No Small Hope: Towards the Universal Provision of Basic Goods

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Chapter 1: What Matters

Global policy formation is an unavoidably normative enterprise. It requires a concept of what matters, and there are many competing alternatives: stopping the spread of weapons of mass destruction, supporting the free international movement of goods, services, foreign direct investment and financial capital, promoting growth, advocating the expansion of human capabilities, combating global warming, supporting the spread of democracy, nation building, promoting global health. The list is long, and who is to say which is best?

In this book, I argue for an alternative approach, namely a focus on attempting to put a minimal set of basic goods and services into the hands of everyone. In short, this is a call for the universal provision of basic goods and services. These basic goods and services are: nutritious food, clean water, sanitation, health services, education services, housing, electricity, and human security services. I argue that this focus is appropriate both for practical and for ethical reasons, but that success in this provision won’t be easy and is therefore no small hope.

Within the narrow realm of economics, the conception of what matters has changed slowly but steadily over time. Employing a rather broad brush, we can trace a movement from mercantilism and its value placed on precious metals to Adam Smith and his emphasis on the consumption of goods and services. Later there was a second movement from Smith and consumption to an emphasis on growth. This, in turn, was followed by a move from growth to human capabilities and human development. Thankfully, the emphasis on precious metals is all but gone. Currently, there is a creative and sometimes acrimonious tension between advocates of growth and advocates of human capabilities and human development. The basic goods approach developed in this book is meant to make this tension less acrimonious and more productive.

The basic goods approach developed in this book returns to Smith’s focus on the consumption of goods and services. In a claim to what matters, however, it narrows Smith’s focus from all goods and services to a particular subset of basic goods and services that meet central and objective human needs. In doing so, it tries to build a bridge between the growth view and the capabilities/human development view. It argues that what really matters about growth is the possibility that growth will lead to an increase in the broad-based provision of basic goods and services, an outcome that is not always guaranteed. It also argues that the hoped-for expansion of human capabilities and development is predicated on this expanded provision of basic goods. Without basic goods and services, the capabilities and human development paradigm remains merely aspirational. Basic goods and services are therefore a critical link between growth and human development.

The emphasis on basic goods and services provision does have some precedents in economic thinking. While the book begins with Smith’s emphasis on consumption, it also draws on an insight from the Cambridge University economist Alfred Marshall. As part of his emphasis on the consumption of goods and services, Smith had a notion of “necessaries.” But Marshall went a step further and made a distinction between “necessaries” or “things required to meet wants which must be satisfied” and “comforts or luxuries” or “things that meet wants of a less
urgent character.”¹ In this way, Marshall recognized a distinction between *needs* and *wants*, a distinction that the basic goods approach uses to emphasize particular types of goods and services as more important than others. Marshall’s follower, Arthur Pigou, continued in this vein and identified a minimum standard of needs satisfaction that we draw upon in this book.²

Basic goods consist of both goods and services that address *needs* rather than merely wants. Since Marshall, modern economics evolved largely without the needs concept, replacing it with *preferences*.³ Nevertheless, as discussed in the appendix to this book, basic needs have made reappearances here and there over the ensuing decades. In the late 1970s and early 1980s, development policy (if not economics itself) was briefly focused on the *basic needs approach*.⁴ This approach emphasized six types of needs in the form of food and nutrition, basic educational services, basic health services, sanitation, water supply and housing. The basic needs approach was not as well worked out as it could have been. It was sometimes stated as an expansive, subjective concept and sometimes as a relatively narrow objective concept, and it was never closely related to the economics of consumer behavior. Nevertheless, the types of provision it emphasized have proven to be of continued importance, and along with Smith and Marshall, it is another touchstone of the basic goods approach.

If one looks closely, basic needs are explicitly recognized here and there in economics. In one source, for example, basic needs have been characterized in a number of useful ways.⁵ Basic needs are *universal* in the sense that they are common to all consumers. They are *hierarchical* because they take precedence over non-basic goods consumption. Even more importantly, they are *irreducible* in that there is a minimum threshold of basic goods consumption below which life becomes precarious. This irreducible quality is what makes basic needs an ethical issue. Basic needs are also *measurable*. In particular, basic needs consumption tends to be more *stable* than consumption of non-basic goods. Basic needs consumption is also *satiable* as evidenced in the fact that, once they are satisfied, expenditures on them tend to approach a measurable maximum.

The basic goods approach recognizes that such economic properties set needs apart from wants as suggested by Marshall and allow us to identify basic goods among the much larger set of goods and services that make up household consumption. This is not to say that there is no cultural element to the way that needs are fulfilled, but simply that we can use evidence from household expenditure patterns to identify what groups of goods and services address basic needs. The cultural element suggests that we proceed with some humility in addressing basic goods provision but does not obviate the importance of the provision itself.

More generally, the fact that basic needs and basic goods are not theoretically necessary in modern economic theory does not imply that they are empirically and ethically unimportant. Indeed, they prove to be particularly important in development ethics and as a catalyst between growth and human development. They are an important part of *what matters*, and this book will explain why.

*Growth*

Beginning after the Second World War, and with the birth of the World Bank and International Monetary Fund, economists and development policy analysts began to emphasize *growth* as the key to development. Indeed development was largely conceptualized as *growth itself*. The World
Bank and International Monetary Fund developed just after the founding of modern macroeconomics and the identification and measurement of basic macroeconomic variables. Consequently, these institutions internalized the emerging macroeconomic concepts. Perhaps the most fundamental of all macroeconomic variables is *gross domestic product* (GDP), the value of domestic output. At the same time, theorizing about the growth of domestic output resulted in the Solow growth model, a central component of modern economics.⁶ All of these factors pushed GDP and GDP per capita to the forefront of *what matters*.⁷

To put the growth emphasis in historical context, it is important to remember what came before it. To go back some centuries, a very influential claim was made by a body of thought and practice known as mercantilism. The central concern in mercantilism was the military strength of kingdoms. The power of the crown was to be supported by the accumulation of precious metals (gold and silver) in royal treasuries in order to pay armies. There were two means to gain access to these precious metals: mining and trade surpluses. Gold and silver could be taken directly out of the ground, such as by the Spanish empire in the 16th century in Latin America. They could also be accumulated by maintaining trade surpluses through which a net inflow of gold or silver would result. As a consequence of mercantilist thinking, there ensued centuries of exploitative extraction and trade in the name of various crowns and the consequent underdevelopment of their colonies.⁸

Notable for our purposes here is the fact that, under the mercantilist regime, consumption was completely subordinated to royal interests. As previously mentioned, mercantilist thought was overturned by Adam Smith who emphasized the role of consumption of goods and services by *all households*. This was a radical departure from the past that still (fortunately) affects us today.⁹ Indeed, the shift from the precious-metals-in-support-of-war perspective to the broad-based-consumption perspective made possible an unprecedented focus on an early notion of human betterment.¹⁰

How does growth fit into this brief intellectual history? The fact that GDP per capita is what funds consumption is the link between modern notions of growth and the revolution in thought brought about by Adam Smith. For example, this link was emphasized by contemporary economist William Easterly, who commented that “We experts don’t care about rising gross domestic product for its own sake. We care because it better the lot of the poor and reduces the proportion of people who are poor. We care because richer people can eat more and buy more medicines for their babies.”¹¹ This quote, however, reveals that it is not growth *per se* that matters in and of itself but rather *what can be done with it*, namely the increase in consumption of basic goods such as food and medicine. But growth can fund other things as well. Along with food and medicine, there are champagne and weaponry. What this book emphasizes is that the way that growth translates into different types of consumption (basic vs. non-basic) is worth more attention than it normally receives.

*Capabilities and Human Development*

A challenge to the growth paradigm emerged in the form of what became known as the *capabilities approach* to development and its subsequent absorption into the *human development* paradigm. The origin of this new thinking was the work of Nobel Laureate Amartya Sen.¹² Sen noted that, in some cases, life expectancies can be quite unrelated to levels of GDP per capita and to growth itself. He emphasized that the growth paradigm views human beings as means to
the growth ends, whereas they should be viewed as ends in and of themselves. His version of human beings as ends conceptualized well-being in terms of capabilities in the realm of “doings and beings” or, in somewhat awkward terminology, functionings.\textsuperscript{13} In stark contrast to Smith, however, Sen conceptually distanced well-being from consumption of goods and services.

Sen’s original thinking was further and somewhat differently developed by the political philosopher Martha Nussbaum.\textsuperscript{14} It was also codified by Pakistani economist Mahbub ul Haq as part of the United Nations Development Program’s (UNDP) Human Development Index (HDI). The relationship between growth and human development from the UNDP’s perspective was captured in the 1995 \textit{Human Development Report} that stated: “Economic growth is essential for human development. But to fully exploit the opportunities for improved well-being that growth offers, it must be properly managed, for there is no automatic link between economic growth and human progress.”\textsuperscript{15} This is the very link this book attempts to highlight.

The capabilities approach has done much to expand our conception of development beyond GDP per capita to include health, education and certain aspects of empowerment.\textsuperscript{16} In this, it has done a great service. However, the approach is quite adamant in its separation of well-being from Smith’s emphasis on the consumption of goods and services. Indeed, Sen, Nussbaum and others have repeatedly associated an emphasis on the consumption of goods and services with Karl Marx’s notion of “commodity fetishism.” Consequently, basic goods and services provision have been downplayed in the capabilities approach. Given that even fundamental human capabilities (e.g., to avoid premature mortality) are contingent on such basic goods, the reluctance to emphasize their provision is perplexing.

\textbf{Basic Goods}

As we have seen, Adam Smith drew attention away from the mercantilist obsession with precious metals to the consumption of actual goods and services, and Alfred Marshall allowed for the categorization of these goods and services as either basic (meeting needs) or non-basic (addressing wants). The growth perspective reveals that growth can provide the resources with which to achieve basic and non-basic consumption. The capabilities approach gives a sense of what we are ultimately trying to achieve when we consider humans as ends rather than means, but downplays the role of basic goods consumption in this process.

This book puts basic goods and services at the center of what matters and does so for a number of reasons. First, as previously stated, basic goods are a key link between growth and human capabilities and human development. What really matters about growth is the possibility that it will lead to an increase in the broad-based provision of basic goods and services, and any expansion of human capabilities and development is predicated on this provision. Second, basic goods are services are currently underprovided on vast scales. Consider the following examples:

- **Food**: Approximately 800 million people suffer from chronic hunger in the sense that they are not well nourished enough for an active life.\textsuperscript{17}

- **Water**: More than 700 million people do not have access to an improved drinking-water source.\textsuperscript{18}
• **Sanitation**: Approximately 2.4 billion individuals do not have access to clean and safe toilets, and nearly 1 billion individuals practice open defecation.\(^{19}\)

• **Health services**: Approximately 6 million infants and children die each year, largely due to preventable causes.\(^{20}\)

• **Education services**: Approximately 250 million of the 650 primary school-age children (nearly 40 percent) have not mastered basic literacy and numeracy, and there are more than 750 million illiterate adults.\(^{21}\)

• **Housing**: A much-quoted but *unverifiable* statistic is that at least 1 billion people lack access to adequate housing, with approximately 100 million of these being homeless.\(^{22}\)

• **Electricity**: Approximately 1.1 billion people live without access to electricity.\(^{23}\)

• **Human security services**: Half a million people die each year as a result of armed violence.\(^{24}\)

Third, a few interconnected trends will make basic goods provision more challenging than some optimists suggest. These include increased global population from the current 7 billion to perhaps 11 billion over the century, climate change (global warming), increased conflict in certain parts of the world, and an increased number of refugees.\(^{25}\) For these reasons, we need to be prepared for optimistic scenarios to prove to be overly optimistic. Finally, some basic goods and services are important for *growth itself*. While early notions of growth emphasized only the accumulation of physical capital, more recent investigations have revealed the importance of human capital (the end result of basic goods provision). Thus, *growth and basic goods provision are mutually reinforcing.*

**Ethics and Rights**

The provision of basic goods can be usefully conceived to be part of evolving systems of *development ethics*. The field of development ethics attempts to provide appropriate structures for normative issues that arise in development studies and development policy.\(^{26}\) Development ethics provides arguments in favor of a number of approaches to outcomes assessment, allowing analysts to determine whether a development situation has improved or worsened. Most of development ethics, however, is identified with the capabilities approach. As it has evolved, particularly in the extraordinary hands of Martha Nussbaum, the capabilities approach to development ethics has expanded into a generalized, normative theory of human (and even nonhuman) politics. Nussbaum and her followers are calling for the constitutional and judicial enshrinement of her version of the capabilities approach in all the countries of the world in order to ensure the protection of human (and animal) dignity and to pursue a conception of justice. This is an expansive and ambitious project and one that is largely rejected in this book.

The basic goods approach is an alternative conception of development ethics that is more narrowly defined. It falls within what can be called the “minimalist” approach to ethical issues.\(^{27}\) It is an attempt to establish a *moral minimum* within the realm of the consumption of goods and services. As such, it is indeed an exercise in “commodity fetishism.” Nevertheless, for a number
of reasons, it is a useful focus. First, it draws attention to the necessary material preconditions for capabilities expansion and human development. To use the terminology of political philosopher Henry Shue, it focuses on foundations rather than spires. Second, the basic goods approach focuses on determinants rather than outcomes. As has been emphasized in a number of contexts, policy deliberations need to connect directly to determinants rather than outcomes to be effective rather than simply aspirational. Third, the approach provides a set of policy-actionable priorities, indeed imperatives, upon which any more elaborate conception of human flourishing would depend.

With regard to rights, the basic goods approach is more closely aligned than the capabilities approach with how human rights have developed within the United Nations system. The United Nations Declaration of Human Rights, the International Covenant on Economic, Social and Cultural Rights, the Alma-Ata Declaration on Primary Health Care, and United Nations General Assembly resolutions have outlined basic human rights largely in terms of most of the basic goods and services considered in this book. Therefore, the approach proposed here is closely conformable with evolving notions of human rights even if there are some disagreements (e.g., the right to health services vs. the right to health itself). This conformity is an advantage of the basic goods approach.

Technology

To the extent that the universal provision of basic goods is a challenge, some analysts claim a powerful solution: technology. Some of these technology optimists suggest that the 21st century will actually be an era of plentitude rather than continued scarcity. While technology will be an important component of this book, the conclusions drawn will be much less optimistic. One reason for this lack of optimism is the observation that, for a variety of reasons, technologies do not always diffuse as fast as advertised. The book will view technology as a potentially-restricted flow rather than as a freely-available stock. The technology flow restriction, for example, helps to explain why 2.4 billion individuals do not have access to clean and safe toilets despite the fact that this technology originated in the late 18th century. Other reasons for the less optimistic approach include population growth, climate change, refugee flows and conflict. Technology is critical for basic goods provision, but its potential contribution needs to be realistically assessed on a case-by-case basis.

No Small Hope

This book will address challenges to the provision of each of the basic goods and services identified. In each case, the challenges will be a mix of demand-side and supply-side factors. As just noted, technology will be active on the supply side but will not be a panacea. In some cases, imperfect information will be a barrier on the demand side. Provision can take place through private means, in particular through “bottom of the pyramid” and “frugal innovation” activities. In many instances, though, government activities will also be important. In some notable cases (food and water), environmental conditions will be paramount. In other cases (human security services), conflict will be a key factor. In no case will a magic bullet appear. Rather, progress with be a long trudge from one “small win” to another.

The agenda of providing adequate nutrition, clean water, sanitation, health services, education services, housing, electricity and security services to the large number of individuals
who will otherwise be without them is both immensely important and daunting. It might not be the only thing that matters on the global policy agenda, but it matters greatly. It is the no small hope that this book tries to draw attention to. Attention itself is important given humankind’s tendency to ignore real problems and focus instead on other tempting issues (sports, celebrities and socio-religious hatreds to name a few). Maintaining sustained attention is half the battle, and hopefully this book will help in this effort.

Bibliography


**Endnotes**

1 Marshall (1949).

2 Pigou (1932).

3 In a review of the subject, Georgescu-Roegen (1954) noted that “Preferences… are all we need for a rational theory of demand” (p. 509). See, however, Seeley (1992) for an example where needs have been explicitly recognized in a theory of consumer demand.


5 Baxter and Moosa (1996). See also further consideration in the Appendix.

6 See Solow (1956).
On the evolution of the GDP concept, see Coyle (2014).

Spiegel (1983) depicted mercantilism as “economic warfare for national gain.” On the role of trade in mercantilist thought, Mun (1924, orig. 1664) famously stated: “The ordinary means… to encrease our wealth and treasure is by Foreign Trade, wherein we must ever observe this rule; to sell more to strangers than we consume of theirs in value” (p. 171). David Hume (1752) also demonstrated in his famous price-specie flow mechanism that the increase in stocks of precious metals would contribute to an increase in the price level or a reduction in the export competitiveness of the country pursuing mercantilist policies.

It was Heilbroner (1953) who recognized this most directly. Heilbroner wrote: “He is concerned with promoting the wealth of the entire nation. And wealth, to Adam Smith, consists of the goods which all the people of society consume; note all—this is a democratic, and hence radical, philosophy of wealth…. We are in the modern world where the flow of goods and services consumed by everyone constitutes the ultimate aim and end of economic life” (p. 45).

There was also an additional shift of thought to be found in the Wealth of Nations, subtle and incomplete but nevertheless important. Whereas mercantilist philosophy cast human being as mere means to an end (royal power), Smith’s approach moved humans towards being ends in themselves. Smith’s conception of human beings as ends in and of themselves, in addition to his democratic vision of consumption, made him a truly radical thinker.

Easterly (2001), p. 3. Similarly, Rodrik (2007) stated that “Economic growth is the most powerful instrument for reducing poverty…. (N)othing has worked better than economic growth in enabling societies to improve the life chances of their members, including those at the very bottom.” (p. 2).


Capabilities are seen as an outer envelope of achievable outcomes available to an individual. Functionings are the actual outcomes chosen by the individual within or on this outer envelope. For example, I might have a capability to achieve a certain level of health but chose not to be so healthy for various psychological reasons. Or I might have the capability to produce a certain creative work but chose not to do so because my creative interests incline elsewhere. Strictly speaking, capabilities are not observable. Only functionings are observable.


See Goldin and Reinert (2010).


WHO and UNICEF (2014).


UNESCO (2014) and World Bank, World Development Indicators.
This is the least defined of the statistics reported here. It comes from a 2005 estimate of the United Nations Special Rapporteur on Adequate Housing. Given population growth since 2005, and a record number of sixty-six million refugees in 2016 (UNHCR, 2014, 2015, 2016, 2017), these figures seem to be minimums.

UNDP (2009) and Sustainable Energy for All (2015).


On the last of these trends, the number of refugees in the world reached fifty million in 2013, the highest figure since World War II and then increased to sixty-six million in 2016. See UNHCR (2014, 2015, 2016, 2017). This increase reflects persistent conflict and, in some cases, climate change.

See, for example, Crocker (2008).

Works that can be considered to be part of the minimalist approach to ethics include Bok (2002), Cohen (2004), Ignatieff (2001), Shue (1996) and Walzer (1994). The most relevant of these is Shue (1996) who emphasized basic security rights and basic subsistence rights and their correlative duties.


This point is made repeatedly in World Bank (2011), for example.

See, for example, Diamandis and Kotler (2012) and Ridley (2010).