



---

## Human Rights and Economic Development

Dr Pushp Deep Dagar<sup>1</sup>

### I Introduction

Economists often assume that because the international human rights framework is a normative framework i.e. relating to things that ought to be the case, insufficient attention is given to costs and other types of feasibility constraints. These constraints imply choices and sequencing, which suggests a conflict with the concepts of indivisibility and interdependence of rights. However, this is largely a misperception. The need for sequencing of policies and programmes is widely recognized in the human rights field and the international obligations of states in the field of economic and social rights are limited by the principle of ‘progressive realization’. States are not under an international legal obligation to go beyond available resources in achieving the progressive realization of economic and social rights. They are required to demonstrate ‘reasonable effort’ and where resource constraints are binding, this obligation can be discharged through the adoption of policies and programmes that facilitate the achievement of human rights over time.

The perception of a conflict also has many anecdotal examples but, again, the validity or generality of these examples often renders them debatable. The experience of high rates of economic growth in relatively authoritarian states in parts of East Asia during the 1980s and 1990s, together with China’s record of economic growth and poverty reduction, are sometimes invoked as evidence of a positive association between economic success and authoritarian forms of government without strong commitment to civil and political rights.

This paper highlights the need for theoretical development and a robust evidence base relating to the predicated impact of rights-based interventions on economic outcomes. In developing an analytical bridge between the analysis of freedoms and rights and the analysis

---

<sup>1</sup>Dr Pushp Deep Dagar, Assistant Professor, Department of Commerce, Govt. College for Women, Mokhra, Rohtak (Haryana)

of economic growth, a key distinction can be made between the intrinsic and the instrumental role of freedoms and rights in economic analysis. The intrinsic valuation of freedoms and rights focuses on the relevance of rights to the characterization of growth and development and the evaluation of the benefits of different trajectories for individuals, groups and populations. The instrumental valuation of freedoms and rights focuses on the ways in which the recognition of freedoms and rights can influence the nature and scope of economic growth.

## **II Importance of Economic Growth for Human Rights**

The protection and promotion of most rights requires resources and this is obviously especially difficult in low-income countries. Where resource constraints are tight and choices need to be made, including among different rights objectives, the principles discussed above of progressive realization of rights become important – while still aiming to achieve all rights objectives over time. In these circumstances, growth is important as the key means of providing increased resources. Good growth performance is therefore important in achieving rights outcomes more quickly and more fully.

But the nature of growth is very important. One issue is that growth needs to be sustained, partly so that the commitment to the progressive realization of rights can be honoured, but also because there is evidence from a number of studies that downturns often hit poorer groups harder. It means that they are less able to protect themselves against adverse shocks and that this group can respond less quickly in recovery periods. As such, volatility of growth is likely to compromise its ability to achieve sustained poverty reduction and expansion of key freedoms.

But also of central importance in attaining rights objectives is the distributional pattern of growth. Experiences of fast but highly unequal growth in Brazil in the 1970s were associated with little poverty reduction impact and growth over the 1990s in Pakistan has had limited impact on key human development indicators and gender equality. Clearly, a pattern of pro-poor or shared growth is appropriate for attaining rights objectives as efficiently as possible. Such a pattern of growth implies that the poorest groups are increasing their resources, which itself can enable them to achieve some key freedoms directly. However, better growth performance enables more resources for government through increased tax revenue. Public actions will often play a central role in achieving key rights objectives; plus it is the governments that are committed to international human rights agreements.

However, it is important also to recognize that some trade-offs between growth and equity can be expected. For example, growth will frequently require increased levels of private sector investment; this can be important for employment creation for unskilled workers but may not bring significant benefits to poorer groups in the short term. Similarly, many means of attaining agricultural growth (for example, new seeds or new cultivation practices) are likely to be more easily accessible to, or willingly adopted by, larger farmers who face less risk and/or are better insured against it. Or trade liberalization will often promote growth but this can be accompanied by increased inequality. That all said, it is important to note that even inequitable growth can achieve impressive reduction of poverty even for the poorest, as demonstrated by China's recent record. Sometimes, such increases in inequality may be temporary. If they persist, they reduce the future effectiveness of growth for poverty reduction – and generally for the achievement of other key rights and freedoms.

### **III Importance of Human Rights for Economic Growth**

There is increasing evidence, much of it based on cross-country studies, the importance of key freedoms for growth, as well as for preventing downturns or managing them more effectively. For example, an important study by Barro (1996) confirms the importance of higher schooling levels, higher life expectancy, better maintenance of the rule of law and lower fertility rates (related to female empowerment) as being key determinants of economic growth, and each of these findings has been confirmed by many other empirical studies. There is plenty of evidence that gender inequality, particularly in relation to education, has a substantial adverse impact on growth (World Bank, 2001). Thus Klasen (2001) reports that a significant proportion of the difference in growth rates between East Asia and other regions of the developing world (sub-Saharan Africa, South Asia and the Middle East) reflects the higher gender differentials in education in the latter. The gender gap reduces growth directly (lower human capital) and indirectly (through adverse impacts on fertility and investment).

The importance of effective institutions in promoting and sustaining economic growth is now widely recognized with much of this being about the ability to guarantee key freedoms. These include the rule of law and security of property rights, but also effective arrangements for managing conflict (one of the potentially difficult issues in a high inequality environment) and providing security in economic downturns.

Given the focus on growth as a means of achieving key freedoms and rights, it is also important to consider the factors that influence the distributional pattern of growth as well as its level. Access to key resources for poorer groups (e.g. credit, health care, justice) is clearly

a key issue here, given that these factors are likely to be key influences of the ability of the poor to participate in growth.

#### **IV Instrumental Role of Human Rights and Economic Growth**

It is clearly important that it is not just the rate of growth that matters, but also its distributional pattern and its sustainability i.e. seeking to avoid downturns. To what extent can a rights perspective help in achieving these key freedoms which help attain such growth?

##### **Primary education**

There is some evidence from cross country growth studies of the important role played by education; primary education is of particular relevance for the poor. There is a growing body of empirical evidence establishing the ways in which the recognition of human rights can be instrumentally important for the achievement of policy goals such as universal education and public health – particularly in situations of female disadvantage and/or entrenched inequality between different population groups. As well as strengthening equity, the instrumental role of rights in promoting education provides an example of the ‘opportunity effects’ of rights above, that is, the ways in which rights recognitions can change the institutional environment in which markets function by broadening social opportunity and market access.

Drèze and Sen (2002) discussion of education in India highlights the role of rights recognitions in achieving population level changes in individual expectations, behaviour and choices. Social norms are a key influence on individual decision-making, and Drèze and Sen’s research highlights the possibility of influencing social norms through public discussion and social intervention – including through the recognition of new and strengthened rights. Case studies of the successful expansion of education (especially in the regions of Kerala and Himachal Pradesh) highlight the critical role of the emergence of consensual norms on educational matters in achieving social transformations in this field. Drèze and Sen suggest that the recognition of elementary education as a fundamental right can facilitate acceptance of the view that schooling is an essential part of every child’s upbringing (girls as well as boys, and for children in all population groups) – a critical element of achieving emergence of a social consensus on the achievement of universal education. Against a general background of structural adjustment and general disengagement of the state, growing and broad-based recognition of elementary education as a fundamental right (as reflected in political campaigns and in recent amendments to the

Indian Constitution) has contributed to the relatively rapid expansion of schooling facilities and school participation in India in the 1990s.

### **Information**

Imperfect, incomplete and asymmetric information are key sources of market failure, hence inefficiency. These will have adverse effects on investment and public and financial sector development, which play a central role in growth. A growing body of research addresses the ways in which individual rights to information (e.g. in the form of Freedom of Information Acts) can help to increase efficiency by increasing the availability and quality of available information. Market imperfections give rise to agency problems (e.g. disparities in the actions of managers and interests and shareholders). In the private sector, informational asymmetries can create barriers to the entry of outside managers to takeovers, increasing managerial rents at the expense of shareholders, with the lack of information for outsiders increasing the costs of transition and making it more expensive to change management teams. Similarly, in the public sector, informational asymmetries can place elected officials at an advantage over their competitors. Lack of freedom of information benefits incumbents over rivals, resulting in distortions in private and public decision-making. Strengthening rights to information can reduce the magnitude and consequences of these agency problems, with greater access to information and resulting in better, more efficient, resource allocation.

### **Accountability**

The possible ‘efficiency effects’ of rights discussed above include not only the ways in which rights recognitions can result in improved access to information, but also the ways in which rights recognitions can promote efficient resource allocation by strengthening accountability and ensuring that appropriate ‘democratic control mechanisms’ are in place. It is relevant, then, that Stiglitz (2002) links the advantages of increased information to extensions of accountability and transparency in both the corporate and public sectors. He emphasises the participatory processes as a ‘public good’ – with an active civil society functioning as a check on abuses of power and influence and a source countervailing power – and recommends extensions of individual rights to freedom of information and citizens’ rights to legal recourse to sue. Freedom of information can play in extending public accountability and efficiency. The right to information movement in India, which calls for a blanket right to access to all public records at all times of all citizens, has already led to concrete results in relation to the reduction of corruption in public life.

## **Public sector reform**

The public sector, as the leading provider of education, health and infrastructure, plays a key role in attaining not just growth itself, but specifically pro-poor growth. The efficiency of the public sector is thus of key importance for both efficiency and equity reasons. The role of strengthened accountability mechanisms in reducing corruption and achieving efficient public service delivery is increasingly highlighted in policy advice (e.g. World Development Report, 2004).

## **Citizen's needs, the media and political competition**

For growth to be pro-poor, it is important that public policies focus on the needs of poor. The 'equity effects' of rights are particularly important here and 'rights recognitions' and extensions of democratic practice are among the underlying determinants of the distributional pattern of growth. An important theme in the literature relates to the ways in which the influence of vulnerable groups on public policy might be strengthened in order to prevent 'capture' by elites and more dominant social groups – including the positive role that extensions of democratic practice can play in increasing the 'voice' of vulnerable groups in electoral democracies. Again, there is an important link with the international human rights framework, and the ways in which the recognition of human rights (including economic and social rights) might function to increase the influence of subordinate groups in collective decision-making.

## **V Conclusion**

It has argued that there is much less of a trade off between the pursuit of poverty reduction through economic growth and the pursuit of rights objectives, but rather that there are significant complementarities: policies to achieve key rights outcomes can have a positive impact on growth and in a way which is consistent with contemporary theoretical and empirical work on determinants of growth. The human rights and economics perspectives are similar in many ways. Both adopt the individual as the unit of analysis. Both human rights advocates and economists want to see children in school, healthy people, well-fed and free to choose how to live their lives to the greatest extent possible. At the same time, there are fundamental differences. A human rights perspective is normative, while economics is a positive science. The economics perspective is inherently consequentialist and concerned

withoutcomes, while the human rights perspective is deontological and concerned with principles that remain important regardless of their consequences and that cannot be discarded because of calculations suggesting that they may lead to sub-optimal or inefficient outcomes.

### **References:**

1. Barro, R J (1996) Determinants of Economic Growth: A Cross-Country Empirical Study. NBER Working Paper No. 5698. August.
2. Klasen, S (2001) 'Does Gender Inequality Reduce Growth and Development? Evidence from Cross-country Regressions'. Background Paper for World Bank (available at <http://siteresources.worldbank.org/INTGENDER/Resources/wp7.pdf>).
3. Sen, A K (1999b) 'Human Rights and Economic Achievements', in J R Bauer and D A Bell (eds), *The East Asian Challenge for Human Rights*. Cambridge: CUP.
4. Sengupta, A (2004) 'The Human Right to Development', *Oxford Development Studies* 32 (2): 179-203.
5. World Bank (2001) *Engendering Development through Gender Equality in Rights, Resources, and Voice* (available at <http://www-wds.worldbank.org>).
6. Drèze, J and A K Sen (1989) *Hunger and Public Action*. Oxford: Clarendon Press
7. Drèze, J and A K Sen (2002) *India: Development and Participation*. New Delhi: OUP.
8. Drèze, J (2004) 'Democracy and the Right to Food', *Economic and Political Weekly*, 24 April.
9. Stiglitz, J (2002) 'Participation and Development: Perspectives from the Comprehensive Development Paradigm', *Review of Development Economics* 6 (2): 163–82.
10. UNDP (2002) *Human Development Report 2002*. New York: UNDP.