

Prime Minister Gro Harlem Brundtland

What is World Prosperity

Stockton Lecture, 15 November 1993

The London Business School

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Ladies and gentlemen,

The United Nations Development Programme has recently conducted an opinion poll among the poorest segments of the population of Gambia, which is one of the poorest countries in the world. The question posed in that poll was not "What is prosperity" but "What does poverty mean to you". The most frequent answers revealed that what haunted people more than anything else was the spectre of starvation.

Gambia has a primary school enrolment of about 50 per cent and a secondary school enrolment of only 16 per cent. This is roughly the average for poor African countries. The educational budget of Gambia is some 6 per cent of the total budget, which is extremely low, as is Gambia's GDP income per capita. (Less than USD 1.000) When such conditions prevail, only some 6-7 hours by plane away, we can safely say that "World Prosperity" is far from real today.

About nine years ago I was asked by the Secretary-General of the United Nations to establish and chair an independent commission with a mandate to recommend long-term strategies to achieve sustainable development by the year 2000 and beyond. The Commission worked for about 1000 days. We travelled to every continent, we conducted public hearings to focus attention on people's genuine concern for their daily lives, for their children and for the future.

We studied the interactions between human activities and the natural environment. Our report, *Our Common Future*, was published in 1987. In it we defined the concept of sustainable development, which to me captures the essence of what is required if world prosperity shall become real. Our definition is that "sustainable development" means meeting the needs of the present generation without compromising the ability of future generations to meet their needs.

We brought into focus how poverty is a cause of environmental decline in developing countries and how industrialized countries' patterns of production and consumption are unsustainable. We found that there was a need for radical changes in the world economy and in the way the global community is organized. But before I go into some of these complex issues, I want to say a few words about how our views on prosperity and progress have evolved over the past decades.

I am grateful for having been invited to the London Business School to speak about these issues. I know that the LBS is by no means just a London

business school, but rather an international institution which serves the entire world community and which is attended by people from all over the world.

It is highly likely that there are many different views on tonight's subject among the undergraduates and post-graduate students of the LBS, depending on their cultural and personal background and experience. This is an assumption based on my personal experience of postgraduate studies in a multicultural environment at the Harvard School of Public Health. I found the sharing of views between people from many different countries and backgrounds to be much more decisive for my own world outlook later in life than the medical degree from Oslo alone would have been.

Tonight, I will speak subjectively. I assume that when Professor Bain invited a Nordic social democratic prime minister to give this lecture, he knew that you would not be hearing a speech about how ultra liberalism and non-intervention by governments would be the high road to world prosperity.

I grew up in Norway during the post-war era. It was a time of reconstruction, of high and stable growth rates and almost no inflation. Life conditions were steadily improving. Social security schemes were being introduced and improved. We all felt that our younger generation could face the future with great optimism.

Job opportunities, educational opportunities and the prospect of leading a better life than our parents made us all feel much richer than we actually were judging by today's standards. Aid for development was introduced in 1959 at a time when Norwegians felt that they were in a position to share their prosperity with people in what we then called the under-developed countries.

From a historical perspective, Western democracies had made enormous advances in a remarkably short period of time. A large number of serious diseases such as tuberculosis, leprosy and smallpox had been almost wiped out within a few decades only. Anaesthetics which we all take for granted today had been in use for barely a century. People were still alive who had experienced child labour and grave exploitation, and even suppression of workers by armed force. For many social democrats, the introduction of compulsory social insurance, free medical services and democracy in the work-place, together with technological advances that did away with some of the most strenuous forms of manual labour, were all clear signs of progress.

Internationally, the decolonization of what came to be known as the Third World, the hard won successes of the civil rights movements in the United States, and the struggle for women's rights were also clear indications of progress.

Although opinions differed as to whether or not it was appropriate to expend such vast efforts on the exploration of outer space, I believe we all saw the moon landing in 1969 as a symbol of the triumph of human endeavour. If one could travel to the moon, there seemed to be no limit to what human beings could achieve. Progress seemed to be infinite.

Even the threat of nuclear arms and East-West confrontation could not overshadow the feeling that we in the West were living in a prosperous world.

The awakening to an enormous environmental bill that had been run up by the uninhibited growth in the 50s and 60s marked a turning point in many people's belief in continued progress. Rachel Carson's remarkable book "Silent Spring" about the ultimate effects of pesticide use on the natural environment changed many people's perception of progress as a linear development. Ecology became a new basis for political action as the world gathered in Stockholm for the first UN Conference on the Human Environment in 1972.

The conviction that protection of the environment had to become a priority issue was not shared, however, by the developing countries, which felt that the North was trying to impose its values on the South and that environmentalists were more concerned with pandas than with people and that they favoured bicycles and opposed lorries.

For many people in the Third World efforts to deal with environmental protection was something they could not afford, and which would have to be delayed because environmental concerns could slow down their own development

The poor countries were becoming increasingly frustrated by the slowness of their development and the unsuccessful attempts to break out from poverty. Independence had not brought prosperity to the Third World, and a new kind of confrontation broke out between the North and the South over economic opportunities and economic justice.

Several of the United Nations conferences held during the 70s showed clear signs of the growing frustration that was taking hold of the majority of countries and peoples, as issues such as food security, safe water, sound housing and population policies became international political issues.

In the North, the 1980s came to be dominated by the political conviction that governance and governments were the root of evil. The conservative administrations under Ronald Reagan and Margareth Thatcher saw lower taxes as a means to achieve dynamic growth which would solve problems and promote progress through a trickle down effect .

However, what really was growing was defence spending and budget deficits. In my own country conservative governments and non-socialist coalitions liberalised and privatised our economy in a way that fuelled loan-financed spending, heated the economy and ended in a full crisis when oil prices fell dramatically in 1986.

The free market liberalism of the 1980s held out no promises as to the fairness of the outcome. But the prevailing argument in the "yuppie" era was that any attempt to rectify such problems by government intervention would create more problems that it would solve. These policies tended to ignore externalities, not least environmental ones, and I can well remember the reluctance of several conservative governments to face the findings of the World Commission on Environment and Development in 1987. In the US, the President's Council on Environmental Quality responded to our report by stating that free market economy was the best remedy for environmental problems. Luckily, the present administration has another understanding of the problems.

Now, in the 1990s, by any standard of global comparison, we in the West are rich, even wealthy. For the poor people in the Third World most of the people of the West are living prosperous and even affluent lives. Still I believe that never have the rich felt so poor.

Now, in the 1990s, there are about 20 million people out of work in Western Europe. The younger generation face extreme difficulties in acquiring an education that will provide reasonable job prospects.

While the threat of a major armed conflict between what we used to call the East and the West is gone, we can hardly speak of security when jobs seem uncertain, when crime and violence are increasing, when ethnic conflicts and even outright racism occur in the most democratic of countries.

Even the super-rich are exposed to environmental hazards such as the effects of the depletion of the ozone shield and of contaminants entering the food chain.

The truth is that our present patterns of production and consumption are ruining the natural environment which is the capital whereby future generations should prosper. Had a private company dealt with its capital in a similar manner, it would have been considered uncreditworthy and faced early bankruptcy.

The number of people living in absolute poverty is now 1 billion, and this number is still growing. Although the proportion of destitute is decreasing as a percentage of the total population, this is largely due to the high growth rates in Southeast Asia. In Africa and Latin America the situation for the poor has

gone from bad to worse, and it is difficult to see how this can change as long as population growth outstrips economic growth.

Poverty is not only an insult to human dignity, but also a cause of environmental degradation. Poor people are forced to cultivate marginal lands which are prone to erosion or to cut down forests for new arable land. Many rely on fuelwood for energy, and their search for wood leads to deforestation and drought or floods depending on the regional situation.

Brutal facts of science tell us how the natural resources on which people depend, that will feed them and provide them with a livelihood, are already today being severely depleted. Not only are the rainforests vanishing, and topsoil eroding. Even the total food production of the world is reaching limits. The world's oceans have already reached the limit of their protein yield. Increases in production of meat, soybeans and grain are slower, and global warming seems likely to accelerate erosion and dry up large parts of the world.

The prospects of feeding a growing world population are grimmer than ever. And the world's population keeps increasing at an exponential rate.

In fact, population growth has become one of the most serious obstacles to world prosperity and sustainable development. The world population is now approaching 6 billion. We may project a doubling or even tripling some time in the next century. Ninety per cent of the population increase is taking place in developing countries, many of which are unable to feed their present population.

We may soon be facing new famine on a scale dwarfing even Malthus' most pessimistic predictions. We may see mass migration which will make previous historical migrations look like a Sunday picnic. Countries and regions risk destabilization and war as peoples compete for land and water resources.

In the more developed countries the fortunate children of new generations may delay their confrontation with the imminent environmental crisis, but today's new-borns will be facing the ultimate collapse of vital resources bases unless we change our course. They will also face new security threats if the impoverished majority start to migrate. Increasing numbers of our fellow human beings are without a voice, and without a choice. Malnutrition and squalor deprive hundreds of millions, in the words of Robert McNamara, of the potential of the very genes with which they were born.

Any quest for world prosperity must take full account of the knowledge we can no longer afford to ignore and the ethical dimension that as long as poverty prevails, any discussion about world prosperity is a discussion about the future.

In order to achieve a sustainable balance between the number of people and the amount of natural resources that can be consumed, both the peoples of the industrialised countries and the rich in the South have a special obligation to reduce their ecological impact.

Even though most people in the industrialised countries feel far from rich, as they strive to pay their mortgages and worry about their jobs and the security of their pensions, nonetheless they are consuming at a rate which cannot be shared by everybody.

An average person in North America consumes almost 20 times as much as a person in India or China, and 60 to 70 times more than a person in Bangladesh. It is simply impossible for the world as a whole to sustain a Western level of consumption for all. In fact, if 7 billion people were to consume as much energy and resources as we do in the West today we would need 10 worlds, not one, to satisfy all our needs.

Our Western economies have succeeded in meeting most of the basic needs of their populations. True there are housing shortages, but few people in the West live in squatter areas or slums. True there are educational bottlenecks, but more people have access to higher education than ever before.

And still, despite a well qualified work-force, despite technological achievements, despite all the immense improvements that have taken place in this relatively fortunate part of the world, we face a new generation of problems that pose a serious threat to our society.

We have reached a stage in our development where we can no longer take for granted that economic growth will lead to increased employment. We can no longer be so sure that we will experience progress.

We are thus faced with a gigantic task: How to make changes in the world economy leading to a more just world where we bridge the present gaps between the rich and the poor. We are forced to make changes in our economies which reduce the strain on the environment, and we are compelled to find new solutions to unemployment.

At present, technological advances may lead to lay-offs rather than to new jobs. At present growth in GDP seem to have become decoupled from increases in employment increases in the so-called advanced economies.

We are obviously on the wrong track when Europe spends 100 billion ECU on unemployment compensation and far less on active measures for reemployment. Paying people such sums for not doing anything is neither sustainable nor socially acceptable. There is so much that needs to be done in all our societies. There is no limit to the services for which there is a need.

Moreover, if people are out of work, if they feel they are not being useful, there is a risk that they will fall victim to the seductive voice of populism and irresponsible demagoguery. This is a serious threat to the cohesion of our societies and to democracy itself.

World prosperity will remain a distant goal if we in the West are unable to organise our societies and generate activity and mobilize forces in pursuance of short-term as well as long-term goals. In the light of the debate in Europe on the Maastricht Treaty and the thrust of European cooperation, I believe that a Scandinavian view of prosperity can also be useful also as a background for considering what should be done about prosperity in a global context.

In Scandinavia, prosperity is closely associated with social justice, social security and the development of the welfare state. The term "welfare" is associated with an all-encompassing concept of overall well-being. We regard prosperity not only as signifying economic growth and material welfare but also as including employment for all, environmental quality, gender equality and a meaningful life. The win-win aspect of this wider definition is that such an all-encompassing approach has also proven to be a successful strategy for economic development.

Prosperity and welfare imply more than merely the satisfaction of basic material needs. Policy goals include more equal access to education, safety in the work-place, not only physical safety but safety also from unreasonable job losses and the opportunity to take part in the development of the company or organisation.

Health for all must be included in our concept of prosperity, since few people are able to meet the cost of medical treatment out of their own pockets. Our mandatory health insurance in Norway provides for equality of treatment at a cost of about 7 per cent of our GDP, which of course is much more sustainable than for example the system in the US where health costs represent about 14 per cent of GDP without even providing a service for all those who need it.

Prosperity must also include the right to take part in the shaping of society by participating in democratic political processes. It includes freedom from fear of violence and crime, of war, of a corrupt government and judicial system. Increasingly, it means freedom from fear of the future and assurance that the political system is such that people acting together can shape their own future and leave the next generation at least the same options as we have.

Traditionally, economic growth as we know it has meant producing more and more goods using more and more natural resources and placing an increasing strain on an already fragile environment. This pattern cannot be repeated uncritically on a global scale. However, recent research has taught us that perpetuating this kind of economic growth is neither necessary nor possible for

prosperity. Growth does not necessarily mean more goods, it can also mean better goods.

The World Commission on Environment and Development pointed out the need for production patterns that use less of our non-renewable resources. It maintained that there should be no need to lower the standard of living as long as we succeed in changing the quality of economic growth.

Moreover, such indicators as changes in GDP do not tell the whole story about whether or not we are on the road to world prosperity. GDP does not take account of changes in the natural environment. It is not a good indicator of well-being. If we asked our statistics offices to calculate the effect of an average increase of 30 minutes in travel time to work, the answer would probably be that GDP would increase. As a measure of welfare, this is clearly absurd.

Our economies do need growth, but it must be a new kind of growth, a growth that enhances the environment and the resource base instead of reducing it. We need a type of growth that enhances the quality of life for all instead of leading to congestion, more pollution and the overuse of resources. A radical shift in our economies can only be accomplished in cooperation with labour unions and with those who fear marginalization and who may fear change itself.

Technological breakthroughs will be needed in many areas if we are to make the transition to sustainable development. One problem is that many of the needs that could lead to new kinds of human activities do not lead to private demand in a market. Many needs are public needs and must be articulated by people acting together. Let us remember: however good the markets are at allocating resources efficiently and effectively, they cannot build community purpose or instil social responsibility, or assert the larger vision only people can have of a just and sustainable future.

There is a growing need to focus on knowledge as the ultimate resource and as an engine of growth and change. It is not natural resources in themselves that give us wealth, but the way we utilize these resources. If resources alone could make us wealthy, we could have reached our present standard of living millions of years ago. Waterfalls, for example did not become a source of general wealth until Benjamin Franklin helped us understand electricity, until Thomas Edison invented the light bulb, and until the Norwegian engineer Sam Eyde developed large-scale industrial use of electricity. Similarly, oil yielded little prosperity until Henry Ford found new ways to make use of it.

These developments were major steps forward in the history of mankind, and they fundamentally changed our daily lives. The best prospects for our future seems to lie in the inexhaustible potential of the human mind. Although

investment in physical capital may yield decreasing returns, there is no reason to believe that investment in new knowledge is subject to such limitations.

On the contrary, the fact that recent technological breakthroughs coincide with general access to education suggests that we may only have seen the beginning of technological change. Progress and breakthroughs are furthermore a hallmark of societies where the flow of information is free.

General technological development stagnated under communism, where even Xerox machines were subject to strict control and where access to computer technology was a prerogative of party conformists.

Knowledge is an infinite resource. There should be more than enough for everybody. Knowledge in the wider sense cannot in practice become the exclusive property of any company or individual despite efforts to maintain secrecy, patents etc. Individual knowledge will always spread and become common knowledge. Still, it has been at times of important political change that knowledge as a common good has expanded most widely.

The GI Bill passed in the United States after World War II gave hundreds of thousands of soldiers the opportunity to return to society by acquiring a college education they could not otherwise have afforded. The analyst Peter Drucker describes the GI Bill as one of the most important single moves of this century and points to the enormous economic growth in the USA in the decades that followed.

Harold Wilson struck a similar note 30 years ago when calling for a new initiative to promote training, education and apprenticeships, a totally new government-supported system of learning which was too important for the prosperity of the country to be left to industry to decide for themselves, because there would always be free riders who would snap the educated work force away from the business that trained them.

Increased funding of research and education will not in itself produce growth and development. Success requires quality as well as quantity. Moreover, teamwork is vital in developing and using knowledge. Competition is important as an incentive, but co-operation is necessary for success. Rather than talking about the competitive advantage of nations we should speak about their "co-operative advantage".

On the whole, Western cultures seem to reward competition more than cooperation, whereas many Asian nations have an advantage in that their cultures traditionally value the contribution of the group higher than individual success.

The Scandinavian system of social democracy has had its own emphasis on the group, namely the ideal of solidarity, which puts a premium on equality. Prosperity must be shared if it is to be real. My thesis is that equality can be made a productive force rather than an obstacle to prosperity. A feeling of justice creates a climate of trust and cooperation whereas large disparities in wealth and opportunity contribute to violence and fear.

This applies not only at the local level but also in the world community at large. This kind of solidarity is not confined to the company or organisation level but has coloured Scandinavians' view of the world. It is among the reasons why even in times of recession and unemployment, we have managed to maintain a level of development assistance which is about three times the average of OECD countries.

Our challenge is to work at the national, regional and global level. Even if we manage to restore full employment in the Western economies, true world prosperity will remain a distant goal unless we pursue our policies based on the concept of global solidarity.

Sustainable development as defined by the World Commission is the only tenable path towards world prosperity. The developing world needs to use far greater resources than today in order to develop. We cannot, in order to protect the global environment say to the Third World, "sorry, we have filled the waste basket. There is no more room for you". At present, however, increased access to resources is not even close to being realised for the majority of the poor.

Development assistance has been much discredited recently by opponents of the whole idea, who have called attention to unsatisfactory results, abuse and even corruption in the recipient states. However, aid fatigue has aggravated the plight of the poor and made a mockery of the agreed target of 0.7 per cent of GNP for development aid. At Rio all countries supported, finally, the legitimate demand that new and additional resources be transferred to developing countries to address global environment problems. Nevertheless contributions so far have been small.

It is true that the military budgets of a number of developing countries have been excessive and it has been made very clear to many of them that such practices are unacceptable if they want donor countries to maintain public support for their efforts. More and more developing countries have recognised that investing in human resources is essential to economic growth, which in turn is necessary to improve social welfare.

Development efforts during recent years have made it clear that improvements in health services, water supplies, sanitary conditions, family planning and,

not least, education help to improve quality of life, bring about social equality and create the necessary conditions for sustainable development.

Unfortunately, the economic crisis in many developing countries has led to a decline in revenues and a deterioration of social conditions. It is therefore essential to achieve economic growth and to invest in the development of human resources, particularly in primary health care and basic education.

The United Nations Development Programme has suggested that 20 per cent of government expenditure in developing countries should be allocated to helping the poor meet their needs for food, water, sanitation, basic health care, family planning and education for their children. At the same time industrialised countries are being requested to allocate 20 per cent of their development aid to meeting these priority needs. These are minimum requirements, and other donors should, like Norway, be in a position to reach the proposed target of 20 percent of their development aid for this purpose.

In order to realize world prosperity, we must imbue the global society with the attributes of a civilised state. In all developed countries we maintain redistributive systems that have a great many common features. They are designed to rectify inequalities which we perceive as unjust and to provide for a reasonable degree of burden sharing. Ever since Bismarck introduced social security schemes in imperial Germany we have known that such schemes benefit society as a whole, not just the recipients, by providing them with the means to become more healthy and productive or by giving them a second chance to become reintegrated into economic and social life.

Henry Ford could probably have got away with paying his assembly workers less, but he recognised that business prospects were better if the working class became part of a wider market. By the same token, the developed world should see great advantages in actively bridging the gap between nations and people.

In an interdependent world, we need each other, for prosperity, for subsistence, even for survival. Our shrinking planet holds no sanctuaries where segments of humanity can hide. Many people of the West take pride in belonging to the management generation, and the world is truly one of management, in which the role of management becomes increasingly important. But the quarterly balance sheet of each and every company is no measure of world prosperity and no measure of the future potential of each and every business.

In a world where the owner in the traditional capitalist sense seem to be receding and where ownership is increasingly in the hands of anonymous trusts and funds, economic decision-making is increasingly becoming the

realm of managers, themselves employees, and often responsible only to a board without clear majorities.

Re-directing resources can often only be achieved by means of taxation, and in a competitive open world economy taxation rates seem to be under growing pressure. In many countries, however, there is a need for higher rather than lower taxes, and a need for much greater efforts in shouldering global bills for peace, development, environment and the growing refugee problem.

In a quest for truly global prosperity, I see no alternative to intensified international cooperation. Unilateralist approaches to international issues will only prolong the present unsustainable trends.

Our present international institutions are too weak to make effective political decisions that are effective in a global context. At present only our European regional organization, the EC, has the mandate and the powers which is strong enough to pool the sovereignty of its members in the pursuance of common goals.

Governance is called for. Other regions are currently looking to Europe for inspiration in their own institution-building. We see ideas in this respect at present both in Southeast Asia and in the Middle East.

The early conclusion of the GATT round is a vital step in the right direction. A failure to conclude the Uruguay Round would be fatal both for the North and for the South.

Laissez-faire attitudes and reliance solely on the global market place will turn our global village into a global jungle. In each individual country, development must be a bottom-up process, but progress will be delayed unless governments actively promote renewal and change. Such efforts must be coordinated between countries. Each individual problem must be dealt with according to its nature. Common problems requires common solution regardless of whether they are local, national, regional or global.

Already Kant said that the civilized state had been achieved within the nation, but no such comprehensive order was in place between nations. There would be no end to suffering, said Kant, until the norms of the civilized state were made to apply between nations.

That would be the basis for World Prosperity. A better organized world.