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Economic and Social Policies for Human Development

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ABSTRACT

Economic and social policies of governments could improve or worsen the wellbeing of people, so that their impact on human development could be positive or negative. This article discusses the role, as well as the scope, of public policies for human development in the contemporary developing and industrialised worlds, buffeted by frequent global and local economic crises, including a health pandemic of unprecedented proportions, where mainstream economic policies have often been detrimental, rather than conducive, to advancing human wellbeing. The paper revisits the human development framework and anchors it in an interpretation of the capability approach that helps in delineating economic and social policy pathways to desirable outcomes. It argues that this is essential for an effective operationalisation of the approach to human development. Building on that, it explores the nature of economic and social policies that might constitute an appropriate policy-mix for advancing human development. In doing so, it recognises that, while human development problems in poor and rich countries are similar, the choices, sequencing and prioritisation of policies will inevitably be determined by the country-context and government-objectives. Given the context, it suggests that the framework of SDGs at the national level could enable a focus on human development objectives in the policy design and strategic response of countries.

KEYWORDS

Human development; Economic policies; Social policies; Macroeconomic policies; Inequalities; Wellbeing; Social opportunities; Social protection; Heterodox policies; Sustainable development goals

Economic objectives and policies of governments influence the growth prospects of countries, which have distributional implications and social consequences that shape the wellbeing of people. This is so everywhere, whether in developing or industrialised countries. Yet, such implications and consequences are not necessarily among the core concerns of those responsible for the management of economies. Living standards of people depend upon private income and public entitlements. Income depends upon employment, or more generally livelihood opportunities available to people, and the degree of social protection for those who are unemployed. Both are determined by

economic objectives and policies of governments. Similarly, public entitlements that support social consumption depend upon the capacity of the state for the delivery of social services, including education and healthcare, as well as the allocation and utilisation of resources made available by governments for those social services. Economic and social policies of governments could, therefore, improve or worsen the wellbeing of people, so that its impact on human development could be positive or negative, although observed outcomes may also be shaped by a range of other factors.

This essay discusses the role, as well as the scope, of economic and social policies for human development. It makes a case for anchoring these in a conception of human development, which is broader than what exists in popular understanding based on the human development framework formulated by the United Nations Development Programme (UNDP). Such an understanding might be appealing for its intellectual simplicity and its contribution to policy advocacy but is not sufficiently differentiated to provide an adequate basis for a universally relevant approach to economic or social policies for human development. Over the past few decades, development outcomes that have unfolded, juxtaposed with the struggle to sustain progress across countries, make it amply clear that the nature of human development problems is similar across countries in the world even if levels of income and development are very different. This warrants economic and social policy objectives or strategies that are similar in approach though differentiated in terms of implementation modalities and priorities, in conformity with the level of institutional development and the socio-economic context in those countries.

The structure of the discussion is as follows. The first section considers the rationale of public policies for human development in the contemporary developing and industrialised worlds, buffeted by frequent and significant economic disturbances – global as well as local – and a health pandemic of unprecedented proportions. It suggests that vulnerabilities of life, livelihood opportunities and human wellbeing stand exposed like never before, making it essential for us to rethink, possibly reboot, economic and social policies across countries. The second section revisits the human development framework and anchors it in an interpretation of the capability approach that helps in delineating economic policy pathways to human development. This, it is argued, is essential for an effective operationalisation of the approach to human development. The third section examines the nature of economic and social policies that might comprise a policy-mix for advancing human development. In doing so, it recognises that the choices, sequencing and prioritisation of policies will inevitably be determined by the specific country-context and government-objectives. The fourth section discusses the role of Sustainable Development Goals (SDGs) as a strategy for human development, to sustain social progress and advance human wellbeing. The fifth section concludes.

The Human Development Imperative

The present conjuncture in the world economy, which is both complex and difficult, makes it essential to focus on, and think about, human development for three reasons. First, the era of markets and globalisation over the past three decades led to a rapid increase in economic inequalities, reflected in a worsening distribution of income and wealth, in most countries across the world (Atkinson 2015; Bourguignon 2015; Milanovic 2005, 2011; Stiglitz, 2012; World Inequality Report 2022). Second, the Coronavirus (COVID-19) pandemic, associated with prolonged lockdowns everywhere in the world, led to a sharp contraction in output and employment within countries, depriving large numbers of people of their livelihoods. The resulting disruption in international trade and investment flows meant that employment in sectors where global value chains are important also contracted sharply. The economic recovery is both slow and K-shaped, placing a disproportionate burden on the poor and the vulnerable. Third, the national objectives embedded in the international agenda for the SDGs, of which advancement in human wellbeing is an integral part, are now less likely to be attainable in 2030 and may, therefore, require a reworking of policies and strategies.

The unprecedented, largely uninterrupted, advancement in average prosperity levels since World War II, and the pick-up in the growth momentum of developing countries starting around 1990, have been accompanied by rising inequalities, spanning unequal outcomes in the distribution of income and wealth and unequal opportunities for people, *inter-alia*, in their access to civic amenities, socio-economic services and livelihoods. Such trends across countries are, however, diverse both in their magnitude and in their consequences for human wellbeing.

The most common measure of outcome inequality is income inequality tracked through Gini coefficients in gross or net terms (before or after tax and social transfers), or in terms of income shares accruing to different population segments by decile/quintile or social/regional groups. The former refers to vertical inequality and the latter to horizontal inequality. Both have consequences not only for human wellbeing but also for the dynamics of economic and social activities in countries. Vertical inequality is largely a function of opportunities available to a person for building human capital and to productively engage in economic activity, while horizontal inequality, mostly embedded in history reinforced by society and politics, is not only persistent, but is also a common source of social conflict (Stewart 2018; Stewart and Langer 2008). Inequality in wealth (assets both physical and financial), which complements income inequality, is another outcome measure of economic inequality. Inequality of opportunities is generally measured through access of people to basic services (civic amenities, social services, or financial services) and social opportunities for livelihoods, hence wellbeing, or by tracking health,

education and human development outcomes classified by either income or social/regional groups (Kanbur and Wagstaff 2016; Malhotra 2018).

Episodes such as the economic downturn in the late 1990s, a consequence of East Asian currency crisis, the global financial crisis that surfaced in 2008 followed by the Great Recession in its aftermath and persisted for several years, and the COVID-19 pandemic which induced worldwide economic disruption during 2020-2022, significantly exacerbated rising trends in inequality. These trends varied within and between countries, in both the developing and the industrialised worlds. Apart from the major regional or global economic shocks, there have been localised disruptions such as economic, political or health crises in some Asian countries, civil strife and regional health emergencies in parts of Africa, growth slowdowns with persisting distributional consequences in Latin America, and major natural calamities all over the world. All these had an adverse impact on human wellbeing and eroded the capacity to respond to shocks. Indeed, inequalities in opportunities deteriorated more in the developing world, while inequalities in outcomes worsened more in the industrialised world (Dabla-Norris et al. 2015; Malhotra 2018; Piketty 2014; World Inequality Report 2022). These recent events also suggest that inequality can contribute to economic volatility and the creation of crises, while volatility can in turn contribute to inequality (Stiglitz 2012a). The policies adopted in such situations either mitigate or sometimes exacerbate the inequality consequences, thereby undermining pace of recovery and economic resilience which has obvious implications for human wellbeing.

Income and wealth inequalities have been rising nearly everywhere since the 1980s. The gap between the rich and the poor in terms of income inequality is reported to be at its highest level in decades. In 2021, the richest 10% of world population accounted for 52% of world income, whereas the poorest 50% accounted for only 8.5%.¹ While inequality has increased within most countries, over the past two decades, global inequalities between countries have diminished, which may be attributable largely to rapid growth in China and India (Atkinson 2015; World Inequality Report 2022).² The growing share of the top 1% in both developing countries and industrialised countries reflects a higher inequality in earned incomes from wages or salaries, as well as a larger share of incomes derived from rents in physical assets and interest or dividends from investments in financial assets (Alvaredo et al. 2013; Atkinson and Piketty 2010; Atkinson, Piketty, and Saez 2011; Palma 2011; Stiglitz 2012b, 2016). While there has been a sharp decline in the poverty incidence (share of population living below a pre-defined poverty line) in developing countries (led by China and India), the industrialised countries have experienced a rise in poverty incidence since 1990s (Malhotra 2018; OECD 2011).

It is no surprise that the degree of inequality is far greater in wealth (value of financial and real estate assets net of liabilities) than in income. The poorest half of the global population barely owns any wealth, just a mere 2% of the total. In

contrast, the richest 10% of the global population own 76% of all wealth (World Inequality Report 2022).³ Globally, just 8 billionaires have the same wealth as the poorest 50% of the world (Oxfam 2017). In most countries for which data are available, the share of the top 1% in wealth is rising at the expense of the bottom 90% (Dabla-Norris et al. 2015; OECD 2011; Oxfam 2017). Globally, the incomes of the poorest 10% of people increased by less than \$3 a year between 1988 and 2011, while the incomes of the richest 1% increased 182 times as much (Oxfam 2017). Stagnation, or slow growth, in wages reduces savings of middle- and lower-income earners, while rising wealth concentration at the top coupled with lower propensity to consume by the rich, explains growing wealth inequality. Importantly, such an unequal distribution of assets or wealth in the present, makes the distribution of income more unequal in the future (Piketty 2014).

Inequality in opportunities reveal deteriorating trends in developing world, with wide variations across countries, whereas, in the industrialised world, inequality in opportunities is broadly similar across income groups. For instance, in developing countries, health attainments on infant mortality rates for poor households are twice as high compared with rich households, just as female mortality rates are disproportionately higher for the lower income groups, while these rates are broadly similar across income groups in industrialised countries. The use of, and access to, healthcare is reasonable across income levels in most industrialised countries, but there are large disparities between people in developing countries. This does not mean that all is well in the industrialised countries. Access to healthcare is a real issue in the US, despite Obamacare, and the long waiting period for access to public healthcare facilities in the UK are well-known examples. In respect of education inequality, although the education Gini (measure of variation in average years of education for different income levels) has declined considerably in developing countries with improvement in access to schooling for children at the lower income end, learning outcomes remain poor for the disadvantaged population groups. Education inequality in industrialised countries is significantly lower and has remained broadly unchanged since 2000, after declining in the preceding two decades. Disparities in access to financial services exhibit a similar trend across the developing and the industrialised worlds. Obviously, there are significant differences in the access to financial services across income groups within countries. Even so, access to financial services in industrialised economies (80% of adults have an account with a formal financial institution) is more than twice that in developing countries (Dabla-Norris et al. 2015; Malhotra 2018).

The story in the sphere of social protection until the late 1990s is similar. In most poor countries, social protection has been far from adequate, partly because of resource constraints. But it has been reasonable in most rich countries. However, the belief in the necessity and virtue of downsizing

governments has led to a dilution and erosion of social protection in most industrialised countries. Unemployment benefits have been streamlined. Pensions have moved from defined-benefit to defined-contribution systems. Public provision of healthcare is reduced or significant user-charges have been put in place. Government support for education has declined, while fees paid by students have been raised. In other words, there is a privatisation of risk as earlier forms of social insurance have been progressively undermined. Inevitably, the greatest burden has been imposed on people who are most vulnerable (Nayyar 2012). Their vulnerabilities are always exacerbated by shocks such as natural disasters or climate change. For some, the pandemic may have been the proverbial last straw.

The novel coronavirus, which emerged from the wet markets of Wuhan, China, in late 2019, was transformed into a pandemic, as it spread rapidly across the world, presenting a major threat to the wellbeing of people and an unprecedented challenge to governments. It has led to almost 7 million deaths worldwide since it surfaced. It is plausible to suggest that most of the indicators, highlighted in the preceding discussion, deteriorated further because of the COVID-19 pandemic during 2020–2022. Indeed, the impact of COVID-19 poses a stark reality check for governments and their institutional capacity to deliver and support human development in poor and rich countries alike.

In terms of the number of deaths, it seems that COVID-19 had a much greater impact on industrialised countries. Of the 6.60 million COVID deaths recorded by WHO for the period 2020–2022, industrialised countries accounted for 3.46 million, while developing countries accounted for 3.14 million. The absolute numbers are similar. Yet, it is worth noting that the share of industrialised countries in world population is only 15%, while that of developing countries is 85%, so that deaths as a proportion of total population are far higher in industrialised countries as compared with developing countries. This difference is probably attributable to demographic factors, particularly the share of old and young people in their respective populations.

The infection-fatality rates (number of deaths as proportion of the number of infections) are marginally lower at 1.08% in industrialised countries as compared with 1.27% in developing countries across Asia, Latin America, Oceania and Africa (Figure 1). The infection-fatality rate for North America at 1.36% (similar in some European countries such as the UK and Italy) is lower than 2.07% in Latin America and 2.04% in Africa. This is probably attributable to the much better public healthcare systems in industrialised countries. However, the infection-fatality rate in developing Asia at 0.78% is distinctly lower than in the United States and some countries in Europe, despite poorer public healthcare systems, almost certainly because of demography (much higher proportion of young people in the population) and possibly also because of geography (immunity levels).

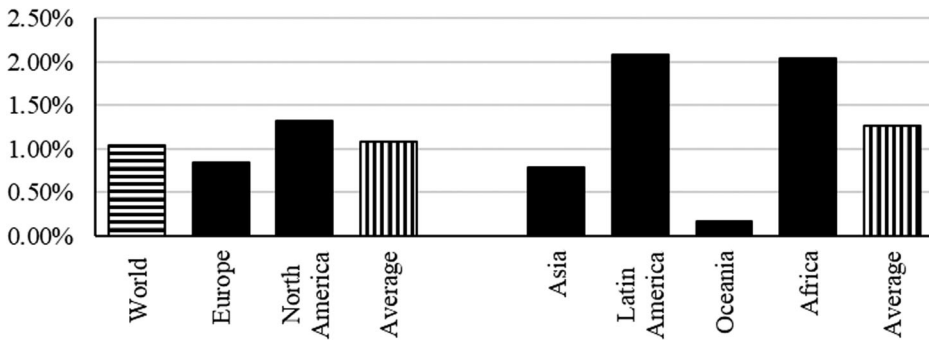


Figure 1. COVID-19 regional infection-fatality rate 2020–2022. Source: World Health Organisation.

The significant differences in the capacity, as well as quality, of public health-care systems between industrialised and developing countries obviously explain higher infection-fatality rates in Latin America and Africa. These were accentuated further by the most unequal distribution of Covid-19 vaccines across continents in the world. Although the proportion of people fully vaccinated as of May 2023 (Figure 2) is broadly similar across continents in terms of geography, except for Africa, the inequality in vaccinations across different country-income groups is significant. The proportion of fully-vaccinated in high-income countries at 75% as compared with 25% in low-income countries. What is more, access to vaccines during the early phases of the pandemic was far more skewed in favour of high-income countries.

For governments everywhere, following the initial devastating experiences in Italy, Spain, the UK and the US, where governments did too little too late, imposing and continuing lockdowns was the obvious risk-averse strategy. If the spread could be restrained and managed, the success would bring political

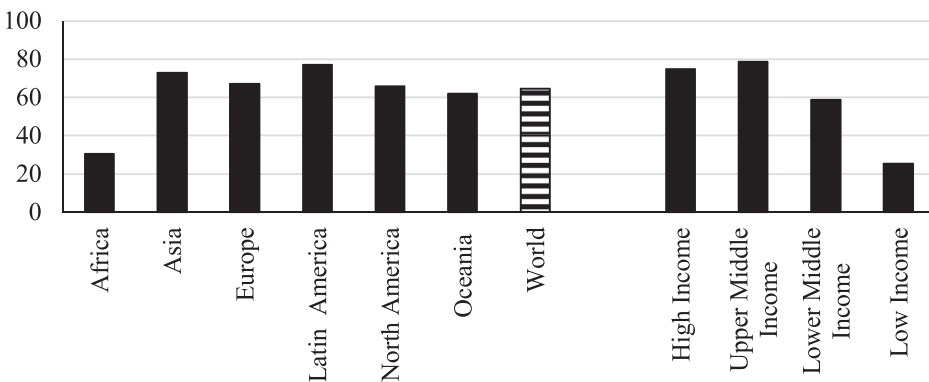


Figure 2. Proportion of People Fully Vaccinated. Source: <https://ourworldindata.org/covid-vaccinations>, as on 11 May 2023, based on the World Bank's income-group classification of countries.

dividends. If the spread continued unabated, the microbe would take the blame for the failure. However, the prolonged lockdowns led to a sharp contraction in output and employment everywhere. Of course, the object of saving lives was, in itself, unexceptionable. But it was not recognised that health of people and the health of an economy are interdependent, where both, taken together, shape the wellbeing of people. Thus, protecting livelihoods should have been an equally important objective. In fact, from a human development perspective, the relationship between lives and livelihoods is circular. If lives are saved and, in doing so, livelihoods are sacrificed, it threatens the lives of people who are deprived of incomes and hence unable to meet their basic human needs. It is the role of governments to reconcile these two objectives.⁴

The prolonged lockdowns, which shut down economies, led to a sharp contraction in output, as a consequence of which, in most countries across the world, GDP in 2022 barely returned to its 2019 levels, so that per capita incomes stagnated in industrialised countries and declined in developing countries. Small firms or family businesses were forced to close down. Workers lost their jobs. In developing countries, migrants from the rural hinterlands working in mega-cities lost their livelihoods while their households lost their incomes from remittances. All this placed a disproportionate burden on the poor in developing countries and the vulnerable in industrialised countries. Governments in both sets of countries attempted to provide relief packages but these were far from sufficient to support private consumption. It is no surprise that access to, and distribution of, public entitlements in healthcare and education was also unequal. Public healthcare systems were grossly inadequate in rich and poor countries alike, and it was the vulnerable or the poor who bore the brunt. Similarly, prolonged lockdowns led to closures of schools and universities everywhere. Access to online education – a poor substitute for the classroom – was unequal as vulnerable or poor households did not have the laptops or smartphones for their children. The digital divide accentuated this problem. In any case, learning outcomes were worse, particularly in schools, everywhere.

The pandemic also stifled international trade and investment flows. This led to a serious disruption in global production networks. Employment created by international firms through global-supply-chains for labour-intensive manufactured consumer goods in developing countries contracted sharply. Temporary migrant workers from developing countries in industrialised countries or oil-exporting countries lost their jobs while their countries and families lost their remittances. Thus, prolonged lockdowns had international consequences which also placed a disproportionate burden on the poorer or more vulnerable segments of the population in developing countries.

The international situation may have improved in early 2022. But was thwarted by the Russia-Ukraine war, which disrupted global-supply-chains in food and fuels. Russia and Ukraine together are an important source of

supply for wheat, maize, edible oils and fertilisers in the world market, while Russia is a major source of oil and natural gas. The sharp increases in world prices of food, fuels and fertilisers is hurting development prospects and the wellbeing of poor people in the developing world, particularly for several countries in North Africa, the Middle East and South Asia.

It is clear that Covid-19 has had a profound impact on human development everywhere. The economic recovery so far has been K-shaped. Definitive evidence is not yet available. Even so, it is likely that there has been an increase in absolute poverty, which would have eroded some of the significant reduction in poverty in the developing world over the past two decades. It is almost certain that economic inequalities – in income and wealth – have worsened.⁵ The pandemic has also adversely affected other dimensions of human development. Unequal access to education and deterioration in learning outcomes have inevitably hurt the poor and the vulnerable far more. Similarly, public health-care systems, stressed by the pandemic and their capacity-constraints, have provided reduced access for the poor and the vulnerable. In fact, there has been a deterioration in healthcare for most non-Covid-19 patients, except, perhaps, for the rich with the finances to manage their needs.

Since the turn of the century, growing inequalities in outcomes and opportunities, combined with uncertainties and vulnerabilities, has contributed to social resentment and political discontent. In the aftermath of global financial crisis in 2008, anti-market protests acquired a strong nationalist voice against free trade and open borders (see, for instance Berezin 2013, 2015). These discontents have been exploited by political parties and leaders with chauvinist sentiments, resulting in a popular backlash against the sustenance of liberal economic and political thinking across the world. In rich countries, nationalist-populist political parties, or far-right xenophobic populist leaders, have exploited fears about openness in immigration and trade as a threat to jobs, making racism explicit. In poor countries, such political leadership has exploited religious beliefs or ethnic divides to create an identity politics seeking to exclude the perceived “other”. These populist authoritarian regimes, often elected by people themselves, now straddle the world across countries and continents (Nayyar 2019a).

In fact, this backlash against globalisation has taken two forms, which are ideologically distinct but might appear similar despite very different underlying objectives. At one end, discontents among people sometimes lead to public protests against markets and globalisation, driven essentially by non-governmental and civil society actors, which could take the form of organised demonstrations, and disruptions. At the other end, there are populist authoritarian governments that invoke what they claim as national interest, or even sovereignty, to increase the power of the state, curbing rights, or freedoms of citizens, while eroding the role of state institutions such as the legislature, judiciary and electoral systems, or non-state institutions such as the media or civil society (Nayyar 2019b). The

former, by its very nature is sporadic and seldom sustained, whereas the latter is more durable and sustained, because it is institutionally embedded in the political economy of society through such governments (Malhotra 2018).

The message from the recent developments in different parts of the world is that people living at the margins of a market economy, vulnerable to volatility in economic activity that has accompanied globalisation, are not prepared to wait indefinitely for the trickle down to alleviate their hardship. This is clearly so in the developing world, where ongoing demographic changes have resulted in a relatively large pool of young people in the labour force. They are restless, without any ideological baggage, and simply demand the desired social outcomes. They want quick solutions for their predicament, to meet their legitimate aspirations as citizens. Thus, it is essential to question the virtues of markets and globalisation, to focus on the wellbeing of people and consider the human dimensions of development.

Capability Approach to Human Development

The deepening of fissures and fault lines in the way countries and societies have evolved in recent times calls for a rethinking of the approach to advancing human wellbeing. For many, economic growth has not transformed into a meaningful development, which improves the wellbeing of ordinary people. Hence, there is a public clamour for equality, opportunities, rights, entitlements and, above all, accountability of governments (Malhotra 2018). The past two decades have revealed the increasing interdependence of economies in the industrialised North and the developing South, which should have persuaded policymakers to adopt a coordinated if not common policy response, eschewing a beggar-thy-neighbour approach to mounting economic challenges. It is time to question conventional orthodox thinking, to recognise the significance of heterodox thinking, which seeks to conceptualise and improve human wellbeing, so that the challenges in its path can be addressed.

The conceptual limitations of the mainstream (neo-liberal) economics in addressing issues of human wellbeing have always been recognised yet glossed over in the desire for an uncluttered abstraction of reality, the contentment with its analytical framework, and the simplicity of its policy prescriptions that follow from its assumptions. This approach is also a soft option since it is difficult to model the real world, especially the role of human agency, which imbibes influences from the social, economic and political aspects of life. Human behaviour is far from uniform. Moreover, the notion of a “rational economic man” is an abstraction. In fact, human behaviour is mostly strategic. It is no surprise that actual outcomes are not what orthodoxy predicts.

Indeed, the experience of the recent decades reinforces the idea that a reliance on markets, associated with a retreat of the state, does not constitute an inclusive approach in the pursuit of development, particularly in a

globalising world. It is limited by its (largely) market mediated reach, the accompanying (undesirable) externalities that escape regulatory attention, increased volatility arising from exposure to international contagion risks from multiple channels of cross-border flows, all of which often place a disproportionately large burden on the poor. An excessive reliance on a free-market approach, with its dogmatic focus on efficiency, often associated with short-termism and privatisation of risk, invariably fails to recognise the importance of addressing structural impediments that prevent growth trickling down to benefit the marginalised and the vulnerable in an economy.⁶ While a human development approach seeks to address these concerns, the popular articulation and understanding of the approach provides only a limited perspective on the full range of economic and social policies that could be deployed to address the goals to sustain progress in advancing human wellbeing.

The human development approach as popularised in the UNDP's Human Development Reports and the resulting discourse traces its conceptual anchor to Amartya Sen's capability approach that evolved with the passage of time in his writings (Sen 1985a, 1985b, 1987, 1993, 1999).⁷ A person's capability can be viewed as a set of co-realizable requirements that determine the potential of a person to lead a decent life. Given an individual's capability, which reflects her potential, Sen defines functioning as what that individual chooses to do, be, or achieve. It is the functionings of an individual that can be observed which, by virtue of being preferred by that individual from among the available set, are valued at a personal or even societal level. A few of those functionings, rather the underlying capabilities that support them, could be selected to anchor a measurable notion of human wellbeing. It is the process of achieving that measure of wellbeing which could be prioritised by the government.⁸ Development can then be viewed as a process of ensuring a certain minimum capability among all and an improving level of functionings that people can, thereby, enjoy and sustain. Following this approach, UNDP defined human development as the process of enlarging people's choices as well as raising the level of wellbeing achieved (Fukuda-Parr and Shiva Kumar 2003; Haq 1995; Malhotra 2007, 2014; Robeyns 2017; Sudhir and Sen 1996; UNDP 1990).

The capability approach looks at human wellbeing in terms of wellbeing freedoms and wellbeing achievements. While wellbeing freedom refers to a human potential or the capability to exercise a choice that a person has reason to value, wellbeing achievements refer to actual attainments or functionings, doings and beings of a person that she chooses from the available (capability) set, given the opportunity to do so. This concept of wellbeing is not only intuitively captivating but also does justice to an empirical assessment of human wellbeing. Moreover, it can provide pathways for a meaningful policy guidance to the process of social change in any society.

In relating this conception to conduct of human life, and its use in policy guidance, two considerations must be made explicit and addressed. First, the

recognition that the notion of wellbeing is underpinned by a process of cumulative causation that results in consolidation of wellbeing over time, both for an individual and for a community or society. It is this consolidation that makes the notion of wellbeing somewhat durable in nature and meaningful, differentiating it from the notion of happiness, which is often episodic, although the latter may invariably accompany a person's sense of wellbeing. Second, it is necessary to make a distinction between capability as a "potential" and, capability as an "opportunity" for an individual. It is true that the term potential of an individual implies an opportunity for that person. However, unlike Sen, who uses these two terms interchangeably and, in fact, prefers to view capability as "freedom" in his later writings on the subject, it is instructive to make a departure. A person's capability represents her potential which invariably requires some opportunities in the form of resources, or non-resource based conducive circumstances (personal or social), to realise that potential which enables her valued functioning achievements. This distinction is necessary to take the capability approach to wellbeing from the realm of an intellectual pursuit to the practical, where, in operationalising the approach, the intention is to identify the pathway to a policy-led socially desirable advancement in a society. Although a focus on the build-up and consolidation of capabilities for an individual is vital, it is equally important that the individual has the required opportunities to actualise her capabilities or the build-up in her potential.

The capability approach expands the canvas of conventional theory, moving it from a focus on economic growth and per capita income to an engagement with a broader conception of development and an advancement in human wellbeing. The approach recognises development as involving numerous inter-related and interdependent processes – economic, social and political – and multiple actors, government and non-governmental, market and non-market based, woven into a complex ecosystem. It highlights the need for multi-pronged action by these different actors to rapidly overcome the constraints on a person's agency that keep her and the society in shackles. It is not that everything must fall into place just right for things to change. A development transition could happen with only some of the drivers and actors taking a lead. Depending on the context, and the initial social conditions, some or more of these factors may have to be engaged in the process of development transition, for the capability approach to deliver on its promise in a timely manner.

The most important contribution of the capability approach to development thinking, perhaps, is the recognition it accords to the role of human agency. Besides the state and the market, human agency is a vital catalyst in any process of development that leads to social progress in pursuit of human wellbeing. Indeed, this interpretation of the approach, places an equal emphasis on the role required of the state and the market in contributing to development in

economy and society, and the critical role that human agency must play in that process.

The state is often a prime mover in overcoming diverse societal restrictions and some basic economic constraints, while focusing on the provisioning of public goods and creating entitlements, as required, to facilitate a build-up in human capabilities. The market is meant to create all manners of opportunities to enable people to improve their functionings, beings and doings, which help consolidate their capability sets through improved entitlements. The human agency needs to take advantage of the conditions so created to advance their wellbeing freedoms and wellbeing achievements. Thus, the approach seeks to bridge the ideological divide in the space accorded to the state and the markets in guiding the process of social change towards desired ends and resolving any inherent policy trade-offs that appear in that context. Importantly, it provides a framework that is universally relevant for the developing and the industrialised world.

The conventional debate in development is often about the state and the market sometimes posing the two in an either-or mode. In fact, they are complements rather than substitutes. However, even such a recognition does not suffice if the concern is to pursue human development and sustain progress in human wellbeing. The introduction of human agency as a third pillar in this construct is essential. It strengthens and brings a sense of completeness and sustenance to the approach to policy guidance for advancing human wellbeing.

The Policy-Mix: From Orthodox to Heterodox

The economic and social policy framework following the capability approach to human development must facilitate the role that each of the three actors – states, markets and human agency – must play in advancing and sustaining human wellbeing. This may involve different policy interventions at multiple levels – macro (national), meso (sectoral) and micro (household) levels – while creating the capacity to implement such policies by the concerned actors at their respective levels. This entails examining the prevalent ecosystem to address various operative constraints at each of those levels, to promote freedoms for the different drivers of change, and to attain the desired social objectives. Importantly, it needs an effective though not necessarily a large state, the existence of freely functioning markets with regulatory guidance where consumer interests need to be protected or promoted, and an ecosystem that supports a flourishing human agency. Such an ecosystem should ideally have transparency in the conduct of public affairs, without any discrimination against individuals, communities and regions. Sanctity of the rule of law is an imperative, along with a vibrant civil society and an effective state. It need hardly be stressed that policy prescriptions must necessarily be customised to reflect the specific

requirements of a context. Yet, there are aspects of the content in, and implementation of, policies that have a universal relevance. Thus, it is important to discuss the nature of policies which could help operationalise the capability approach to human development.

Economic policy for human development must go beyond conventional economic analysis and policy prescriptions to question orthodoxy and recognise the importance of heterodox policies. This follows from the observed limitations that mainstream economics has in delivering and sustaining human development outcomes, in developing countries and industrialised countries alike. As noted above, a human development approach requires engagement at multiple levels, where different drivers of social change may have a unique role to play, needing specific policy attention. It requires policy support that transcends efficiency concerns, to address other socially valued objectives. Indeed, a heterodox approach to policymaking is not just about tailoring orthodox policy prescriptions to a specific context in time and space. It is about far more, as policies should be anchored in, and guided by, a consistent normative perspective. It is about the policy prescription being strictly evidence-based and context-appropriate.

In exploring normative guidance for implementing policy heterodoxy, the human rights framework provides a robust foundation for rethinking. With its standards, norms and principles, reflecting civilisational values cutting across cultures and societies, and codified in international legal instruments, human rights present a universally relevant normative basis to anchor policies for the pursuit of inclusive development and sustained progress. These are the very objectives that the capability approach to human development addresses explicitly. It also recognises the diversity of people, the reality of their context and a broad notion of human wellbeing, to be accounted for in the policy response (Malhotra 2018).

The notion of capability overlaps with human rights. Even so, there are some differences. As concepts, both relate to the idea of freedom. Human rights are rights to specific freedoms. And capabilities can be seen as freedoms of specific kinds. While most capabilities could be viewed as human rights, subject to a public consensus, not all human rights can be considered as capabilities. Besides the substantive aspect, human rights have a procedural aspect, related to the process of guaranteeing freedoms, which the notion of capability is unable to directly address. Importantly, there is a difference in terms of the significance attached to the idea of universality in human rights, in contrast with plurality of concept and practice in capabilities. These differences notwithstanding, the capability approach to human development, in its operationalisation, has much to gain from the human rights discourse.

The other important consideration in the policy framework for human development necessitates working with multiple objectives, goals, or targets, thus with multiple policy instruments. Both policy goals and policy instruments

may need to evolve, as the context of their application changes in response to public interventions and on account of other influences, local or national as well as global. Indeed, the economic and social transition of a society will make some goals and their instruments redundant, while others will become more relevant or desirable. The state may need to evolve from being a provider of public goods and merit goods, to being an enabler of required capacities among other stakeholders in society, while performing its role as a regulator (guardian of public interest) to provide an oversight and remedial action, when warranted. A discussion of the policy goals and their instruments at different levels of policy intervention is attempted in the following discussion.

Macroeconomic Policies: National

The relationship between macroeconomics and human development is complex. It has multiple dimensions and the causation between the two runs in both directions. Macroeconomics has important implications and consequences for human development, which could be positive or negative. In general, the consequences may be positive where macroeconomic policies pursue full employment as an objective, strengthen social protection and set aside resources for social consumption. This also requires counter-cyclical fiscal and monetary policies in the short-run that stabilise the level of economic activity, hence output and employment. At the same time, macroeconomic policies need to be conducive to economic growth in the medium-term and long-run. The consequences may be negative where macroeconomic policies focus on price stability (at the expense of full employment), dilute social protection and cut public expenditure on social sectors. The problem may be accentuated if this is juxtaposed with pro-cyclical fiscal and monetary policies in the short-run, which tend to dampen, if not stifle growth in the medium-term (Nayyar 2012).

Human development, in turn, has implications and consequences for macroeconomics, although is not among the core concerns of the literature on human development. The consequences could be positive or negative. Human development can mobilise or claim resources to enlarge or diminish space for macroeconomic policies. Human development, which imparts capabilities to people, can both mobilise and create resources. It constitutes resource mobilisation beyond financial resources, which are the usual concern of macroeconomics, in as much as it mobilises the most abundant yet underutilised resource, people, for development. However, in developing countries, it is possible that proactive policies foster human development and improve the capabilities of people with nutrition, healthcare and education. This, in itself, would improve human wellbeing, although it might claim scarce resources which could make macroeconomic management more difficult. Moreover, if there are no employment opportunities for job seekers, or growth is “job-less” it

will only lead to more unemployment, particularly of the educated, or self-employment that may not be above subsistence levels (Nayyar 2012).⁹

Flexibility in the conduct of macroeconomic policies is a critical element of a heterodox policy framework in supporting the capability approach to human development and social progress. Governments would have to strike a balance in implementing social policies and creating a social safety net, while simultaneously sustaining broad macroeconomic balances for the economy to create conditions for markets to flourish, expand (livelihood) opportunities for people, and contribute to the transformational agenda. Such flexibility in the design of the policy is unlike the near rigidity of the orthodox approach, essentially in terms of: (i) the policy objectives that it may have to address; (ii) the unconventional policy measures that may have to be undertaken for meeting even the conventional macroeconomic objectives, thereby reworking the scope of, and reliance on, the usual macroeconomic indicators (for example fiscal deficits, inflation, or interest rates) that an orthodox policy prescription would have dictated for sustaining macroeconomic balances and (iii) recognising that short-term consequences of macroeconomic stabilisation policies could have an adverse impact on medium-term to long-run growth prospects and development potential of the economy.

Macroeconomic policies, irrespective of their impact on macroeconomic aggregates (including income growth, employment, inflation, or balance of payments) have significant distributional consequences. In the orthodox tradition, the policy thrust is on maintaining macroeconomic stability to support economic growth which, in turn, requires internal balance and external balance in an economy.¹⁰ The Keynesian worldview defined internal balance as full employment and price stability, so that it is conducive to economic growth. However, the rise of monetarism in the 1970s, and “Washington Consensus” in 1980s, reduced the objective of internal balance to a focus on price stability, assuming that markets would ensure full employment. External balance requires an equilibrium in the country’s balance of payments, primarily on current account in a world without capital mobility. But, in a changed world, with capital account liberalisation and integration of economies into international financial markets, the space for autonomous national macroeconomic policies has been progressively eroded.¹¹ The redistributive objectives of reducing poverty and inequality are, in effect, left to the trickle-down effect. For developing countries, orthodox policies might not even suffice to meet the traditional macroeconomic objective of growth with stability, let alone mitigate concerns about equity in distributional outcomes. Hence, there is a clear need to go beyond the focus on growth and stability using conventional policies, to integrate broader goals and effective instruments, in the pursuit of macro-level socio-economic objectives (Malhotra 2018; Nayyar 2012).¹²

The macroeconomic framework for operationalising the capability approach to human development and social progress must explicitly focus on creating

adequate employment or livelihood opportunities. The creation of gainful livelihood opportunities provides the critical link between macroeconomic objectives with human development and the desired social transformation of a society. This would support participation of the excluded in markets, while improving their entitlements, capabilities and wellbeing. It would also strengthen the role of human agency in social change, while expanding the size of the market. Similarly, the pursuit of a sustainable environmental agenda will address livelihood vulnerabilities and overcome developmental uncertainties. The goals of livelihood opportunities and environmental sustainability have direct consequences for distributional objectives that the capability approach emphasises. Both these goals can be integrated with the objective of growth, for instance, by indicating the desired rates of income growth for different population groups or sectors in an economy (Chenery et al. 1974) and influencing allocation of the required resources. Furthermore, these objectives could be pursued by promoting structural transformation of an economy using a proactive industrialisation policy, directed credit policy or priority sector lending, production linked benefits and by influencing (through tax credits or interest rates) the choice of techniques in production processes, thereby giving a sensitive and meaningful content to macroeconomic policy. A conventional macroeconomic policy directed at the pursuit of economic growth and stability, especially in a developing country, must relate explicitly to its distributional and environmental consequences to deliver on human development concerns.

Economic growth does reduce poverty. However, its impact is minimised as inequality rises and maximised as inequality falls, because there is a triangular relationship between growth, inequality and poverty (Bourguignon 2015; Nayyar 2013a). It is most effective when that growth is accompanied by a decline in inequality (Malhotra 2018; Ravallion 2004). At the same time, environmental considerations, which are becoming increasingly critical in the contemporary world, may require tempering the growth focus in macroeconomic policy. Indeed, the East Asian “miracle” of growth with equity, in South Korea and Taiwan, demonstrated that appropriate policies (not necessarily redistributive in nature), can minimise trade-offs between economic growth and equitable distribution. This recognised the importance of initial conditions, where redistributive land reforms and improving social indicators had brought equity, to engineer a rapid economic transformation (Nayyar 2019a). Similarly, the Scandinavian experience suggests that environmental sustainability issues and human wellbeing concerns are perfectly compatible with economic progress.

The choice of policy instruments is linked to the goals that a policy seeks to address. New or additional policy goals inevitably require additional instruments. It must also be recognised that conventional policy instruments may become ineffective in abnormal times. This could be the case, for instance,

during recessions when the presence of a liquidity trap could expose the limitation of a conventional monetary policy. No amount of adjustment in money supply or policy rates can help economic recovery in such situations. Good intentions of a monetary authority could be brought to nought by a banking system that is struggling with non-performing assets, or because it cannot meet its current or future capital adequacy requirements, which stifles extending credit to push economic activity. Stiglitz (2018) highlights ineffectiveness of monetary policy, post-global financial crisis, and the policy focus required on availability of credit, the terms at which it is made available, and the purpose of its use (namely, greenfield investments or funding asset bubbles). Similarly, use of fiscal policy to boost private spending may not bear immediate fruit if, in the face of uncertainties, people prefer to wait and watch. Indeed, missing “animal spirits” could put to rest all efforts to pump prime the economy. In this situation, there may be a need to fall back on unconventional measures, both fiscal and monetary, such as quantitative easing, temporarily setting aside the targets on deficit financing or public debt, easing implementation of prudential norms, or ramping up social transfers. All these measures have been resorted to in recent past, reflecting a need for macroeconomic flexibility, especially to combat the Great Recession, and the pandemic-led economic slowdown since 2020.

Just as important, institutional weaknesses in developing countries could turn conventional economic policy measures into non-starters, reducing the choice of policy tools to pragmatic considerations alone. Countries differ in terms of institutional capacities. Developing countries might not be able to conduct an independent monetary policy or a stable fiscal policy, because financial markets are shallow, price adjustments are not smooth, supply constraints curb output expansion and economies are more vulnerable to exogenous shocks. This recognition is essential in thinking about policy-design and policy-implementation in the developing world (Malhotra 2018; Nayyar 2007, 2011).

In sum, a departure from the short-term and narrow preoccupation of macroeconomics in industrialised countries, whether objectives or policies, is only to be expected in developing countries. For the latter, macroeconomic policies must take a broader view of economic growth so that it anchors their quest for a development transformation. The macroeconomic constraints on growth operate across multiple time horizons. The consequences of short-term policies, for instance a lingering contractionary fiscal or monetary policy, may have a long-run impact on capacity augmentation, and therefore on growth prospects (Nayyar 1998). Thus, it is quite conceivable that short-term measures to stabilise an economy may create long-run headaches for the policymakers in supporting a transformational agenda in a developing country. Similarly, a rigid focus on long-run growth objectives may have consequences for inflation or balance of payments in the short-term. Importantly, the pace of adjustment

in response to a policy may vary across developing countries, necessitating a reworking of the policy time horizons. This makes the conventional distinction between short-term macroeconomic models and long-term growth models, in their application to developing countries, perhaps redundant, or even undesirable (Nayyar 2011). Essentially, a heterodox macroeconomic approach demands sensitivity to policy consequences across time horizons, while creating scope and flexibility in the use of instruments for supporting long-run growth of an economy in transition.

Meso Economic Policies: Sectors

It is not surprising that the operationalisation of the capability approach demands a wide-ranging set of sector-specific social policies in conformity with the specificities of a context. The reason is simple. The capability approach must recognise the constraints to, and engage with multiple drivers of, change in a society, to build capabilities and advance human wellbeing. The sectoral priorities for intervention should emerge from a process of public consultations in the political decision-making process, so that it reflects the needs and aspirations of people. Human rights standards, as noted, could play a role in anchoring the normative basis of these choices and priorities, to impart some coherence in the design and scope of the sector-specific policies. Thus, social policies could be directed at supporting several human capabilities at any point of time, and different capabilities over time. Further, not all sectoral policies that might emerge would need to be resource-intensive, requiring significant social mobilisation, or universality in scope. Importance of context notwithstanding, it is possible to identify some common threads, without enumerating the possible range of sectoral interventions to implement a capability approach to human development and social progress (Malhotra 2015, 2018).

Most importantly, a heterodox sectoral policy framework must explicitly focus on empowerment of stakeholders (individually and collectively) and accountability of public agencies, or civil society actors, responsible for the delivery of public goods or services, through specific institutional and regulatory arrangements. Apart from typical sectoral policy interventions, this may necessitate, for instance, creation of specific legal entitlements for some goods and services deemed necessary to build basic capabilities of people. It also involves leveraging legal systems to provide redress and accountability in the event of a failure or denial in supply of those goods. These steps would also facilitate the play of human agency to advance individual and collective wellbeing.¹³ The basic motivation behind these measures has been to remove all barriers – political, social, economic and bureaucratic – to the inclusion of the marginalised segments of a society into the mainstream. A rights-based modality, driving sectoral interventions of a transformational agenda, would improve current entitlements of the poor, while ensuring improved future exchange entitlements.¹⁴

Sectoral policies must address the vital concerns of equity (fairness in distribution of benefits from growth and access to opportunities); equality (in social outcomes and under the rule of law); and non-discrimination in peoples' access to delivery of public goods. Policy measures, when embedded in a legal framework, and if effectively enforced, could rapidly alter the existing power-relations of a society in the desired direction of promoting equity, equal opportunity and human rights. Indeed, the structural and institutional impediments implicit in an unequal, stratified or discriminatory social order, and the entrenched behavioural dispositions (for example, the caste system in India, or discrimination on grounds of colour, sex, race or religion, elsewhere) that are at the root of persistent inequalities, or deprivation, in many societies, could be dealt more effectively if there is an explicit provision in the law which can be enforced. This is of particular significance in countries, even democracies, where, it may not always be possible to overcome the constraints imposed by their social order, or the process of change may be slow, since a "hands-off" approach is the softer option.¹⁵ A well-defined legal and institutional context for implementation of sectoral policies, could address structural impediments to social transformation, ensuring a sustained improvement in human wellbeing (Malhotra 2018).

Last but not least, sectoral policies may benefit from such considerations as stakeholder participation and consultation in the formulation and implementation of a policy, transparency of the processes undertaken and establishing a redressal mechanism to address the risks associated with the poor implementation of policies. This would create an ethical and just basis for prioritising and implementing public intervention, such that it is conducive to the play of human agency.

Micro Economic Policies: Households

It is difficult to formulate social policies that are meant to favour, or harm, individual interests. Thus, in general, social policies are made with the average of a society in mind. The last person in the queue is expected to gain from "the average", meant to benefit from the policy initiative, and good social policies are those where this gain accrues more to the bottom half of the population. The average person is the object of social policies because it is easier to track benefits on average rather than to track benefits accruing to every single person. Consequently, governments find it convenient to pitch social policy interventions at a community level (a village school, or a primary health centre), or at the level of an administrative unit (district or provincial headquarters). The obvious concern, then, is that inequalities in entitlements or capabilities of individuals could mean that gains from policies implemented are cornered by the few better-off people or regions. The average then is deceptive. Inadequate resource-allocation and inefficient resource-utilisation further

diminish the impact of social policies. Thus, it is plausible to suggest that social policy interventions could end up supporting sub-optimal outcomes, in both poor and rich countries.

The obvious correctives are targeted policy interventions, such as those directed at the homeless, the ethnic minorities, households below the poverty line, households without access to civic amenities, or the poorer districts or regions, using some predefined criteria for each. This is probably more relevant for developing countries rather than industrialised countries, although such unequal outcomes are not uncommon in the latter. Moreover, targeting might be necessary but cannot be sufficient because there are inequalities within targeted groups whether people or regions. There are gender divides, digital divides, ethnic divides, religious divides, geographical divides and so on. The presence of discrimination and deprivation in multiple dimensions of human wellbeing, and at multiple levels, is a reality, especially in the developing countries. This is also manifest in the form of intra-household inequalities, such as discriminatory treatment for a girl child, a differently abled person, or a dependent senior citizen. To be effective, social policies must recognise these inequalities and divides.

It is possible to think of two specific measures to address these concerns: deliver an effective social security floor to protect human dignity at the household level in the present and ensure access to education to improve a person's entitlements in the future. Affirmative action policies that guarantee access to education and jobs in the public sector have been variously adopted both in developing and industrialised countries to address at least one dimension of this concern. For inequality and discrimination within the household, there are instances of specific monetary incentives being offered by governments, for example, to support the schooling of the girl child in India, or children of the marginalised population segments in Brazil. There is also a widespread use of supplementary nutrition programmes for school going children, in many poor countries, which are directed at addressing these entrenched intra-household inequalities. Of course, to be effective, these have to be accompanied by social mobilisation and social auditing. Such issues are not necessarily confined to a developing country-context. Indeed, industrialised countries have their own variants of these concerns which need to be addressed in their context.

A capability approach to human development and social progress draws attention to the necessity of addressing concerns at the household level and even within households. Indeed, the recognition of human diversity is a vital foundational element in the capability approach to human wellbeing, and the guidance it offers to the process of social change, with a heterodox policy toolkit. The household-level implications in implementing a capability approach must not be lost sight of, even if it is administratively expedient to pitch public interventions at the level of a community or at the level of an administrative unit.

Sustainable Development Goals and Human Development

The concern for advancing human wellbeing in the desired direction, and attempts to influence the nature of outcomes from development processes, mainly in developing countries, was reflected in the agenda adopted by the United Nations (UN) at the turn of the millennium. The Millennium Summit in the year 2000 ushered in a path-breaking Declaration that articulated, through a set of commitments, a shared future vision for the global community. The vision acquired a narrower focus when it came to be associated with the eight Millennium Development Goals (MDGs), made public in 2001. A fifteen-year timeline (2000-2015) was laid out for achieving the identified MDGs, with targets being defined with respect to performance benchmark of 1990. The goals identified were eradication of extreme poverty and hunger, achievement of universal primary education, promotion of gender equality and empowerment of women, reduction in child mortality, improvement in maternal health, combating HIV/AIDS, malaria and other diseases, ensuring environmental sustainability and developing a global partnership for development. These goals were anchored in agreements made over the years by the world leaders and were more amenable to be quantified in terms of targets and indicators for monitoring progress over time. A cornerstone of this vision was the “umbrella” Goal 8 on developing a “global partnership for development”. Progress in its implementation was seen as an important means to meet all other development goals and associated targets. Much of what was needed to be done was in the national context. Yet, international cooperation was envisaged as an important element of the process. The 8 MDGs were elaborated as 18 targets and 48 indicators, which were further expanded to 21 targets and 60 indicators in 2005.

Globally progress was recorded in some of the key targets associated with the first seven MDGs. At the global-level, there was sufficient progress to meet the targets for income poverty, gender-parity in primary education and water, well before 2015, while three of the targets (nutrition, primary completion and child mortality) were nearly met, but progress in one target (maternal mortality) lagged significantly. At country-level, the progress was mixed: nearly half of the countries met the MDG targets of income poverty, education, gender and water, while one-fourth to one-third of countries meet the targets for nutrition, child mortality and maternal mortality.

The progress in the implementation of MDGs, even when it fell short of the declared targets was a step in the direction of giving a broad-based content to development, with a view to improve a set of outcomes for people, thereby improve their wellbeing. The results showed that, for most indicators, in most countries, progress may not have been discernibly better than expected before the launch of the campaign. Yet, the MDGs targets for 2015 were seen as getting the development momentum going, to drive the world closer to

the objective of ending hunger and poverty. However, MDGs were targeted to address issues in developing countries designed, perhaps, from the perspective of donor countries and their development agenda. They specified an outcome but did not set out the process that would make it possible to realise the objectives. Moreover, MDGs were produced by a small group of technical experts without stakeholder participation, were narrow in scope, and devoid of strategic clarity for implementation.¹⁶

Some of these limitations of MDGs were addressed when the SDGs were adopted in the UN Sustainable Development Summit in September 2015. They were designed to finish the task that MDGs set out to do, namely, to eradicate hunger, poverty, preventable child deaths and some other obvious targets. Unlike the MDGs, the SDGs have a wider focus on poverty, recognising economy, society and the environment as embedded systems to be sustainably addressed to attain a secure future for all. Addressing environmental concerns became an integral part of the sustainable development process. SDGs are universal in scope, applicable to all countries. SDGs are 17 in number and incorporate 169 targets and 232 indicators that were arrived at through a well-structured consultation process, involving governments, civil society, experts and local stakeholders. SDGs focus holistically on development, emphasising social inclusion, economic growth, better health and sustainable environment. SDGs also strengthen equity, human-rights and peace-building. SDGs have created a monitoring framework to track progress. This involves a significant increase in the availability of high-quality, timely and reliable data disaggregated by income, age, gender, race, ethnicity, migratory status, disability, geographic location and other context-appropriate characteristics.

A major challenge for the SDGs is the projected financing need of around USD 17 trillion, reigniting the debate on developed-versus-developing-country obligations to implement a global agenda. Based on the MDGs experience, the chances of achieving the SDGs would be significantly enhanced if sustained economic growth is inclusive and pro-poor, and effective institutions foster peace and stability, while good policies promote inclusion, reduce inequality, boost sustainability and build resilience.

The availability of resources and the quality of public expenditures are critical for timely attainment of SDGs. Public expenditure is most effective when targeted to address the bottlenecks linked to the goals and when related projects are efficiently executed. Harnessing inherent synergies in strategies across goals is vital. Thus, well-designed social protection programmes can help households achieve goals in health, education and nutrition. Likewise, education of girls, fostering human-rights and preserving peace, are essential to improve maternal and child health outcomes. National ownership and effective government participation would help in the implementation of SDGs. This would also benefit from civil society engagement and mobilisation of public at the local-level. Notably, flexibility in conducting macroeconomic policy and a focus on

employment generation will speed up the process. The COVID-19 pandemic-led slowdown in economic growth, and the restriction in policy-space for developing countries, must be addressed expeditiously, in view of the 2030 timeline for meeting the SDGs.

Notwithstanding these challenges associated with the implementation of SDGs, there is no denying the fact that they embody a broad-based human development agenda, addressing different aspects of life that contribute to human wellbeing. Importantly, by headlining that agenda in terms of quantifiable goals, building awareness with availability of information in the public domain, and periodic tracking of progress, the global SDGs initiative has placed the human development agenda at the very core of national policy responses. It has also provided a peg for continuity of policies at country-level, irrespective of the political leadership at the helm of affairs. While achieving SDGs targets will go a long way in improving human wellbeing and establishing a framework to pursue human development, it must be recognised that the concept of human development goes much beyond these goals and their targets. It is about a process that must deliver human wellbeing *ad infinitum*. It is about a process that encourages and empowers human agency for advancing human wellbeing. Human development must not be seen merely as meeting a few discrete goals and the associated targets. It must be engrained in the collective consciousness of every society, and institutionalised as a process adapted for the country-context, in pursuit of its essential objectives.

Conclusion

The 1990s witnessed the beginning of a visible shift in development thinking from an emphasis on expansion in the production of goods and services, and the consequent growth in income per capita, to a focus on enhancement of human wellbeing. This was a response to the worsening economic inequalities, spanning outcomes in the distribution of income and wealth, as well as unequal socio-economic opportunities for people in their access to civic amenities, public socio-economic services and livelihoods, across the world. The notion of human wellbeing was broadly conceived to include consumption of goods and services, and access, especially for the deprived and the marginalised in a society, to the necessities for a productive and socially meaningful life. The intention was to focus on realising outcomes people value and enjoy, which determine their wellbeing, rather than on resources or the pace at which these resources become available, although the latter is almost as important for human wellbeing.

This essay discusses the rationale for building a policy focus on human development. In doing so, it argues that there are good reasons for anchoring policy responses in a broader conception of human development derived from an interpretation of Sen's capability approach to develop the idea further. It

analyses the economic and social policy content for advancing human wellbeing not only in the developing world but also in rich countries. The analysis is in that sense general and not country-context specific. The development outcomes and the struggle to sustain progress in human wellbeing across countries in recent decades, make it clear that the nature of human development problems in poor countries and rich countries are similar and may well require similar policy responses. Of course, the specificity of the context and level of institutional development would, inevitably, necessitate different implementation modalities and priorities across countries. Clearly, SDGs present a broad-based, universally relevant human development agenda, which needs to be pursued at the national-level, so that advancing human wellbeing of people is an anchor in the policy design and strategic response of countries.

Notes

1. On average, an individual from the top 10% of the global income distribution earns PPP USD 122,100 per year, whereas an individual from the poorest half of the global income distribution earns PPP USD 3,920 per year (World Inequality Report 2022).
2. The gap between the average incomes of the richest 10% of countries and the average incomes of the poorest 50 percent of countries dropped from around 50x to a little less than 40x. At the same time, inequalities increased significantly within countries. The gap between the average incomes of the top 10% and the bottom 50% of individuals within countries has almost doubled, from 8.5x to 15x.
3. On average, the poorest half of the population owns PPP USD 4,100 and the top 10% USD 771,300.
4. For a discussion on the coronavirus pandemic, and the response of governments, in global perspective, see Nayyar and Thakur (2021). See also, Nayyar (2020).
5. A recent Oxfam report indicates that the richest 1% of the world accounted for nearly two-thirds of all new wealth worth US \$42 trillion created since 2020. This is almost double the wealth of the bottom 99% of the world's population. Just as striking, during the past decade, the richest 1% captured around half of all new wealth (Oxfam 2023).
6. Of course, markets with their thrust on efficiency and innovation may well be important a means to sustain progress once people have attained essential human wellbeing standards, assuming that there are well-functioning markets which are also regulated wherever necessary.
7. Martha Nussbaum (1988, 1992, 1997, 2011) has also contributed to the development of the capability approach, although with some difference in emphasis of certain concepts and the objectives addressed.
8. The criteria to select a few capabilities to anchor a wellbeing measure and set in motion a process to achieve those capabilities and the functionings that they potentially support is largely a political and a deliberative process for each society. However, certain normative considerations such as those emanating from human rights standards that reflect universal and civilisational values could inform the choices to be made both in respect of the constituent elements of the wellbeing measure and the policies to be pursued for advancing human wellbeing (Malhotra 2015, 2018).

9. This characterisation of the relationship between macroeconomic policies and human development may differ significantly between developing countries and industrialised countries. For a detailed discussion, see Nayyar (2012).
10. For a detailed discussion on this set of issues, see Nayyar (2012).
11. Indeed, integration of economies into the world financial system has led to significant changes in the nature of, and space for, macro policies, not only in industrialised countries but also in the developing world. It has reduced degrees of freedom in the use of macroeconomic policies, constraining countries in using an autonomous management of demand to maintain levels of output and employment. Expansionary fiscal and monetary policies – large government deficits to stimulate aggregate demand or low interest rates to encourage domestic investment – can no longer be used because of an overwhelming fear that such measures could lead to speculative capital flight and a run on the national currency. In fact, the oversensitivity of international financial markets to inflation means that macroeconomic policies, everywhere, have been reduced to target inflation instead of employment levels or output stability (Nayyar 2011, 2012).
12. To address income and wealth inequality, Atkinson (2015), recommends rethinking policy in five areas: technology, employment, social security, the sharing of capital and taxation, which in light of recent global experience could contribute to human development and may therefore need to be anchored in a macroeconomic policy framework.
13. India, among others, has established limited legal guarantees for work, education, information with public authorities, food, housing, certain social transfers (pensions) and health in the first decade of this millennium. Some of these have been expanded and refined in the last few years. India has also created a digital identity instrument *Aadhaar* for all citizens to bridge a critical gap in the effective delivery of vital public services and curbing leakages from public programmes.
14. It is sometimes argued that policies based on creation of legal entitlements are resource intensive, which besides expanding bureaucracy, could undermine fiscal balance and overall macroeconomic environment. This need not be the case if legal entitlements are selectively established, economic incentives for production and improvement in factor productivity are not undermined and government's financial liabilities expand only with its ability to raise resources. Also, policies that involve resource neutral legal entitlements may help expedite social change.
15. For example, this is true of India, with its inherent reliance on vote-bank politics and limitations of the first-past-the-post criterion in multi-cornered electoral contests.
16. For an extensive discussion on, and critical evaluation of, the MDGs, see Nayyar (2013b).

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