than changing the rules of economics, we should focus on changing people’s mindsets first’.

The essential enabling factor of sustainism is the fact that human beings are social animals. Neurosciences have recently confirmed this. Molenaar extrapolates on the social nature of human beings and society by emphasising our capacity to be empathetic. Without empathy there would be no human society and it is what makes altruism possible, he states. In the framework of our discussion, he notes that,

all this is a far cry from the rational pursuit of self-interest by *homo economicus*. This perspective [of the human being as a social animal], therefore, holds the promise of pointing at what may be a truly alternative paradigm of development. It implies a search for a social parameter that is substantially different from a material or monetary variable.

The shift in the way in which we orient our lives towards sustainism is already underway. It has some roots in the sustainability movement, but goes beyond purely ecological concerns, Schwarz writes: ‘It is where connectivity, localism, globalization and sustainability interact’. We can see new values emerging. Concepts are being revalued: sharing, being connected, ecologically and socially responsible living, as well as human scale in development are gaining in importance fast. In future decades, sustainism will become the new operating context for redefining our economic models and our strategies for change, Schwarz contends.

Patricia Almeida Ashley, professor at the Universidade Federal Fluminense in Brazil, adds that we need to stop looking at policy processes and results from ‘the mechanical view of “dots”’ and start observing from ‘the quantum physics view of “waves”, networks and relations’. In our policymaking, we should include explicit stakeholder engagement throughout the entire process of policy conception, planning, implementation and evaluation by means of a truly participative process. ‘Complexity thinking in a “wave” approach requires a proper participative process of policy making’, she writes. This should prevent those who speak loudest being heard at the cost of those who are perhaps not equipped to make their point as powerfully.

Towards a new economics of wellbeing

Hence, it is safe to conclude that most of our contributors feel that a new economics that more holistically advances wellbeing is needed. But where do we start? Wellbeing certainly includes economic security, but it entails so much more than just that. In terms of individual wellbeing, Van de Linde mentions that family relationships, work, friends,

health, personal freedom, and spiritual expression are all essential ingredients of wellbeing. In terms of collective wellbeing, focusing on growth alone will not pay off: we need to focus on distribution and sustainability, too, Pouw writes.

The rise of an 'ethnomics' will be the natural consequence of sustainism, Schwarz argues optimistically. In his view, this will be an economics of sharing, connecting, collaborating and openness. In order to do so effectively, we need to reevaluate what assets we can exchange, why and how we do so, and how to properly value them, Zobre states. In this light, she writes,

Economists and citizens alike have systematically undervalued the resources and activities that allow the human race to survive and prosper. This is where the ethics have gone. They have become a non-market good, and thereby devalued by an increasingly market-dependent global citizenry.

According to Molenaar,

[t]he best way to start is to look at elements of society that are not ruled by the mechanisms of the market place, that do not follow the logic of accumulation and competition, that are not based on the pursuit of self-interest. Indeed, we should focus on those aspects of social life that are disregarded or even negated and rendered invisible by market ideology.

This means we need to focus on the social as a separate dimension in order to welcome in the paradigm shift and to start reimagining development. McGregor supports this notion by arguing that,

all signs point to the fact that the liberal or residualist view of social reproduction is no longer tenable. ... [W]e cannot expect positive social reproduction to happen by chance or as a result of the goodwill of some members of society and of women at large.

He calls for us to reconsider how moral debates and considerations of human relationships can be reintroduced into the dismal science.

And indeed, the essence seems to be in our relationships. As Molenaar eloquently expresses,

An enhanced understanding of development likely lies in the interplay of individuality and sociality, of individual initiative and social integration, of individual autonomy and social cohesion. But in order to fully grasp this we need a sharper understanding of this social dimension and instruments to measure it.

Somewhat regardless of the things we have that allow us to meet our human needs, it is our relationships that determine whether we feel that our lives are worthwhile. Hence, it is a particularly social conception of wellbeing that we are after. How this has corrupted our efforts to advance development is once again sharply summarised by Molenaar: 'Our failure so far to conceptualize a single catching notion of development other than growth, is related to our tendency to see development as something individuals benefit from or have access to rather than as a social phenomenon as such'.

Power to the people

This leads the discussion towards the question of who will effect the change. Manuela Monteiro, Executive Director of Hivos, writes that informed and motivated citizens are the most powerful agents of change. According to her, rather than continuing to attempt to exert influence at ever higher levels to bring about structural policy changes whose impact on the distribution of wealth and wellbeing is questionable to begin with, we need to refocus by trusting in the creativity of civil society. People are able to change a failed system collectively, she says. Several authors named the recent developments in the Arab world as a symptom of a new wave of social mobilisation fuelled by global crises and facilitated by social media.

'But while spaces for creation and contestation are abundant worldwide, they are disconnected and therefore incapable of challenging the dominant discourse', Monteiro observes. This is where work needs to be done: global innovative partnerships across sectors are needed to promote transparency and accountability. Van de Linde adds to this by saying that it is not so much economic wealth, but rather political will that determines if a government is willing to invest its resources in improving human wellbeing. Civil society has a major role to play in pressurising governments to ensure that everyone benefits from economic growth, Monteiro writes.

In this framework, conflict should be perceived as an opportunity to find new ways forward, Nass argues. Conflict should be regarded in a positive light: it indicates ways in which the economic system must change to be respectful of society and the environment, according to Diego Murguia, PhD student and researcher at the Wuppertal Institute for Climate, Environment and Energy. Moreover, it helps us understand the 'connections between the local appearance of a conflict and the global force driving it', Murguia writes. As such, socioenvironmental conflict should be viewed as a powerful mechanism with a huge potential to act as a change-maker and push for a paradigm shift. Quality of life can only be realised collectively, and we need to internalise this into our mindsets and our models.