
Unit10 Food Security

Structure

10.1 Introduction

10.2 Objectives

10.3 Food Security and Insecurity: The Concepts

10.3.1 Definitions

10.3.2 Food Availability

10.3.3 Food Access

10.4 Dimensions of Food Security

10.5 The evolution of Thinking about Hunger and Food Insecurity

10.6 Duration and Severity of Food Insecurity

10.7 Indicators and Measurement of Food Security and Food Insecurity

10.7.1 Lack of Commonly Used Scale

10.7.2 Macro Indicators of Food Insecurity

10.7.3 Indicators of Food Insecurity

10.7.4 Measuring Food Security

10.8 Rural Households Shock Coping Mechanisms

10.9 MDG

10.10 Summing Up

10.11 Glossary

10.12 Answers to Check Your Progress Exercises

10.13 References

10.14 Questions for Reflection and Practice

10.1 INTRODUCTION

Asia has made tremendous strides towards achieving food security in the past half century. Despite a dramatic increase in global food availability and substantial progress in poverty reduction, hunger, food insecurity and undernourishment remain at unacceptably high levels. Progress in addressing this dimension of poverty has been disappointingly poor. Almost 850 million people do not have enough to eat and, alarmingly, in many parts of the world, the number is on the increase. Food security is defined as secure access to sufficient and affordable nutritious food; it can relate to a single household or to the global population.

Most people accept that agriculture is linked to hunger and food insecurity. But that link is not necessarily direct or linear. Most also accept that producing more food will not necessarily alleviate hunger. The world already has more than enough food to feed its population adequately. Understanding how agriculture can most effectively contribute to food security remains a critical question, particularly for policy makers reviewing their approach to agricultural development within the wider framework of economic growth and poverty reduction.

The concept of food security is multi-faceted and has evolved considerably over time. When the concept of food security was coined, it was to mean food self-sufficiency at the global or national level, which is broader and subsumes the notion of producing sufficient quantity of food in a given country. Analysts advocated production self-sufficiency as a strategy for nations to achieve food security. This means food security was seen as a national supply problem. In line with this, food security was defined in the 1974 World Food Summit as: “availability at all times of adequate world food supplies of basic foodstuffs to sustain a steady expansion of food consumption and to offset fluctuations in production and prices.”

10.2 OBJECTIVES

After studying this Unit, you should be able to:

- Define food security and explain the concepts of food security and insecurity;
- Identify various dimensions involved in understanding food security;
- Compare various ways of measuring food security and insecurity;

- Differentiate global (macro) level food security from household food security;
- Discuss how the thinking about food insecurity has evolved over time; and
- Summarize the household coping mechanism to situations of food insecurity.

10.3 FOOD SECURITY AND INSECURITY: THE CONCEPTS

Food security and adequate nutrition are determined by a number of factors that can be grouped as: a) the availability of food; b) economic access to food; and c) the way in which food is used (including interactions between diet and disease). Agriculture is of direct importance in at least the first two categories, and has indirect effects (especially through income) on the third.

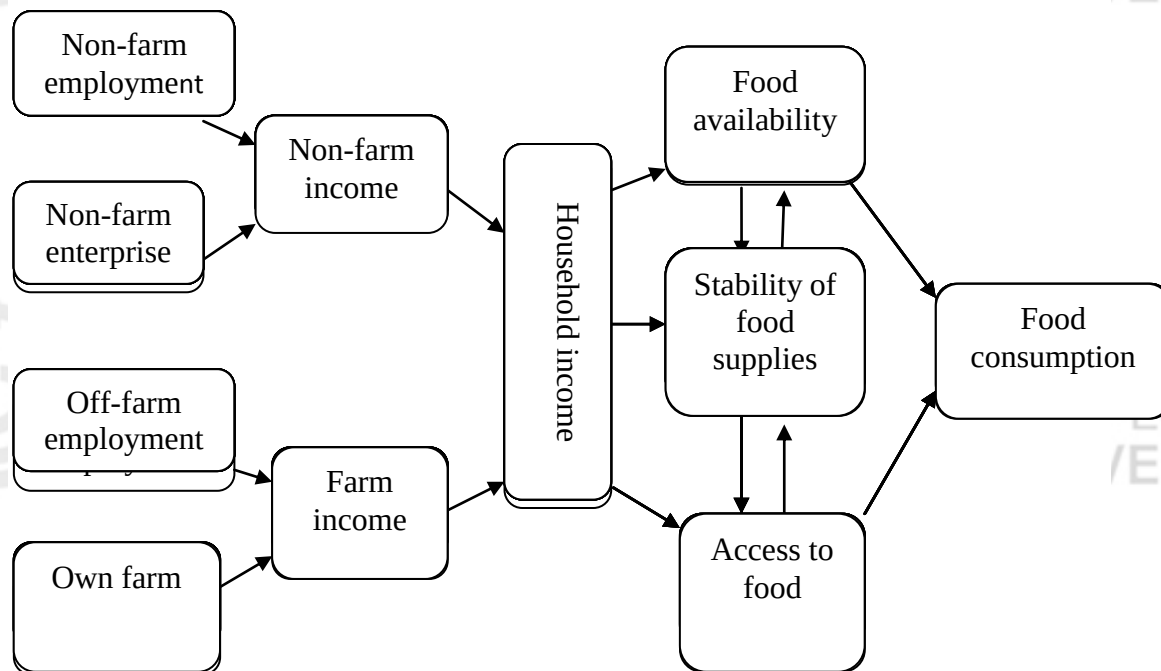
It is understood that the presence of food at a regional or country level even though necessary did not ensure its presence at the country or household level because of the difference in purchasing power of nations or households. Food security at the household level is not assured by sufficient food supplies at the national level or by sufficient global production and stocks to provide necessary diets on the average. With this conceptual development, the food security concept shifted from a supply and production problem to poverty and market problem, in which purchasing power and access to food entitlements played an important role (Sen, 1981).

The global and national food availability work through households' food security which in turn works on household members' dietary intakes; wherein this coupled with care, healthy environment and other basic and non-basic requirements leads to nutrition security. As is well known, enough food available at global and national levels is a necessary condition for households to have access to food, but it is not sufficient. Households must also have the necessary resources to acquire that food and at the same time meet other basic needs. Another view point is that food insecurity occurred in situations where food was available but not accessible because of an erosion of people's entitlement to food.

10.3.1 Definitions

FAO (2001) on its part defines food security as 'a situation that exists when all people, at all times, have physical, social and economic access to sufficient, safe and nutritious food that meets their dietary needs and food preferences for an active and healthy life'. Food, here, is defined as

any substance that people eat and drink to maintain life and growth. As a result, safe and clean water is an essential part of food commodities.



Source: Adopted from Babatunde *et al.* (2007) and modified by the course writer

Figure10.1: **Conceptual framework of household food security**

The definitions put forth that food security as a concept that addresses both the current status and maintaining that status in the future too.

FIVIMS/FAO (2008) further elaborates food insecurity in the following statements:

“Food insecurity exists when people are undernourished as a result of the physical unavailability of food, their lack of social or economic access to adequate food, and/or inadequate food utilization. Food insecure people are those individuals whose food intake falls below their minimum calorie (energy) requirements, as well as those who exhibit physical symptoms caused by energy and nutrient deficiencies resulting from an inadequate or unbalanced diet or from the body’s inability to use food effectively because of infection or disease.”

Food security exists when all people, at all times, have physical and economic access to sufficient safe and nutritious food that meets their dietary needs and food preferences for an active and healthy life. This definition introduces four main dimensions of food security:

- Physical AVAILABILITY of food;
- Economic and physical ACCESS to food;
- Food UTILIZATION; and
- STABILITY of the other three dimensions over time.

Check Your Progress Exercise 1

Note: i. Use this space given below to answer the question.

ii. Compare your answer with the one given at the end of this Unit.

1. What is food security? What are the dimensions that make food security?

10.3.2 Food Availability

Food security is conventionally viewed in terms of three components, food availability, food access and food utilization. *Food availability* is the sum of domestic production, imports (both commercial and food aid) and changes in national stock. *Food access* is a measure of people's entitlement to food, which is the amount they can either produce (net of feed, seed and losses), purchase or otherwise receive (e.g. through public food distribution systems). *Food utilization* relates to the capacity of an individual to absorb and utilise the nutrients in the food s/he consumes, and is determined by practices, beliefs, eating habits, hygiene, sanitation and health. Forty or fifty years ago, food availability issues tended to dominate the discussion, but, largely following the work of Amartya Sen on famines, the debate is now characterised more by entitlement and access issues. It will be argued here that there is a danger that this realignment, while extremely positive in itself, may have gone rather too far and may be leading to the neglect of important issues concerning food availability and food utilization.

Asia's impressive past performance in increasing food production illustrates the argument as far as food availability is concerned. While it is often pointed out that food availability does not automatically translate into food access, there is nevertheless a strong linkage because increasing food availability translates into increased supply reaching the market, and if the market is functioning at all efficiently, this will translate into lower prices. Contrariwise, when food availability is falling, prices rise and net food buyers suffer reduced real incomes and increased household food insecurity (ODI, 2003).

10.3.3 Food Access

Food insecurity can be chronic or acute. Chronic food insecurity is a state of recurrently having insufficient food to meet the nutritional demands of a healthy life. It is primarily a function of poverty, but poverty can affect individuals differently depending on variables such as gender, age, caste and class. Acute or transient food insecurity is episodic and is most commonly associated with vulnerability to climatic shocks. However shocks can be of an economic nature too, as in the Asian financial crisis which began in 1997. They can also be political, as currently in the case of Nepal. Food insecurity can also be seasonal, and the hungry season is a distressingly familiar feature of many poor countries. The different forms of food insecurity are often interlinked, because the poor and chronically food-insecure do not have the reserves to see them through the hungry season, and they are also frequently forced to live in disaster-prone areas or in areas which are inherently unproductive, simply because no one who can avoid it wants to live there. Diverse forms of food insecurity, therefore, tend to be mutually reinforcing.

10.4 DIMENSIONS OF FOOD SECURITY

In the definitions and conceptual framework of Figure 10.1, we can easily notice the four important themes or dimensions of food security. Let us examine them one by one.

Time

The first dimension of food security is 'time': secure access to enough food at all times. Food insecurity has a temporal dimension, and following the lead of the World Bank (1986) two types of household food insecurity can be distinguished: chronic and transitory. We shall discuss about it in the pages that follow (see Sub-heading: Duration and Severity of Food Insecurity).

Food sufficiency

It refers to the aggregate physical supplies of food, which is enough for living, health and productive life. That is, it refers to enough supply of calories and includes necessary intake of proteins and other micro nutrients. For sufficient calorie intake, food availability in space and time may be a necessary but not sufficient condition since it does not ensure effective demand. Lack of food availability is caused by an inadequate mobilization of natural, material and human resources for food production.

Access

This is determined by food entitlements derived from production, purchase, exchange or gift. The concept of “access” is the question of whether individuals and households are able to acquire sufficient food. In other words, access indicates the ability of households to get command over food. It is dependent on the level of the household’s resources--capital, labour and knowledge and prices.

Security of entitlement

Finally, we come to ‘security’: secure access to enough food. It refers to the various means through which households avail themselves of food. Failure of this determines the level of vulnerability and hence the level of food insecurity. The higher the share of resources devoted to food acquisition the greater the risk. The entitlement relations of households are determined by what they own, what they produce, what they can trade and what they inherit or are given (Sen, 1981). According to FAO (2008b), entitlement can also be perceived as the household’s ability to express effective demand for food. It presupposes the availability of food, since for demand to be effective it must be capable of being transformed into consumption. This applies as much to food grown for household consumption as to that purchased with income generated through other activities or from transfers. All recent works on food security agreed that the conceptualization of food insecurity should recognize both the supply as well as the entitlement of food. Therefore, food insecurity incorporates low food intake, variable access to food, and vulnerability-- a livelihood strategy that generates adequate food in good times but is not resilient against shocks.

In summary, the chief source of conceptual and definitional complexity of food security is a shift in the level of analysis: from a primary concern in the 1970's with national and international food security, defined in terms of the level and reliability of aggregate food supplies to a focus in the 1980's on individual and household food security, with the emphasis on access, entitlement and vulnerability.

To have the essence of the foregoing discussion, we can state: General hygiene and sanitation, water quality, health care practices and food safety and quality are determinants of good food utilization by the body. Sufficient energy and nutrient intake by individuals is the result of good care and feeding practices, food preparation, and diversity of the diet and intra-household distribution of food. Combined with good biological utilization of food consumed, this determines the nutritional status of individuals. Food security was traditionally perceived as consuming sufficient protein and energy (food quantity). The importance of micro--nutrients for a balanced and nutritious diet (food quality) is now well appreciated.

Check Your Progress Exercise 2

Note: i. Use this space given below to answer the question.

ii. Compare your answer with the one given at the end of this Unit.

1. Does improving agricultural production improve food security? Elaborate.

10.5 THE EVOLUTION OF THINKING ABOUT HUNGER AND FOOD INSECURITY

Ideas about hunger and food insecurity have developed along distinct although essentially complementary lines (DFID, 2004). Early thinking clearly linked hunger and food insecurity to reduced food availability. Hunger, and particularly famine, appeared to be a result of an acute food shortage, which could be best addressed through steps to increase the production and distribution of food. Thinking on food security was thus largely seen in terms of increasing

aggregate food supply, an idea that fitted well with the focus of contemporary agricultural development thinking, particularly in Asia during the era of the Green Revolution. Increasing availability through technology-based productivity improvements seemed to offer the world a way out of hunger, famine and food insecurity.

But in the early 1980s, the idea that famines are caused by harvest failures alone was disputed, and gave way to explanations in terms of failures of ‘entitlements’, that is the inability of individuals to access the food they need due to poverty. This line of argument was most famously championed by Sen (1981), who illustrated his argument by explaining the Bengal famine of 1943 in terms of the disjuncture between soaring rice prices and farm labourers’ stagnant wages, which left them unable to buy enough food. Food access, or ‘entitlement’ in Sen’s terminology, certainly matters as much if not more than food availability. The focus of efforts consequently switched to addressing poverty rather than increasing food availability.

A number of new perspectives on food security have begun to emerge recently, and these challenge the entitlement approach. The challenge focuses on the way in which entitlement theory underplays the role of assets, makes famine victims appear passive and marginalizes non-economic factors such as conflict and health. De Waal’s (1989) analysis of events in Darfur in 1984–85, for example, judged famine to be more a crisis of health than of food. Other new perspectives (for a review see Maxwell, 1996) include a greater awareness of the heterogeneity of food insecurity and famine conditions, and of the many factors that potentially play a role in explaining events. Within this view, poor people’s livelihoods, and the ways in which people strive to protect them, are seen as central to understanding food crises, particularly in Africa. People’s vulnerability and their coping mechanisms for dealing with the hazards they face have become central points of interest.

The nutrition dimension of food insecurity has also demonstrated considerable development of thinking. The early focus of nutritionists on protein deficiencies shifted to calorific intake, and subsequently to micronutrient deficiencies. There are also divides amongst nutritionists over approaches to addressing malnutrition (Schuftan et al., 1998; Pelletier, 2002). One camp suggests that the multiple facets of malnutrition require corresponding policies across many sectors and

disciplines. The other camp worries that a multi-sectoral approach may be ineffective and unfocused and so will fail to offer compelling policy messages that promise to deliver measurable improvements within the (short) time horizons preferred by policy makers.

Despite these apparently different ideas about food security and nutrition, common perspectives exist, namely recognition that hunger and food insecurity have many causes and that these should be seen and understood in their specific context. The policy challenge for hunger and food security is clear – how to coordinate a coherent response across sectors.

10.6 DURATION AND SEVERITY OF FOOD INSECURITY

Not all households or people suffer inadequate food consumption for the same period of time. This may vary from a short-term experience to a lifelong condition. However, food security analysts have found it helpful to define two general types of food insecurity (EC-FAO, 2008):

They are:

- Chronic food insecurity; and
- Transitory food insecurity.

Chronic food insecurity

Chronic food insecurity is taken as long-term or persistent. It occurs when people are unable to meet their minimum food requirements over a sustained period of time. Chronic food insecurity is often the result of extended periods of poverty, lack of assets and inadequate access to productive or financial resources.

Transitory food insecurity

Transitory food insecurity is short-term and temporary. It refers to a sudden drop in the ability to produce or access enough food to maintain a good nutritional status. Conversely, transitory food insecurity is primarily caused by short-term shocks and fluctuations in food availability and food access, including year-to-year variations in domestic food production, food prices and household incomes.

The distinction between different causes is useful, as the two forms of food insecurity demand **different response measures**. Chronic food insecurity can be overcome with typical long-term development measures also used to address poverty, such as education or access to productive resources, such as credit. On the other hand, chronically food insecure people may need more direct access to food to enable them to raise their productive capacity. Conversely, transitory food insecurity is relatively unpredictable and can emerge suddenly.

This unpredictability makes planning and programming more difficult and requires different capacities and types of intervention, including early warning capacity and safety net programmes.

Definitions of chronic and transitory food insecurity are provided below.

How should we differentiate between chronic and transitory food insecurity? Compare these definitions.

A. Chronic

“A persistent inability to meet minimum nutrient intake requirements”

“When a household is unable to meet the food requirements of its members over a long period of time”

“A consequence of diets persistently inadequate in terms of quantity and/or quality, resulting from household poverty”

B. Transitory

“Occurs when there is a temporary inability to meet food needs, usually associated with a specific shock or stress such as drought, floods or civil unrest”

“The sudden reduction of a household’s access to food to below the nutritionally adequate level”

“Affects households that are able to meet their minimum food needs at normal times, but are unable to do so after a shock”.

An intermediate type of food insecurity is *seasonal food insecurity*. Seasonal food insecurity occurs when there is a *cyclical pattern* of inadequate availability and access to food. This is associated with seasonal fluctuations in the climate, cropping patterns, work opportunities

(labour demand) and/or prevalence of diseases. For example, food shortages may occur in the pre-harvest period, when on-farm stocks are depleted and other sources of food (e.g. wild foods) are not available. In rural communities it is common to talk of “hungry periods” and “periods of plenty” related to the agricultural calendar and/or cyclical availability of employment.

The concept of seasonal food security falls between chronic and transitory food insecurity. It is similar to chronic food insecurity as it is usually predictable and follows a sequence of known events. However, as seasonal food insecurity is of limited duration it can also be seen as recurrent, transitory food insecurity.

Severity

When analyzing food insecurity, it is not enough to know the duration of the problem that people are experiencing, but also *how intense or severe* the impact of the identified problem is on the overall food security and nutrition status. This knowledge will influence the nature, extent and urgency of the assistance needed by affected population groups.

10.7 INDICATORS AND MEASUREMENT OF FOOD SECURITY AND INSECURITY

When analyzing food insecurity, it is not enough to know the duration of the problem that people are experiencing, but also **how intense or severe** the impact of the identified problem is on the overall food security and nutrition status. This knowledge will influence the nature, extent and urgency of the assistance needed by affected population groups.

Food security analysts/professionals may use the term **acute food insecurity** to describe a **severe and life threatening situation**. The most extreme situations, usually associated with substantial loss of life will warrant the description of **famine**. Different ‘scales’ or ‘phases’ to ‘grade’ or ‘classify’ food security have been developed by food security analysts using different indicators and cut-off points or ‘benchmarks’. Let us look at a few examples. At this point, we are not interested in the precise thresholds, but rather in the classes and the general indicators used.

10.7.1 Lack of a Commonly Used Scale

Despite the importance of accurately describing the intensity of food insecurity, there is as yet no commonly used scale. In the absence of this information it is very hard to **compare** the severity of different food security crises.

This, in turn, makes it hard to prioritize between different contexts and respond proportionately to needs. Consequently there are continuing efforts to reach agreement on a common scale. The intensity of food insecurity may be measured in terms of levels of food intake. One option is to relate the severity of food insecurity to how consumption falls below a threshold of 2,100 kcal per day:

Food security status	Indicators
Food secure	Energy intake (measured in kilocalories)
Mild food insecurity	
Moderate food insecurity	
Severe food insecurity	

The measure for hunger compiled by FAO, defined as undernourishment, refers to the proportion of the population whose dietary energy consumption is less than a pre-determined threshold. People suffering from undernourishment are referred to as the **undernourished**. Besides being a measure of hunger, the undernourished are also referred to as suffering from food deprivation.

Another example is the **Integrated Food Security and Humanitarian Phase Classification Framework**. This provides a classification system for food security and humanitarian crises based on a range of livelihood needs:

Phase classification	Indicators
Generally food secure	Crude Mortality Rate
Chronically food insecure	Malnutrition prevalence
Acute food and livelihood crisis	Food Access/ Availability
Humanitarian emergency	Dietary Diversity
Famine / humanitarian catastrophe	Water Access/Availability
	Coping strategies
	Livelihood Assets

Source: EC-FAO, 2008.

Household food security is emerging as an organizing agenda of development thinking and an objective of development initiatives. To reduce and monitor food insecurity we must address key questions: Who is food insecure? Why and how did they become vulnerable? Where they reside?

Although standard measurement tools and indicators are needed to assess, analyze and monitor food insecurity both in space and time (local and regional, chronic and transitory, short-term and long-term) as well as in levels (global, national, household, individual) and the complexities of issues related to food security (from production to utilization), its multi-faceted nature complicates measurement. It, therefore, requires contextual and multi-dimensional consideration for it is influenced by different and interrelated socio-economic, environmental and political factors.

10.7.2 Macro Indicators of Food Insecurity

Some of the macro indicators of food insecurity include:

- Cereal yield (kg/ha);
- Fertilizer consumption (kg/arable ha);
- Food price index;
- Food production index;
- Agricultural value added (% of GDP);
- Food exports (% of merch. exports);
- Food imports (% of merch. imports);
- GDP per capita. (PPP adjusted);
- Stunting (% children under 5);
- Underweight (% children under 5);
- Low birth weight babies (% of births);
- National poverty headcount (% pop.);
- Urban poverty headcount (% pop.);
- Rural poverty headcount (% pop.);
- GINI index;
- Infant mortality (per 1000 live births);
- Under-5 mortality (per 1000 live births); and
- Ratio of girls to boys in primary and secondary education (%).

10.7.3 Indicators of Food Insecurity

With this abundance of indicators, it is up to the researcher and development practitioner to select an indicator or a set of indicators that are appropriate. RRC (1990) indicated that usually in some early warning system surveys three sets of indicators are often used to identify the collapse of the food security situation viz. 1) food supply indicators which can be captured using rainfall

distribution, total area planted, yield forecasts, and estimates of total production; 2) social stress indicators which we may capture using information on market prices, availability of produce in the market, labour patterns, wages and migration; and 3) individual stress indicators which could be captured using information on nutritional status, diseases and mortality.

Frankenberger (1992) also noted that country level food balance sheet which is the sum total of domestic food production, net import and stocks taking into account their nutritive value; rainfall and marketing data; and anthropometric measurements such as the state of underweight, stunting and wasting could also be used to indicate the state of food security.

Although the purpose and depth of investigation highly influences the use of indicators, household food security indicators are classified into two: process and outcome indicators.

- Process indicators provide an estimate of food supply and food access situation. Food supply indicators are known to provide information on the likelihood of shocks or disaster events that affect household food security. It is composed of information on agricultural production, access to resources, institutional development and market infrastructure. These indicators provide a general picture of a given area and society. It hardly serves to monitor food stress at household levels due to their aggregate nature. Food access indicators, unlike supply indicators are relatively quite effective to monitor the food security situation at the household level because they reflect various self insurance coping strategies used by the household in the process of managing the diversified sources of food.
- Outcome indicators serve as proxies for adequate food consumption. It includes all direct and indirect indicators of household food consumption, which shows the level, and changes in food consumption and the amount of food in stores serve as proxy estimates for measuring household food situation. That is, the direct indicators are those that directly measure shortfalls in consumption requirements, household budget and consumption survey, household perception of food security and food frequency assessments; while the indirect ones are those that are concerned with the potential to meet such shortfalls (*i.e.*, the subsistence potential ratio), storage estimates and nutritional

status assessment estimates. When these two outcome indicators are compared the direct one is preferable for it indicates the actual consumption by the household, and the indirect indicators are used when the direct indicators are either unavailable or too expensive to gather the information (Frankenberger, 1992).

However, process indicators are insufficient to characterize food security outcomes. In line with this, Chung *et al.* (1997) found little correlation between a very large set of process indicators and measures of food security outcomes. These findings echo the existence of little correlation between area-level food production and household food security.

There are four recommended and most commonly used outcome indicators of household food security: (1) individual intakes, this is a measure of the amount of calories consumed by an individual in a given time period, usually 24 hours, (2) household caloric acquisition, this is the amount of calories available for consumption by household members over a defined period of time, (3) dietary diversity, this is the sum of the number of different foods consumed by an individual over a specified time period, and (4) indices of household coping strategies, this is an index based on how households adapt to the presence or threat of food shortages.

10.7.4 Measuring food security

After defining, conceptualizing and setting the indicators of food security/insecurity, our next venture would be to set measurement tools for that amount of food which makes an individual active and healthy, so that development projects would easily be able to identify those food insecure, assess their food shortfall and characterize the nature of their insecurity. Given the multiple faces of food insecurity no single and universally established yardstick measurement tools can be forwarded. Therefore, we can put to use different measures at national, household and individual levels.

At the national level, food security can be measured with quantities of available food and its requirement. Here the supply of food is a function of the current domestically produced, imported, or withdrawn from carry-over buffered stock of food and then subtracting the amount lost in processing or transport, used for purposes other than human food consumption (seed, feed for animals, industrial raw materials), exported, or stored for later use; whereas the demand for

food depends on the biological and nutritional requirements of the society in that nation for a certain period of time. Food security, therefore, depends on the net value of this food supply and demand. However, it is realized that sufficient availability of food at national level does not imply hunger free households and individuals. Strengthening this, Sen (1981) pointed out that national food balance is an inadequate measure of food security. Why? This is because availability may not guarantee access due to poor distribution or lack of purchasing power.

The importance of measuring food security at the household level stems from the fact that households at different levels of food security are affected differently by, and thus will react differently to, food shocks (Qureshi, 2007). Based on review and synthesis of different literatures Dawit *et al.* (2008) provide four approaches for measuring household food security. The first approach is measuring food consumption to estimate calorie intake which uses two methods. The first is the disappearance method where the sum total of the household's production and purchases over time are estimated. The growth or depletion of food stock held over time is estimated and the balance is considered as consumed (Mulugeta, 2002). The second is the 24 hours recall of food consumption for individual members of a household. The amount of each type of food and its calorie content is calculated which enables us also to capture the intra-household consumption differences.

The second approach is anthropometrical measurements, where the level of food security is estimated based on the height for age (stunting), weight for age (underweight) and/or weight for height (wasting) z-scores, mid-upper arm circumference and body mass index (*i.e.*, weight divided by height squared). Its basic principle is prolonged or severe nutrient depletion eventually leading to retardation of linear growth in children and to loss of, or failure to accumulate, muscle mass and fat in both children and adults. Thus, these problems can be detected by measuring body dimensions, such as weight and height (Hoddinott, 2002; Dawit *et al.*, 2008).

The third approach is measuring indices of coping strategies and the fourth measure is based on the household's perception about the level of food security over the year. These measures are in

their descending order in terms of the cost of acquiring the relevant data as well as the quality of the indicator.

10.8 RURAL HOUSEHOLD SHOCK COPING MECHANISMS

In subsistence agrarian economies livelihood is stemmed from / based on a complex combination of production activities and social exchanges. A decline or failure in crop harvest, due to either land degradation, moisture shortage or lack of necessary input to produce sufficient food, would not only mean decline in food intake but also disposal of belongings (as valuables, livestock, production assets, *etc.*) at a meagre price. This could, in turn, have a knock-on effect on the ability of the households to attain their subsistence in the coming year.

Households facing regular episodes of food insecurity or those for whom any of the four food security dimensions are threatened, may resort to what is called coping mechanisms. Coping mechanisms or strategies are defined by different authors (Davies, 1993; Webb and von Braun, 1994) as short-term options for dealing with an immediate and habitual decline in access to food. According to Webb *et al.* (1992), it is defined as the range of strategies adopted by households in response to the emergence of food deficits. These mechanisms could be either erosive or non-erosive that may vary by region, community, social class, ethnic group, gender, age and season. These can be categorized into three broad categories. These are:

1. Production-based responses: expansion of production and improving productivity.
2. Market-based responses: food grain purchase through mainly selling of their belongings or assets such as livestock, farm tools and household goods.
3. Non-market based responses: this includes institutional and societal income transfer systems such as gift and relief food distribution, change in food choice, change in frequency of eating, seeking non-farm income, borrowing, *etc.*

But we must note that these responses are mainly determined by the nature of the food deficit - its speed, intensity and linearity--but also by the varying abilities of the households to cope.

Households in rural areas adopt and develop diversified shock coping strategies and sequential responses through which they respond during times of decline in food availability. The findings

of several empirical studies reveal that the coping mechanisms vary from area to area and household to household, and may include the following:

- Reduction of food allocation by age and sex;
- Engagement in agricultural wage employment;
- Off-farm employment and migration to other areas;
- Small- scale trading;
- Sale of wood and charcoal;
- Selling cow dung and crop residue;
- Request grain loans from neighbours and relatives;
- Remittance from relative;
- Reliance on relief assistance;
- Consumption of wild plants;
- Dismantling of parts of their houses for sale;
- Selling of clothes and other household goods;
- Livestock sale; and
- Consumption of meat from their livestock.

Safety nets and Household Vulnerability

Two basic approaches are used in Asia to improve poor people's access to food: the direct approach of public distribution of subsidized food, and the indirect approach of developing and implementing poverty reduction strategies.

10.9 MDG

At the first World Food Summit held in 1974, the US secretary of state, Henry Kissinger, declared that global hunger would be eradicated by 1984. Despite many similar political promises, the number of people lacking access to the minimum diet has risen from 824 million in the MDG baseline year 1990 to 925 million in 2010.

10.10 SUMMING UP

Food security exists when all people, at all times, have physical and economic access to sufficient safe and nutritious food that meets their dietary needs and food preferences for an active and healthy life. The realization of the importance of each dimension has added value to our earlier understanding. For food security objectives to be realized, all four dimensions must be fulfilled simultaneously. For example, while there has been a growing realization of the importance of the food **access** dimension, it has not displaced earlier concerns about adequate food **availability**. Even if people have money, if there is no food available in the market, people are at risk of food insecurity. Similarly, the importance of food **utilization** has further enriched our understanding. Food security is not just about quantity of food consumed, but also about quality, and that your body must be healthy to enable the nutrients to be absorbed. Finally, these three dimensions should be **stable** over time and not be affected negatively by natural, social, economic or political factors. Understanding the various dimensions of food security is important when establishing priorities in food security policy and programme formulation, making long term investment decisions, and in evaluating response options when responding to food emergencies.

10.11 GLOSSARY

Food security: It exists when all people, at all times, have physical and economic access to sufficient safe and nutritious food that meets their dietary needs and food preferences for an active and healthy life.

Food availability: It addresses the “supply side” of food security and is determined by the level of food production, stock levels and net trade.

Food Access: Food can be accessed through trade, barter, collection of wild foods and community support networks; it can also be received as a gift (or even through theft). Remember that access to food is influenced by market factors and the price of food as well as an individual’s purchasing power, which is related to employment and livelihood opportunities.

Food utilization: It has become increasingly prominent in food security discussions since the 1990s. Utilization is commonly understood as the way the body makes the most of various nutrients in the food. This food security dimension is determined primarily by people’s health status.

Food stability: The phrase “at all times” refers to the stability dimension of food security. It emphasizes the importance of having to reduce the risk of adverse effects on the other three dimensions: food availability, access to food or food utilization.

Chronic food insecurity: Chronic food insecurity is taken as long-term or persistent. It occurs when people are unable to meet their minimum food requirements over a sustained period of time. Chronic food insecurity is often the result of extended periods of poverty, lack of assets and inadequate access to productive or financial resources.

Transitory food insecurity: Transitory food insecurity is short-term and temporary. It refers to a sudden drop in the ability to produce or access enough food to maintain a good nutritional status. Transitory food insecurity is primarily caused by short-term shocks and fluctuations in food availability and food access, including year-to-year variations in domestic food production, food prices and household incomes.

10.12 ANSWERS TO CHECK YOUR PROGRESS

Check Your Progress Exercise 1

1. Household food security is the ability of the household to secure year round access to an adequate supply of food to meet the nutritional needs of the household members. There are four main dimensions of food security:

- Physical AVAILABILITY of food
- Economic and physical ACCESS to food
- Food UTILIZATION
- STABILITY of the other three dimensions over time

Check Your Progress Exercise 2

1. While ‘improving’ agriculture alone will not lead to a reduction in hunger and food insecurity, agriculture has played and will continue to play a fundamental role. Most commentators and policy makers frame agriculture’s contribution in two key criteria:

1. Increasing the availability of food at prices that poor people can afford.
2. Providing improved jobs and incomes that will give poor people the means to access food.

To these two agriculturally ‘specific’ issues, a further third dimension should be added: the extent to which increased incomes result in improved nutritional outcomes for individuals.

In looking at the other side of the hunger equation – improving access to food through increasing incomes – it is, for analytical simplicity, helpful to look at the impact of increasing agricultural

productivity in three main areas: (a) direct impact on farmers' incomes, including those of smallholders; (b) impact in terms of increasing rural employment opportunities and rural wage rates – including those in the non-farm rural economy; and (c) wider impact on economic growth and poverty reduction more generally.

10.13 REFERENCES

Abonesh Tesfaye, 2006. The Impact of Small Scale Irrigation on Household Food Security and Assessment of its Management Systems: An MSc Thesis Submitted to the School of Graduate Studies of the Haramaya University, Haramaya. 93p.

Ayalneh Bogale, 2002. Land Degradation, Impoverishment and Livelihood Strategies of Rural Households in Ethiopia: PhD Thesis. Humboldt University, Berlin, Germany. 207p.

Babatunde, R.O., O.A. Omotesho, O.S. Sholotan, 2007. Socio-Economic Characteristics and Food Security Status of Farming Households in Kwara State, North Central Nigeria. *Pakistan Journal of Nutrition* 6(1): 49-58.

Chung, K., L. Haddad, J. Ramakrishna, and F. Eiely, 1997. Identifying the Food Insecure: The Application of Mixed Method Approaches in India. Washington, D.C.: International Food Policy Research Institute.

Dawit Alemu, Mohammed Hassana and Mulugeta Teferra, 2008. Determinants of Household Food Security in Drought Prone Areas of Ethiopia. *East African Journal of Sciences* 2(1): 68-78.

Davies, S., 1993. Are Coping Strategies a Cop-out? *IDS Bulletin* 24(4): 60-72.

Debebe Habtewold, 1995. Food Security: A Brief Review of Concepts and Indicators. pp. 1 – 18. In: Mulat Demeke, Wolday Amha, Simeon Ehui and Tesfaye Zegeye (eds.). Food Security, Nutrition and Poverty Alleviation in Ethiopia: Problems and Prospects. Proceedings of the Inaugural and First Annual Conference of the Agricultural Economics Society of Ethiopia, 8-9 June 1995, Addis Ababa.

Devereux, S. and S. Maxwell, 2001. Food Security in Sub-Saharan Africa. Institute of Development Studies. University of Natal Press, South Africa.

DFID, 2004. *Agriculture, hunger and Food Security*, Agriculture and Natural Resources Team of the UK Department for International Development (DFID) in collaboration with Steve Wiggins of the Overseas Development Institute, London.

EC-FAO, 2008. *Food Security Information for Action Programme*, Food Security Concepts and Frameworks, Distance Learning to Support Capacity Building and Training for National and Local Food Security Information Systems and Networks, Available at:

<http://www.foodsec.org/dl/course/shortcourseFC/en/lesson.asp?lessoncode=0411> accessed on: 19th May 2011.

FAO (Food and Agricultural Organization), 2008a. Food Security Concepts and Frameworks: Food Security Information for Action Version 1. Rome, Italy.

FIVIMS/FAO (Food Insecurity and Vulnerability Information and Mapping System/ Food and Agricultural Organization), 2008. Towards an Improved Understanding of Food Insecurity and Vulnerability. Rome, Italy. <http://www.fivims.net/static>. (Accessed on 25 May, 2008).

Foster, J., J. Greer and E. Thorbecke, 1984. A Class of Decomposable Poverty Measures. *Econometrica* 52(3): 761-766.

Getachew Diriba, 1995. Economy at the Cross Roads: Famines and Food Security in Rural Ethiopia. CARE International in Ethiopia, Regional Technical Advisory Team for East Africa. Commercial Printing Enterprise, Addis Ababa. 390p.

Maxwell, S. and T.R. Frankenberger, 1992. Household Food Security: Concepts, Indicators and Measurements. A Technical Review. United Nation Children's Fund and International Fund for Agricultural Development, New York and Rome.

Mulugeta Tefera, 2002. Determinants of household food security in Eastern Oromiya, Ethiopia: The Case of Boke District of Western Hararge Zone. An MSc Thesis Presented to the School of Graduate Studies of the Haramaya University, Haramaya. 151p.

NBE-National Bank of Ethiopia, 2002. National Bank of Ethiopia Annual Report. Addis Ababa, Ethiopia.

ODI, 2003. *Food Security and the Millennium Development Goal on Hunger in Asia*, (Gerard J. Gill et al), Dec. 2003, Overseas Development Institute, London, UK.

Qureshi, S.H., 2007. Creating an Index to Measure Food Security: Identifying the Components and Determinants. Heller School for Social Policy and Management, Brandeis University.

Riely, F. and N. Moock, 1995. Inventory of Food Security Impact Indicators. A Handbook for Monitoring and Evaluation of Food Aid Programs. IMPACT, Arlington, Va., USA.

Sen, A., 1981. Poverty and Famines: An Essay on Entitlement and Deprivation. Clarendon Press, Oxford, UK. 257p.

Webb, P. and J. von Braun, 1994. Famine and Food Security in Ethiopia: Lessons for Africa. International Food Policy Research Institute. John Wiley and Sons, USA. 158p.

10.14 QUESTIONS FOR REFLECTION AND PRACTICE

1. What is vulnerability?

2. Define food security and explain the concepts of food security and insecurity.
3. Identify various facets / dimensions involved in understanding food security.
4. Compare various measures available to measure food security and insecurity.
5. Differentiate global / macro level food security from household food security.
6. Discuss how the thinking about food insecurity has evolved over time.
7. Summarize the household coping mechanism to situations of food insecurity.

UNIT 11 SUSTAINABLE ENVIRONMENT

Structure

- 11.1 Introduction
- 11.2 Objectives
- 11.3 Meaning and Definition of Environment
- 11.4 Functions of Environment
- 11.5 Impact of Human Settlement Activity
- 11.6 Environmental Pollution
- 11.7 Environmental Issues
- 11.8 Tragedy of the Commons
- 11.9 The Concept of Sustainability
- 11.10 Sustainable Development
- 11.11 Environmental Resources
- 11.12 Renewable Resources
- 11.13 Why is Sustainable Development Important?
- 11.14 Some Indicators of Non-sustainable Development (Macro)
- 11.15 Indicators of Community Un-sustainability (micro- level indicators)
- 11.16 What is contributing to Un-sustainability?
- 11.17 Modes of Thought Concerning Humanity and Nature
- 11.18 Three Major Hypothesis
- 11.19 Summing Up
- 11.20 Glossary
- 11.21 Answer to Check Your Progress Exercises
- 11.22 References
- 11.23 Questions for Reflection and Practice

11.1 INTRODUCTION

‘The economy is a wholly owned subsidiary of the environment. All economic activities are dependent upon the environment with its underlying resource base’. This statement from the US Senator Gaylord Nelson on the first Earth Day in 1970 carries considerable meaning. We

interact daily with the environment around us, meaning we inhale oxygen from the environment, drink water obtained from it, eat food directly produced by it (or produced by human beings using its resources), exhale carbon dioxide into it, and dispose wastes and by-products in it. Throughout most of our history, we have taken the environment for granted; it provided us with food, fuel and shelter and so on. Over the past century or so, however, the situation has undergone substantial change. The pressure on environmental resources and human activities that pollute the environment have scaled up so alarmingly that even existence of human beings is becoming a threat. This has made way for academic studies and research on environmental resources, pollution and sustainability science to emerge.

11.2 OBJECTIVES

After studying this Unit, You should be able to:

- Define ‘environment’; and define ‘sustainability’;
- List the elements associated with the biotic environment and abiotic environment;
- Explain the functions of the environment;
- List the environmental resources and their nature;
- Illustrate the micro level and macro level indicators of environmental non-sustainability;
- Compare and contrast modes of thought concerning humanity and nature; and
- Summarize major hypotheses on natural resource use and development.

11.3 MEANING AND DEFINITION OF ENVIRONMENT

By the term ‘environment’ we mean the natural environment, which encompasses all the biotic and abiotic elements that form our surroundings, that is air, land, water, forests, seas, animals and all other living and non-living elements on Planet Earth. Technically talking, the abiotic environment comprises of non-living elements on earth and in the atmosphere for example, water, minerals, chemicals, and the geophysical processes; whereas biotic environment includes living elements such as plants, insects, mammals, fungi, viruses, bacteria etc. If we observe this definition closely, we can find that the environment has physical, chemical and biological dimensions.

11.4 FUNCTIONS OF ENVIRONMENT

In short, the following are the main functions of the environment:

- provision of ‘natural goods’ such as lakes, landscape, wildlife;
- supplying natural resources such as land, water, forests, and minerals, which are used to create economic goods;
- functioning as a ‘sink’ into which the by-products of economic activities are dumped/discarded; and
- Providing environmental services and amenities such as the maintenance of a habitable biosphere, including the ozone layer, climate stability and genetic diversity, and recreation and aesthetic appreciation (Katar Singh & Anil Shishodia, 2007).

Environment has multiple dimensions: physical, chemical and biological. It could be natural or man-made. The natural environment keeps changing over time as it is amenable to changes by human beings. With advancement of technological developments, our ability to alter the environment has increased tremendously. We must emphasize that the capacity of the environment to cope with these alterations is limited. The challenge of creating and maintaining a sustainable environment is probably the single most pressing issue confronting us today and will remain so in the foreseeable future (Raven et al 1998).

11.5 IMPACT OF HUMAN SETTLEMENT AND ACTIVITY

We recognize the human domination of Earth’s ecosystems, “Between one-third and one-half of the land surface has been transformed by human action; the carbon dioxide concentration in the atmosphere has increased by nearly 30% since the beginning of the Industrial Revolution; more than half of all accessible surface fresh water is put to use by humanity; and about one-quarter of the bird species on Earth have been driven to extinction ... All... trace to a single cause, the growing scale of the human enterprise. The rates, scales, kinds, and combinations of changes occurring now are fundamentally different from those at any other time in history; we are changing Earth more rapidly than we understand it (Marquita K. Hill, 2004). The damage or pollution we cause to the environment is frightening.

Check Your Progress Exercise 1

Note: i. Use this space given below to answer the question.

ii. Compare your answer with the one given at the end of this unit

1. What is meant by environment?

11.6 ENVIRONMENTAL POLLUTION

Pollution is any substance introduced into the environment that adversely affects the usefulness of a resource. We understand environmental pollution better if we live in a city where emissions from cars, trucks, and buses sting your eyes, congest your nose, cause your head to ache, or tighten your breathing. Almost any substance, synthetic or natural, can pollute, but it is synthetic and other industrial chemicals that most concern people. Whereas Bhopal represents industrial pollution at its worst, its opposite can present a quandary – how risky are barely detectable amounts of pollutants in the environment? Modern analytical chemistry can detect industrial chemicals almost anywhere: soil, water, air, food, and in the bodies of people, animals, and plants. When chemical levels are high, it obviously causes harm (Marquita K. Hill, 2004).

We are aware of several environmental problems reported today, especially from the developed and fast developing countries. They include: chemical toxicity, air pollution, acidic deposition, global climate change, stratospheric ozone depletion, water pollution, drinking water pollution, solid waste, hazardous waste, energy depletion, indiscriminate use of pesticides, and pollution at the household level and so on. These are harmful to individuals, as well as to the economy in many respects.

11.7 ENVIRONMENTAL ISSUES

Humans allocate scarce resources applying economic principles. All environmental problems can be traced to the fundamental economic problem of ‘scarcity’. We cannot have everything we want because our resources are limited. Environmental problems arise when the use of the environment for one set of functions interferes with, or prevents, the operation of other functions. For example, using the atmosphere as a dumping ground for carbon dioxide

damages the ozone shield and reduces climate stability; damming a river to provide hydropower destroys riparian habitations and agriculture and, possibly, a whole range of associated cultural and creational activities; quarrying of minerals destroys land and constructing big reservoirs submerges landscapes of historic, recreational and aesthetic value. It can be seen from these examples that environmental problems occur mainly when the use of the environment to supply resources to, or disposal of wastes from, economic activity reduces its ability to supply other environmental services. In addition, environmental problems have a negative impact on economic activity (Katar Singh & Anil Shishodia, 2007).

Box 11.1 Core of the Environmental problem

The environmental problem may be defined as the problem of natural resource exhaustion resulting from exploitation at speeds beyond their natural recovery rates, which endangers sustenance of life. This problem has existed almost from the beginning of human history. Primitive economies, based on hunting and gathering, could not have been sustained if people had killed wild animals and collected plants beyond their reproductive capacities to feed the multiplying mouths. This resource exhaustion crisis was overcome by development of agricultural technology and social institutions such as property rights (Yujro Hayami et al, 2005).

11.8 TRAGEDY OF THE COMMONS

One seminal work that seriously questioned this model of development or this idea of resource use is ‘The Tragedy of the Commons’ published in 1968 by a biologist called Garret Hardin. He proposed a hypothesis that seeks to explain why Common Property Resources (CPR), or better put, open access resources, are over-exploited, degraded and depleted (Hardin 1968). The logic of the tragedy is purely economic and can be stated as: unregulated access to a CPR creates a decision-making environment in which incremental private benefits to an individual from the increased use of the resource markedly exceed the incremental private costs associated with the increased use.

Sustainable Development has recently risen to the top of the international economic and political agenda. The report of the World Commission on Environment and Development (WCED,1987), entitled: 'Our Common Future' popularly known as Brundtland Commission was the first major international initiative that enhanced awareness of policy makers about sustainable development and the complexity of the relationship between the environmental problems, economic growth and needs of people, rich and poor.

The growing numbers of people and the rising levels of consumption per capita result in depletion of natural resources and degradation of the environment,Chronic water shortages, loss of arable land, destruction of natural habitats, widespread pollution undermine public health and threaten economic and social progress. There is a worldwide concern that current trends cannot continue much longer without dire consequences.

In most developed countries population is growing slowly or no longer growing at all, But levels of per capita consumption are so high that the environment is under pressure. Most developing countries face even greater pressures, however. Population is growing rapidly, while consumption is increasing as living standards improve. Every person has an equal right to achieve a high standard of living. But, if every person in the world consumed as much as the average American or Western European, the demand for natural resources would exceed nature's supply.

There is no question that improving standards of living for the current poor of the world, plus providing for the billions still to come, will increase global demand for food, water, energy, wood, housing, sanitation, and disposal of wastes. One of the world's main challenges is improving living standards today without damaging the environment or foreclosing the opportunities of future generations to meet their needs.

In the late 1990s, environmental issues were firmly established in development thinking. By this time, it was recognized that the concept of sustainable development encapsulates notions of development based in the reality of local environments. We have gained insight into the multidimensional nature of this development challenge and its implications for human societal development. Critically, it is recognized that sustainable development is a global challenge. Ultimately, the achievement of environment and development ends in any single

location or for any group of people is connected in some way to what is happening elsewhere, for others.

11.9 THE CONCEPT OF SUSTAINABILITY

Sustainability is the ability to continue a defined behaviour indefinitely. For more practical detail, the behaviour you wish to continue indefinitely must be defined. For example, environmental sustainability is the ability of the environment to support a defined level of environmental quality and natural resource extraction rates indefinitely. Then there is economic sustainability, which is the ability of an economy to support a defined level of economic production indefinitely. And we must not forget social sustainability, which is the ability of a social system, to function at a defined level of social well-being and harmony indefinitely. An alternative definition of sustainability, one that is close to the popular meaning of the word, is environmental, economic, and social sustainability.

There is a bird's nest of interdependencies between these types of sustainability. Social sustainability depends on economic sustainability, and vice versa. Social and economic sustainability depend on environmental sustainability. To a much smaller extent, environmental sustainability depends on economic and social sustainability. But the dominant dependency is that from a systems thinking viewpoint. The human system is a dependent subsystem of the larger system it lives within: the environment. Therefore, of the three, environmental sustainability must be society's top priority.

However, this priority is anything but clear in the standard definition of sustainability. This originated in the Brundtland Report in 1987, which defined sustainability as *sustainable development*, and sustainable development as "*development that meets the needs of the present without compromising the ability of future generations to meet their own needs.*"

In the context of sustainability, two questions are important:

- How long will our natural resources last, given current consumption patterns?
- How should we manage our natural resources and environment so that the future generations have access to the same quality of life as the present generation?

The question is about the stock of environmental resources. The concept of environmental sustainability basically implies a characteristic of a system, or a programme for a resource to last intact forever.

11.10 SUSTAINABLE DEVELOPMENT

Sustainable development strategies aim at ensuring a better quality of life for everyone, now and for the generations to come. This means meeting four objectives at the same time, at home and around the world: They are: (i) social progress that recognizes the needs of everyone; (ii) effective protection of the environment; (iii) prudent use of natural resources; and (iv) maintenance of high and stable levels of economic growth and employment.

Another definition, from the Real World member Forum for the Future, sees sustainable development in this way: ‘sustainable development is a dynamic process which enables all people to realize their potential and improve their quality of life in ways that simultaneously protect and enhance the Earth’s life-support systems’. The starting point for definitions of sustainable development is the diagnosis of unsustainable trends in the economy, and in our exploitation of natural resources. The core concept underlying this are that : (a) the main goal of economic development should be create conditions for people to enjoy a better quality of life, not simply the pursuit of quantitative growth in the economy; (b) the pursuit of development must include policies to eliminate poverty; (c) all parts of the society must be involved in decision-making about the measures that will bring about the transition to sustainable economic and social systems (Christie & Warburton, 2001).

These definitions underscore the need for society to ensure inter-generational equity in the sense that present level of consumption and well-being can be maintained. Constancy of natural capital stock – including natural resource and the environment – is a necessary condition for sustainable development (Singh & Shishodia, 2007). More and faster production and more and faster consumption would definitely lead to economic growth. At the same time in the process it naturally leads to faster environmental degradation and much faster depletion of resources required depriving the future generation of a kind of life that the current generation is living. That which would be much depleted is the open access resources or the commons, upon which the poor largely depend.

First of all, our attempt to improve the quality of life of people should not degrade the environment and resources such that future generations are put at a disadvantage. In other words, we (the present) should not cheat the future; improving our lives now should not be at the price of degrading the quality of life of future generations. At the same time, the sustainable element does not imply being static. Human societies cannot remain static, and the aspirations and expectations that comprise a part of 'needs' constantly shift. For example:

We are increasing our:	We are decreasing our:
• Land consumption	• Forests and fish stocks
• Water consumption	• Available fresh water
• Population growth	• Air quality
• Demand for housing	• Affordable housing

Natural resources such as water, air, soil, plants, and animals are the basic assets upon which all life, human and otherwise, depends. Therefore, according to this definition it is unwise to use up these supplies, or we will be threatening the security of all people, in the present and future.

- The basic notion is that the current consumption pattern of natural resources is reducing the stock or quality of those resources and so the future generations will have less.
- Since the resource stocks are finite, the pattern of consumption today should take into consideration the sustained consumption needs in the future.

Environmental sustainability requires that in the process of economic growth, we maintain our natural resources and environment intact and use / harvest only that much quantity which is regenerated naturally, that is, we live on the 'flows' and keep the 'stock' of natural resources and environment intact. However, we would like to add that it is now possible to augment through appropriate technological and management interventions the natural flows / harvests of products of nature.

Check Your Progress Exercise 2

- Note:** i. Use this space given below to answer the question.
ii. Compare your answer with the one given at the end of this Unit.

1. What are the main functions of environment?

11.11 ENVIRONMENTAL RESOURCES

There are three types of environmental resources in the world: renewable, non-renewable, and perpetual. Perpetual resources are not affected by human use of them. Examples are sunlight and wind.

Renewable resources are those that are replenished through biogeochemical and physical cycles. By contrast, non-renewable resources do not replenish themselves, or, as in the case of fossil fuels, do so only at a very slow rate. Renewable resources are seldom perfectly renewable. If their levels are heavily decreased, they may not be able to completely replenish themselves. For example, if a species is nearly eradicated, it may not be able to avoid extinction.

Renewable resources can also be lost through pollution. Though water renews itself, if it is polluted, it is no longer useful for human use. Urban sprawl, cultivation, irrigation, grazing, deforestation, fishing, hunting, and habitat destruction can all be causes of the destruction of an otherwise renewable resource.

11.12 RENEWABLE RESOURCES

Renewable resources are things that can be used over and over again. This includes water, soil, air, forests and animals. However, the term is usually used to refer to energy resources. Examples - Wind, solar power, hydroelectric power and biomass from plants and animals are all renewable energy resources, whereas coal, oil and gas are non-renewable because they will eventually run out.

Examples of renewable resources are:

- Water;
- Oxygen;
- Timber;
- Fruit and vegetables; and
- Meat from animals.

Examples of Non-renewable Resources are:

- Fossil fuels like coal, oil and gas; and
- Minerals like copper.

Examples of renewable energy resources are:

1. *Wind Energy*: Generates electricity by using the wind.
2. *Geothermal*: Generates electricity from steam produced by water heated within the earth.
3. *Hydrogen Energy*: Use flowing water to generate electricity.
4. *Bio Energy*: Use biomass (plant materials, landfill or animal waste) to produce heat or electricity.
5. *Ocean Energy*:

Wave Energy: Produce electricity from the power of waves.

Tidal Energy: Traps water in dams to supply to hydropower generators.

Thermal energy conversion: Uses solar-heated surface water to produce electricity.

Energy use has become the prime focus of the discussions on sustainability and development. It was mentioned earlier that the concept of ‘sustainability’ basically implies a characteristic of a system, or a resource to last intact forever. Currently, there are two distinct concepts of sustainability in vogue. One, the economists’ worldview of sustainability; and the other is ecologists, biologists or environmentalists’ worldview. The economists are concerned about the long-term constancy of economic output, income and consumption. The environmentalists’ concept of sustainability relates to the long-term preservation of biosphere, that is, the sustenance of human populations and biodiversity conservation in a given geographical area/ region, endowed with limited natural resources. The former, that is, the economic sustainability is production and consumption oriented; and the latter that is

ecological sustainability has sustenance of people and biodiversity conservation as its focal points.

The concept of sustainable development emphasizes the need for the present generation to ensure inter-generational equity by safeguarding the interests of future generations through maintaining the natural resources capital of this planet intact. In this respect, it is very similar to the concept of sustainable livelihood by which we mean secure access of both present and future generations to basic necessities of life on a long-term basis.

11.13 WHY IS SUSTAINABLE DEVELOPMENT IMPORTANT?

In this section we examine the reasons why sustainable development is crucial. We know that the current trends in production and consumption are threatening the well-being of future generations. Questions about how long resources will last have long concerned planners and economists who have worried that the world is running out of agricultural land, water and other important environmental goods.

There is a growing consensus that current forms of development are not sustainable (World Resources Institute). For example, if all countries followed the North American model of development we would need another two planets to provide the resources, absorb the wastes and provide life support systems. One North American uses up as much energy as over 200 West or East Africans. Sustainable development looks at issues of equality -- 80% of the world's resources are used by 20% of the developed world's population. It also considers ecological issues – an estimate presents that we are losing as many as 1,500 species of plants and animals per day. What are the effects on other species and food chains?

Economic development today is usually measured by the increase in average incomes. In origin, the economy means managing resources. Sustainable development is important as it takes into account equity (social justice) and environment, as well as economic factors, in order to ensure a more balanced form of development.

11.14 MACRO INDICATIONS OF NON-SUSTAINABLE DEVELOPMENT

In this section, We will look at some of the macro indicators of un-sustainable development.

- **Land Degradation**

It is estimated that world over around 500 billion tonnes of topsoil have been lost since 1972; and 5 million hectares are lost annually due to desertification. Land degradation has significant adverse impacts on crop productivity and environment. The major causes of land degradation in Ethiopia are the rapid population increase, deforestation, low vegetative cover, and severe soil loss. Utilization of dung and crop residues for fuel and other uses disturbs the sustainability of land resources.

- **Degradation and Depletion of Water Resources**

Due to increasing area being brought under irrigation, growing industrialization and urbanization, and increasing human and animal populations, pressure on water resources has increased tremendously and, consequently, both surface water and groundwater resources are being depleted and degraded at a fast rate in most of the countries of the world. Mismanagement of both surface water and groundwater resources in conjunction with the growing demand of water for agriculture, industrial, construction and domestic uses, has brought about many problems, such as depletion and degradation of groundwater aquifers, pollution of surface water bodies, and acute shortage of freshwater in arid, semi-arid and hard rock areas of the country.

- **Degradation and Depletion of Forest Resources**

Forests are said to be the ‘lungs of the earth’. But, the world’s forest cover is shrinking. Over the past 50 years nearly half of the world’s original forest cover has been lost – some 3 billion hectares. Each year another 16 million hectares of virgin forests are cut, bulldozed or burnt. Forests and forest-based resources in the world are being depleted at a rate that is higher than the natural regeneration rate. There is no proper estimation of the amount of eroding hillsides, burned out tropical forests etc. Thousands of families depend on forests for their livelihoods. But, in the past forest have been subject to overexploitation, degradation and encroachment. The forest cover which was over 30% in Ethiopia has alarmingly come down to as low as 3 % in the past two decades.

- **Depletion of Conventional Sources of Energy**

The world's consumption of commercial energy from conventional sources is increasing at a rapid rate, depleting the world's reserve of fossil fuels. It is estimated that we are now left with only 90 years of proved recoverable mineral reserves. The life style people adopt is one of the main reasons that make them spend a huge quantity of energy even at household level. However, in many of the developing countries and least developed countries the energy consumption is very low compared with that in developed countries.

- **Loss of Biodiversity**

The diversity of species is necessary for the normal functioning of ecosystems and the bio-sphere (man, animals, other species and plants) as a whole. The genetic materials in the wild species contribute billions of dollars to the world economy in the form of new drugs and medicines, and raw materials for industries. But utility aside, there are also moral, ethical and cultural aesthetic and purely scientific reasons for conserving wild beings. The biological heritage of the planet Earth is increasingly at risk. It is estimated that one-quarter of all species are in danger of extinction. Indiscriminate use of chemicals, pesticides, in agriculture, deforestation, pollution, and destructive fishing and grazing practices contribute to loss of biodiversity.

- **Global Warming and Climate Change**

There have been perceptible changes in climate all over the world, particularly in the last two decades or so. The major changes include acid rains, global warming, depletion of the ozone layer, and increased incidence of droughts, floods, and cyclones. According to the International Panel on Climate Change (IPCC), atmospheric accumulations of greenhouse gas emissions have led to global warming to the extent of 1 degree C to 3.5 degree C. Potential impacts include shifts in agricultural production, change in availability of fresh water supplies, and damage to ecosystem and biodiversity, and incidence of new diseases.

Check Your Progress Exercise 3

Note: i. Use this space given below to answer the question.

ii. Compare your answer with the one given at the end of this Unit.

1. List the macro level indicators of non-sustainability.

11.15 MICRO- LEVEL INDICATIONS OF COMMUNITY UN-SUSTAINABILITY

Let us now focus on micro level indicators: suburban sprawl, segregation, unequal opportunity, loss of agricultural and open space.

Suburban Sprawl

Current growth in urban and suburban land use far exceeds the population growth in major metropolitan centres in many parts of the world. This trend has resulted in increased costs for public services, the decline of central cities, increased vehicle miles travelled and emissions of carbon dioxide, the destruction of farmland and open space, and arguably a loss of community.

Segregation/Unequal Opportunity

Communities all over the world continue to be largely divided along economic and racial lines, both physically and socially. Poverty is increasing among the minorities. Minority groups continue to have less access to economic opportunities, adequate food and shelter, and needed services.

Loss of Agricultural Land and Open Space

The increasing demand of land for the purpose of house construction and price of house-plots (sites) lead to loss of agricultural land for house construction and for the construction of shopping complexes and hotels. Such development weakens the agricultural basis upon which people depend, as well as the natural resources upon which all life depends.

Depletion and Degradation of Water Resources

Groundwater over-pumping is occurring in many of the nation's regions. In addition, the continuing increase in impermeable surfaces such as parking lots and buildings acts to prevent groundwater recharge, create destructive runoff patterns, and destroy the treatment capacity of natural systems.

Traffic Congestion and Air Pollution

Vehicle-clogged roadways and deteriorating air quality diminish quality of life and health for millions in the cities, suburbs, and outlying areas. The vehicle miles travelled have increased manifold. Although air quality has improved in several metropolitan areas due to more stringent emission standards, many people continue to live in countries that do not meet air quality standards.

Disproportionate Exposure to Environmental Hazards

Low-income people and people of slums continue to be disproportionately exposed to environmental hazards in urban and rural areas. In large cities the disadvantaged may live large, hazardous waste treatment, storage, or disposal facilities. Children are exposed to more such risks than adults.

11.16 WHAT IS CONTRIBUTING TO UN-SUSTAINABILITY?

Can you think of the major reasons contributing to un-sustainability?

Overconsumption

Over the last 40 years, the increase in per capita energy and material consumption has increased even faster than the world's human population. Scientists estimate that our present consumption level is exceeding the Earth's carrying capacity by 30%. We are making up that difference by depleting "natural capital". The United States leads the world in material consumption and waste generation. The 'ecological footprint' (estimated amount of land to support consumption and waste generation patterns) of the typical U.S. resident per year is 25.5 acres, compared to 6.9 acres for the average world resident and 2 acres for the average resident in India.

Population Growth

The world's human population is growing at a rate of 385,000 per day. Almost all of this growth (98%) is occurring in developing nations. Many developing nations remain impoverished because economic development cannot keep pace. Even in the United States, where the growth rate is a relatively modest 1.1%, the nation's population will double in roughly 60 years.

Dependence upon Non-Renewable Resources

Modern economies rely on a host of substances that are not part of nature's cycle of growth and decay. Since these substances are not renewable, their supplies are constantly diminishing. This causes competition for limited resources, with societal repercussions and resulting damage to the environment.

Pollution

The use of substances that accumulate in the ecosphere and are not part of nature's cycle causes environmental pollution in various forms. Carbon dioxide has increased 30% over its natural occurrence in our atmosphere. Poisonous elements mined from below the Earth's crust, such as cadmium and lead, are found at five and eight times, respectively, their natural rates in the ecosphere. Over 70,000 chemical compounds are now present and accumulating in the ecosphere. Many of these may be toxic to humans or other species.

Environmentally and Socially Destructive Development Patterns

Historically, human development has not considered the natural processes upon which we depend, thereby damaging or destroying the systems that support us. The typical suburb paves over land that was once the habitat of other species. It also reduces opportunities for social interaction, once as easy as walking down the street to go to the corner store. Today, fewer than 10% of daily commute trips in the U.S. are by walking or bicycling. This trend is fast picking up in many developing countries as well.

Inequities in Resource Distribution

Between 1960 and 1994, the disparity in per capita income between the richest and poorest fifth of the world's nations rose from 30:1 to 78:1. The historic solution to poverty — economic growth — has generally served to exacerbate inequities, while degrading the resources upon which all life depends.

Limited Public Participation

One of the root causes of the problems described earlier is the failure to recognize the fundamental limits to Earth's ability to withstand alterations to its natural systems. As a result, most people is especially in developed countries consume wastefully, using our limited

resources inefficiently and inequitably. People need to acknowledge that we are an interconnected part of nature. Policies and actions must reflect the important linkages between a healthy environment, a strong economy, and social well-being.

Indeed, it may be necessary to change some of the operational definitions of "strong economy" and "social well-being". These global problems are reflected in — and are affected by — localized unsustainable activity in communities and regions throughout the regions of the Earth. Many of these environmentally, economically and socially unsustainable practices are directly connected to local decision-making — starting at the household level.

11.17 MODES OF THOUGHT CONCERNING HUMANITY AND NATURE

There is a persistent and fundamental divergence between ‘reformist/**techno-centric**’ and ‘radical/**eco-centric**’ environmentalism which is the source of much contemporary debate within sustainable development (Adams, 1996). There are principal differences between these two philosophical standpoints on nature and society (society’s interaction with nature) and the varied implications of each for conservation action.

It is argued that society’s desire to manipulate nature, concomitant with an acceptance that the Earth nurtures our own existence, is inherent in the human condition. ‘Techno-centric’ and ‘eco-centric’ refer to the two extreme positions. In reality, the distinction between these different perspectives is often blurred. Rarely is the world so neatly divided into two camps; rather we tend to favour certain elements of both modes, depending on such factors as our changing economic status and the institutional setting or issue at hand. The categories should not be thought of as rigidly fixed nor mutually exclusive:

	Techno-centric	Eco-centric
Environmental Philosophies	Human-centred: Humanity has a desire to manipulate nature and make the world a more certain place in which to live.	Earth-centred: The Earth nurture humanity’s existence and should be treated with respect and humility.
Green Labels	‘Dry Green’ The present economic system is accepted, but considered to require some gradual revision. (Reformist) Belief in political status quo, but	‘Deep Green’ Quite rapid and fundamental changes in economy and society are desired. (Radical) Supports devolved, political

	more responsible and accountable institutions. Self-regulation through 'enlightened conscience'.	structures with emphasis on self-reliant communities and pursuit of justice and redistribution across generations.
Environmental Management Strategies	Reliance on scientific credibility, modelling and prediction. Promotes the appropriate manipulation of markets to create cost-effective solutions to environmental improvements. Sustainable development through rational use of resources, better planning and clean technologies, for example.	Management strategies geared to retaining global stability based on ecological principles of diversity. New and fundamentally different conservation solutions required which are flexible and adaptable. Alternative and appropriate technologies.

Source: Jennifer A. Elliott.(1994).

Nature provides us natural resources free of cost and performs two important functions in the process of economic growth, namely, providing inputs to production processes and assimilating the wastes generated in the process of production. Since Planet Earth is finite, closed and non-growing, there is a natural limit to both these critical functions. In other words, both inputs provisioning and waste assimilating capacities of our planet are limited. This means one cannot go on increasing the production of goods and services using natural resources for ever, that is, there are ecological/ natural limits to growth; hence, it cannot be sustained forever.

Sustainable development requires that in the process of economic growth, we maintain our natural resources and environment intact, and use / harvest only that quantity which is regenerated naturally, that is, we live on the 'flows' and keep the 'stock' of natural resources and the environment intact. However, we would like to add that it is now possible to augment – through appropriate technological and management interventions – the natural flows / harvest of products of nature.

For example, fish catches can be increased sustainably through artificial feeding and breeding; crop yields can be increased through application of balanced organic and inorganic fertilizers, bio-pesticides, and scientific soil and water management; and forests can be

rejuvenated faster and their natural productivity increased through application of fertilizers and water. Thus the carrying capacity of our biosphere in terms of the population or living beings is, to some extent, amenable to augmentation through technological and managerial interventions. Therefore, contrary to what ecologists assert, the limits are not absolutely rigid, that is, they can be relaxed. Proponents of sustainable development recognize this truth and advocate the middle path between the two extremes represented by technocrats and ecologists.

Check Your Progress Exercise 4

Note: i. Use this space given below to answer the question.

ii. Compare your answer with the one given at the end of this Unit.

1. What is the central argument of the 'eco-centric view and techno-centric view?

11.18 THREE MAJOR HYPOTHESES

There are three major hypotheses that seek to propound the relation between the natural resources and development:

- (a) Neo-Malthusian hypothesis;
- (b) Cornucopian hypothesis; and
- (c) Environmental Kuznets Curve (EKC) hypothesis.

Neo-Malthusian Hypothesis

The proponents of the Neo-Malthusian hypothesis, mostly biologists and ecologists, believe that the carrying capacity of our planet Earth is limited as the planet is finite, closed and non-growing. In other words, there is a natural limit to both the critical functions of the environment, that is, the inputs provisioning and waste assimilation capacities of our planet Earth are both limited.

Cornucopian Hypothesis

The proponents of the Cornucopian hypothesis have an optimistic perspective. They are mostly technologists, agricultural scientists and economists. They assert that there is no

evidence or reason to fear the catastrophic collapse of societies postulated by the scholars subscribing to the Neo-Malthusian school. Thanks to the incentives provided by the competitive markets, entrepreneurs are exploring and developing new sources of energy and minerals, and reserves of many commodities have increased due to new discoveries and / or recycling of wastes. Also, research in agricultural sciences has made it feasible now to augment through appropriate technological and management interventions the natural flows / harvest of products of nature.

The EKC Hypothesis

The EKC hypothesis proposes that there is an inverted U shaped relation between quality of environment as measured by some of the indicators of environmental degradation and per capita income, which is an important indicator of development. This means that environmental degradation is low initially when the per capita income is low, then it increases with the increase in per capita income and, eventually, it declines with further increase in per capita income. The EKC is named after Simon Kuznets (1955) who proposed a hypothesis that the relationship between a measure of inequality in the distribution of income and the level of income is depicted by an inverted U shaped curve.

It is good to hold (take into consideration) both the views expressed by the two extremes represented by biologists and ecologists, and technocrats and economists. This means that contrary to what technocrats believe, there are limits to economic growth and, also, contrary to what ecologists assert, the limits are not absolutely rigid; they can be relaxed. We conclude that the twenty first century will usher in an era characterized by higher living standards and reduced human impacts on the environment as a result of technological advancement and policy innovations.

11.19 SUMMING UP

There is no question that improving standards of living for the current poor of the world, plus providing for the billions still to come, will increase global demand for food, water, energy, wood, housing, sanitation, and disposal of wastes. One of the world's main challenges is improving living standards today without damaging the environment or foreclosing the opportunities of future generations to meet their needs.

11.20 GLOSSARY

Abiotic: This is of or related to non-living elements on the Planet Earth.

Biotic: This is from biology. This is of or related to living things / elements. Thus, the expression ‘biotic environment and abiotic environment’.

Biodiversity: Biodiversity is the variety of life: the different plants, animals and microorganisms, their genes and the ecosystems of which they are a part. Maintaining biodiversity is necessary to preserve the health and survival of ecosystems.

Brundtland Commission: The World Commission on Environment and Development (WCED) is known as the Brundtland Commission after the name of the chair person of the Commission.

Carbon Footprint: The total amount of greenhouse gases emitted directly or indirectly through an activity, or from a product, company or person, typically expressed in equivalent tons of either carbon or carbon dioxide.

Carrying Capacity: The maximum number of people (or any other species) that a given environment can support before damage occurs.

Ecological Footprint: A measure of the sustainability of a society or region relating the population to the ecologically productive area required to support all associated activities of that settlement.

Ecosystem: A dynamic complex of plant, animal and microorganism communities and their non-living environment, interact as a functional unit.

Eco-centric: A way of thinking about humanity’s relationship with nature which puts the Earth at the centre and searches for alternative ways of living and appropriate technologies consistent with ecological principles and global stability.

Techno-centrism: A way of thinking about humanity’s relationship with nature which exalts humanity’s desire and capacity to manipulate nature through the application of the techniques and products of scientific investigation in particular.

WCED: A body commissioned independent of the UN to identify long-term environmental priorities and strategies for the international community. The report this Commission submitted in 1987 was titled: ‘Our Common Future’ which became an eye opener to several countries of the world on matters relating to environment and development. It is commonly known by the surname of its Chairperson Gro Harlem Brundtland (Brundtland Commission Report). WCED: World Commission on Environment and Development

11.21 ANSWERS TO CHECK YOUR PROGRESS EXERCISES

Check Your Progress Exercise 1

1. By the term 'environment' we mean the natural environment, which encompasses all the biotic and abiotic elements that form our surroundings, that is air, land, water, forests, seas, animals and all other living and non-living elements on Planet Earth.

Check Your Progress Exercise 2

1. In simple terms we can bear in mind two important functions of the environment. They are: providing the resources required for production function; and assimilation of wastes generated during the production function.

Check Your Progress Exercise 3

1. Land degradation, degradation and depletion of water resources, degradation and depletion of forest resources, depletion of conventional sources of energy, loss of biodiversity, global warming and climate change are some of the macro level indicators of environmental destruction.

Check Your Progress Exercise 4

1. 'Techno-centric' and 'eco-centric' refer to the two extreme positions. Since Planet Earth is finite, closed and non-growing, there is a natural limit to both these critical functions, that is both inputs provisioning and waste assimilating capacities of our planet are limited. This means one cannot go on increasing the production of goods and services using natural resources for ever, that is, there are ecological/ natural limits to growth. This is the basic argument of the eco-centric view. Techno-centric view relies on entrepreneurship and market incentives that will bring new technologies to solve environment related problems, or promote technologies that would conserve environment as well.

11.22 REFERENCES

Daniel Goleman. (2009). *Ecological Intelligence*, Penguin Books, England.

Jennifer A. Elliott. (1994). *An Introduction to Sustainable Development*, Routledge-Taylor and Francis Group, London.

Katar Singh & Anil Shishodia. (2007). *Environmental Economics: Theory and Applications*, Sage Publications, New Delhi.

Marquita K Hill, *Understanding Environmental Pollution*, Cambridge University Press, UK.

Raven, Peter H, Linda R Berg and George B Johnson. (1998). *Environment* (2nd ed.) New York; Saunders College Publishing, Harcourt Brace College Publishers.

Wolfgang Sachs and Tilman Santarius, (2005). (Eds). *Fair Future: Resource Conflicts, Security and Global Justice*, Books for Change, Bangalore.

Yujiro Hayami and Yoshihisa Godo. (2005). *Development Economics: From Poverty to the Wealth of Nations*, Oxford University Press, New Delhi.

11.23 QUESTIONS FOR REFLECTION AND PRACTICE

1. What are the various elements that make the environment?
2. What are the functions of the environment?
3. List the environmental resources and their nature.
4. Illustrate the micro level and macro level indicators of environmental non-sustainability.
5. Compare and contrast modes of thought concerning humanity and nature.
6. Summarise major hypotheses on natural resource use and development.

UNIT 12 ENTERPRISE

Structure

12.1 Introduction

12.2 Objectives

12.3 Meaning of Social Enterprise

12.4 The concept of social Enterprises

12.5 Definition

12.6 Features of social enterprises

12.7 The demand and supply forces

12.8 The motive of enterprising

12.9 Differentiating between Social Enterprise and Commercial Enterprise-

12.10 market-based approaches

12.11 Sustainability of social enterprises

12.12 Summary

12.13 Glossary

12.14 Answers to check your progress Exercises

12.15 References

12.16 Questions for reflection and practice

12.1 INTRODUCTION

The concept of enterprise -- or more specifically social enterprise - broadly denotes a business model of nongovernmental entities fulfilling social issues and needs by using market-based approaches and income generation. While the term enterprise appears sometimes structurally overloaded, players from different schools of thought try to collect the concept for their political agenda. Its practical importance has immensely grown throughout the last three decades. Scholars around the globe have become interested in the concept and provided fascinating case studies and more recently also solid conceptual approaches.

Approaches to social enterprise by the European Research Network (EMES) and Kerlin (2009) are based upon certain ontological and epistemological perspectives, namely that there exists such a thing as a distinctive non-profit sector and that a framework of variables is suitable to describe and later explain differences. Kerlin also assumes that social enterprises are closely related to the non-profit sector, and that the vast majority of social enterprises have civil society organizations as their base. There is, often, need to watch out for the ambiguities and possible overlapping of concepts of Social Enterprises with the traditional non-profit sector. Existing non-profit organizations (NPOs) that might qualify as a social enterprise due to the use of similar methods of working, but without managerial awareness of this notion, also do exist.

12.2 OBJECTIVES

After studying this Unit, you should be able to:

- Explain the concept of enterprise, and social enterprise;
- Summarise the evolution of the concept of social enterprise;
- List the characteristics of social enterprises;
- Identify the demand and supply forces;
- Differentiate social enterprise from commercial enterprise;
- Evaluate from examples how the element called ‘profit from business’ and ‘aid from donors’ works in social enterprises;
- Apply the concept of ‘enterprise’ to social purpose organizations; and
- Discuss the justification for financial sustainability of social enterprises.

12.3 MEANING

The understanding of the meaning of the term “Social Enterprise” is still diverse and even disputed within scholars and practitioners. One interesting opposition, for example, can be found in the term itself, consisting of the words ‘social’ and ‘enterprise’. Mair and Marti (2006) argue that these are two ambiguous words, connoting different things to different

people and are often even regarded as mutually exclusive. This and other ambiguities in the field of social entrepreneurship often call for examination of contextual meaning.

In the last couple of decades, there has been an unprecedented growth of ‘social enterprises’, variously known as the ‘civil society’, ‘voluntary sector’, ‘social sector’, ‘third sector’, ‘independent sector’, ‘mission-based sector’, ‘non-profit sector’ and ‘non-government sector’. ‘Civil society’ can be considered a loosely organized and largely informal sector consisting of non-profit organizations (NPOs), non-governmental organizations (NGOs), and social entrepreneurial ventures (SEVs). The forces of the free market have been the driving force behind the growth of the social sector (Bornstein, 2007). The objectives of such institutions are to provide goods and services that the market or public sector is either unwilling or unable to provide, to develop skills, create employment and foster pathways for the integration of socially excluded people (Chitvan Trivedi and Daniel Stokols, 2011).

12.4 THE CONCEPT OF SOCIAL ENTERPRISE

Social enterprises have been described in literature as for-profit social ventures (Dees and Anderson 2006); social entrepreneurship refers to a means to alleviate social problems and catalyze social transformation. Some scholars even go further in an almost revolutionary approach and state: social entrepreneurs find what is not working and solve the problem by changing the system, spreading the solution, and persuading entire societies to take new leaps (Drayton 2006). Other scholars argue that: these new institutions increasingly appear as support tools for welfare policies that can help to sustain the European Social Model (Hemerijck 2002). A few scholars, such as Meyer (2007, 2009), argue critically about the concept, claiming that the distribution of social welfare needs to be democratically controlled and that too much of a market-based approach, with its inherent concept of competition, may have unforeseen adverse effects. In the UK, where the concept of social enterprise has been on the agenda for some time now, we find, amongst a plethora of others, the following definitions. According to Social Enterprise London (SEL 2001), a social enterprise:

... is a business with primarily social objectives, whose surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximize profit for shareholders or owners (SEL 2001, p. 13).

12.5 DEFINITION OF SOCIAL ENTERPRISES

A social enterprise is characterized by pursuing a social purpose, while trading its services (at least partially) on the market, and is (at least partially) actively seeking for profit. Any surplus is reinvested for the social purpose and not paid out as dividends.

As Gabriele from Caritas stated: every non-profit organization would want to create a financial surplus through their services, where this is possible, and they will want to invest this surplus for the creation of new offers and advancement of existing services within their own vision and aims. So, when the notion of Social Enterprise is broadly defined, there is no sufficient differentiation to the notion of a non-profit organization.

Dees (2001) refers to social enterprise as the combination of ‘the passion of a social mission with an image of business-like discipline, innovation, and determination’. This paper adopts a broad definition of social enterprise put forward by Mair and Marti’ (2006, p. 37): ‘process involving the innovative use and combination of resources to pursue opportunities to catalyze social change and/or address social needs’. There are three main elements in the definition used here: ‘1. creating value by combining resources in new ways, 2. exploration and exploitation of opportunities to stimulate social change or meet social needs, and 3. Offering services and products and creating new organizations’.

However, what is found to be useful for a differentiation between traditional non-profits and social enterprises was a combination of the characteristics, which was deliberately created by the social entrepreneur herself or himself. This combination included a high level of autonomy, a significant amount of risk taking, a focus on income generation for the venture and the entrepreneur himself, and the strong motivation to constantly innovate and improvize for the purpose of creating social value.

Check Your Progress Exercise 1

Note: i. Use this space given below to answer the question.

ii. Compare your answer with the one given at the end of this Unit.

1. What is Social Enterprise?

12.6 FEATURES OF SOCIAL ENTERPRISE

Pearce and Kay (2003) suggest that a social enterprise needs to:

- have a social purpose (or purposes);
- achieve these purposes by, at least in part, engaging in trade in the marketplace;
- not distribute profits to individuals (prohibition of dividend payouts);
- hold assets and wealth in trust for community benefit;
- involve its members in the governance of the organization; and
- be an independent organization.

It is argued that a significant part of the total income must be market-based, for the enterprise to qualify as a social enterprise. This focus on income generation, however, is not common for all definitions of a social enterprise. Nicholls (2006) sees the combination of an overarching social mission and entrepreneurial creativity as marking social entrepreneurship as distinct from other public, private or civil sector activity. According to a recent definition by the European Research Network on Social Economy and Social Entrepreneurship (EMES):

. . . the field of social enterprises includes both, traditional organizations refashioned by a new dynamic, and newly established entities that manage to combine a social and economic dimension (Galera and Borzaga 2009, p. 3).

Although the concept of social enterprise may be new, proposals that make use of entrepreneurial capacities to solve social problems are not. However, as of now, there is no generally accepted definition. Social enterprise is understood as the ‘process involving the innovative use and combination of resources to pursue opportunities to catalyze social change and/or address social needs’ (Mair and Martı 2006). In practice, this process is translated into the capacity of combining social purposes with earned income opportunities through the

market and in opposition to donations or subsidies (Anderson and Dees 2006). The following questions and statements clarify some of the characteristics of social enterprise.

- In which society sector is enterprises in a given country located -- public, private or civil society? Two indications are usually examined. First, is the enterprise based upon voluntary work, as in civil society, or is there a considerable paid workforce, operating in the market? Second, how do these enterprises reach their customer base? What marketing tools do they use?
- There is a difference between social enterprises and traditional non-profit organizations. Social enterprises are somewhere in between the civil society and the market.
- All social enterprises apply for tax-exemptions within the various legal forms in which they work.
- Most of the unpaid volunteers are entrepreneurs themselves or experienced managers doing something meaningful by helping the entrepreneur. Day-to-day operations are in the hands of paid employees.
- A sustainable income from market-based activities is seen as a viable and desirable option.
- The origins of many can be traced back to voluntarism, working within the social sector. A majority now utilize market tools and fiercely strive for sustainable market-based income.

The ‘combination of social mission with an image of business-like discipline’ – presented as an early definition of social enterprise by Dees (2001) – has gained much traction across the social sector generally.

There was a time, not long ago, when ‘entrepreneurship’ was confined to the economics texts alone. The entry of non-economists into entrepreneurship-related discourse had one more consequence. The entrepreneur ceased to be a mere economic agent. Practically all creative activities, regardless of specific area of human endeavour, began to be identified with entrepreneurship. Don’t we often come across expressions such as social entrepreneur, educational entrepreneur and even political entrepreneur? Political scientist G.D.H. Cole once said of socialism that it had become like a hat that had lost its shape because everybody has used it—and used it in his or her own fashion. Something like that can be said of entrepreneurship or enterprising today as well.

There is also an argument (Halpern, 1997) that the Third Way or Middle Way (Social Enterprise) has resulted from dissatisfaction with both the state (First Way) and the market (Second Way) as mechanisms to solve the interrelated social, economic, and environmental crises of our time. That is, they provide a private means to pursue public purposes outside the confines of the market and the state. Thus, Social Enterprise Ventures have surfaced as strategically important potential partners in the effort to forge new solutions to existing social problems.

Check Your Progress Exercise 2

Note: i. Use this space given below to answer the question.

ii. Compare your answer with the one given at the end of this Unit.

1. What are the characteristics (or features) of Social Enterprise?

12.7 THE DEMAND AND THE SUPPLY FORCES

The international recognition and growth of social enterprise is due to several factors that can be organized in terms of demand and supply. In terms of demand, issues include rising crises in environment and health, rising economic inequality, government inefficiencies in public service delivery, retreat of government in face of free market ideology, a more developed role for Social Purpose Organizations (SPOs) and resource competition. In terms of supply, drivers include the increase in global per capita wealth, improved social mobility, extended productive lifetime, increased number of democratic governments, increased power of multinational corporations, better education levels and improved communications (Nicholls 2006, p. 2).

Many scholars feel that social entrepreneurship remains ill-defined and that it remains an untidy concept. The literature broadly appears to draw out the similarities between social entrepreneurship and traditional commercial entrepreneurship, barely recognizing reasons why they could be different. Some scholars have recognized the importance of the sponsor

motive in the field but have not explored it as a discriminating construct, focusing instead on the methods the ventures use for financial viability or 'success'. Peredo and McLean (2006) concluded that 'exclusively or prominently aiming at creating social value' was an important distinguishing criterion. However, they insisted on the practical inconsequentiality of motive. In summary, much of the extant social entrepreneurship literature reflects a strong concern for the economic sustainability of an initiative that often overshadows the need for a critical examination of motive or purpose as a necessary and sufficient definitional criterion.

The difference in motive between social and commercial entrepreneurship needs to be sharpened rather than be diluted by attributing both social and economic purpose to both types of venturing or by focusing on financial sustainability issues alone. Such approaches fail to acknowledge the possible tensions between the creation and distribution of social value and profit appropriation.

In order to appreciate that sponsor motive differentiates social entrepreneurship from traditional entrepreneurship, it is proposed here that the social cause-to-money viability vector of sponsor intention and action typically moves from the social to the entrepreneurial, i.e. from a focus on a social cause to an entrepreneurial process of operation/action. This means that social entrepreneurship is characterized by having a motive for social change first, then looking for a way to resource and operationalizes it.

12.8 THE MOTIVE OF ENTERPRISING

The theory building efforts on Social Enterprise are made usually by examining a social venturing initiative with an analytic frame from traditional entrepreneurship theory to develop new insights (Poole and van de Ven 1989). The existing literature on entrepreneurship theory based on the nexus of enterprising individuals and lucrative opportunities points to a profit motive. This translates to wealth creation for a sponsor by maximizing price-to-cost ratios. Much of the existing social entrepreneurship-based literature points to a balance between a profit motive and a social cause mission, which should mean a balance between 'doing good' and 'doing well': namely, a motive that balances wealth creation for a sponsor and social problem solving for the beneficiary/user. This presents a possible tension when the beneficiary of the social project is incapable of paying for what

s/he receives. The tension is due to the attempt to balance two opposite motives – social cause focus and profit maximization – instead of social cause motive being supported by methods of resourcing and sustaining it. We need to examine to see how the social entrepreneur may balance profit seeking with his/her social cause.

A comprehensive description of commercial entrepreneurship involves the nexus of enterprising individuals and lucrative opportunities. The central theme in the theory explicating traditional entrepreneurship clearly points to the motive of the enterprising individual entrepreneur-sponsor who exploits opportunity to extract private gain, albeit by the various means/processes of innovation, pro-activeness, risk-taking, effectuation and so on.

Their work highlighted varied perspectives on the field: as social change; as innovation, boldness and new opportunity identification; as socially responsible activities for the collective good; as targeted community development; as social problem solving with imagination; as innovation in the public sector; as public-private partnership for the public good; as cross-subsidising social cause activity by a revenue-generating business; or even as the social purpose of all competitive firms. Several scholars have attempted to define the field in diverse ways based on a multitude of empirical evidences.

12.9 DIFFERENTIATING BETWEEN SOCIAL ENTERPRISE AND COMMERCIAL ENTERPRISE

A popular position in the literature is to differentiate social entrepreneurship from commercial entrepreneurship by the relative priority that a venture gives to social value development and economic value capture. A classic case that can put across this idea very clearly is presented in Box – 8.1. Mair and Marti´ (2006) defined the field as catalyzing social change, drawing attention to its ‘social’ and ‘entrepreneurship’ aspects separately. Dees (1994) captured this dimension through the concept of a continuum between the charitable organization and the business firm, on which a social enterprise sits, suggesting that the differences between social entrepreneurship and commercial entrepreneurship are a matter of degree on a continuum, rather than at a more fundamental level of conceptual distinction. Such approaches have had great significance for theory building in this new domain.

Check Your Progress Exercise 3

Note: i. Use this space given below to answer the question.

ii. Compare your answer with the one given at the end of this Unit.

1. What are the various motives of social enterprising?

Box – 12.1: The Case of Aravind Eye Hospital, Tamil Nadu

‘We were not thinking of amassing money as our goal’ says the founder of Aravind Eye Hospital, Dr Venkataswamy (known universally as ‘Dr V’). ‘[It is] how can my work make me a better human being and make a better world?’ (McDonough and Braungart 2007). Aravind Eye Hospital was started by Dr V with the mission of removing the scourge of cataract-induced blindness through an established surgical procedure, to improve the lives of people that could not afford the remedy. Fairly early the aim was to operate at scale. Operationally, he devised what was, perhaps, the first ‘assembly line’ operation in medical care.

The ‘assembly line’ operating procedure developed at Aravind is an efficiency driver that helps an Aravind surgeon achieve five to eight times the average number of surgeries compared with ophthalmologists in other eye hospitals in India. Over the last three decades, Aravind Eye Hospital grew from a 12-bed clinic in Dr V’s home in 1976 to a group of five hospitals aggregating 3,649 beds for in-patients in 2003 (3,675 in 2010), treating 1.5 million patients a year. The organisation has also diversified into other related activities, i.e. manufacturing intraocular lenses, sutures, blades and other eye care products, managing other eye hospitals, and training/ research facilities (Munshi 2009).

The efficient system of assembly line surgeries formed the core of the viability metric at Aravind. The pace of Aravind’s development and expansion was made possible by the efficient system perfected there and was driven by the sponsor motive to eradicate cataract-induced blindness amongst the poor. With no resources or start-up capital, and without any institutional funding, Dr V worked on ingenious methods to make Aravind happen. Dr V motivated people to join his venture with a clear social mission. He also innovated in many ways: by developing new medical care processes that delivered more value at less cost; by changing established procedures; by manufacturing world class quality eye care products at a fraction of the market cost; by finding new markets for Aravind products and services in other parts of the world; by building a sustainable model to fund not only necessary equipment and other hospital assets but also the large non-paying patient population. He did all that with one motive: to reach people needing surgical intervention who could not afford it. He was not aiming to enhance his own wealth. The case of Aravind and Dr V does not conform to conventional entrepreneurship theory; he and his team were not exploiting lucrative opportunities for themselves but were rather mission-led. Aravind functioned as open-source innovation, sponsoring new projects without Intellectual Property protection. There is no place for personal wealth accumulation within the ethos of Aravind and no clear

profit or wealth creation purpose; the aim was to create a model that will sustain its mission financially. The social cause-to-money viability vector is clearly evident here. The Aravind case helps to identify key differences between a social venturing initiative and traditional entrepreneurial venturing.

Source: Sanjay Bhowmick, (2011).

12.10 MARKET-BASED APPROACHES

The concept of non-profit organizations using, at least partly, market-based approaches is not new. In addition, many non-profit organizations recently had to face demanding change processes due to the government's decision to reduce lump-sum subsidies in favour of performance-based service contracts. A study conducted in Austria, based on data from Statistics Austria (2007), reveals that service fees, sales and membership fees from the private sector can already make up for almost 37% of the revenues for non-profit organizations.

12.11 SUSTAINABILITY OF SOCIAL ENTERPRISES

Sustainability is a broad concept that includes both the continuation of the benefits that result from certain activities (understood as 'benefit sustainability') and the ability of the organization to continue to exist (understood as 'organizational sustainability') (Cannon 2002). Many factors are seen to influence the sustainability of an organization, including the operating environment, national and local politics and policies, the activities of other organizations, the availability of skilled personnel, among others (USAID 2000). Financial sustainability is a component of organizational sustainability and refers to the ability to raise the necessary funds that enable the continuation of the organizational existence (Cannon 2002). This is not the only aspect of organizational sustainability but 'remains frequently and unsurprisingly a critical component of SPO sustainability plans'. Financial sustainability is understood here as a state in which an institution has a reasonable expectation of covering its costs for the foreseeable future.

Sustainability has increasingly been seen as a central, but vague, concept to social purpose organizations (SPO). In organizational terms, sustainability means the ability of an organization to secure and manage sufficient resources to enable it to fulfil its mission

effectively and consistently over time (Cannon 2002). However, It is usually seen as an ‘integral process that reaches beyond the strictly financial realm to take into account a series of factors, including, but not limited to, resource mobilization’. Variables such as management ability, internal governance, strategic thinking, ability to innovate, transparency and accountability should also be taken into account in SPO sustainability analysis. Today, the issue of a SPO’s sustainability has become associated with issues of dependency on externally controlled resources. Specifically, considering the case of SPOs, sustainability has been seen as essential to ‘embrace a more effective and professional approach to development’ and an important element to scale-up development achievement. It has been argued that social enterprise can provide a solution for the challenges of SPO sustainability. There has been an ‘unprecedented wave of growth in social enterprise globally’.

‘Complex interactions exist among the different sources, and increases in some may lead to reductions in others. Non-profit organisations, for example, that seek to increase the share of fees for services and membership dues may experience a drop in donations if members regard the organization as less needy or worthy of voluntary contributions above the fees and dues already paid’. ‘How you raise the resources you need, and from which source, has a string influence on what an organization is and what it can be’. In developing countries, the financial situation of SPOs is usually of heavy dependence on international aid (Fowler 2002, Hearn 2007, Mitlin et al. 2007). It is usually argued that the rapid growth of developing countries SPOs was partially a result of increasing foreign aid allocated to these actors, specifically during the 1990s. The great dependency on international aid has harmful consequences in a number of aspects: erosion of their potential as agents of systemic social and political change; external political control and orientation decreased legitimacy and representativeness, and, finally, low levels of organizational sustainability. Essentially, or more importantly, the enterprise character of social venture gets diluted.

The emergence of ‘earned income’ and, more generally, social enterprise is often ‘attributed to shifting stakeholder expectations of not-for-profit organisations to achieve larger-scale social impact while also diversifying their funding’. For many SPOs, social enterprise is a ‘strategy to diversify their funding base, decrease reliance on donors, and recover programme costs or subsidize social programmes. Using the illustrative case-study of the Bangladesh Rural Advancement Committee (BRAC), Joao Cotter Salvado, (2011) has come out with a

classic case where he has proved with data collected from BRAC between 2005 and 2009 that a revenue structure based on social enterprise initiatives, in opposition to donor grants, generates a more financially sustainable organization (See Box 8.2).

Box – 12.2 Social Enterprise and BRAC

A study (April 2011) titled: Social Enterprise Models and SPO Financial Sustainability: The Case of BRAC, conducted by João Cotter Salvado (Department of Social Policy) of the London School of Economics and Political Science, London, UK has come out with the following findings.

Ratio analysis was used to compare two financial years of BRAC (2005 and 2009) and to assess whether the increase in reliance on donor grants and the decrease in reliance on social enterprise initiatives had implications for BRAC's overall financial sustainability. This analysis selected a set of seven ratios organized within four areas: solvency; liquidity; profitability; and revenue concentration. In terms of a liquidity analysis, this paper calculated two ratios and concluded that BRAC became less liquid and, thus, less able to meet short-term demands for cash; within the solvency analysis, two ratios were used that showed that BRAC's ability to meet more long-term financial obligations also decreased; a profitability analysis, done with two ratios, showed us that the ability of BRAC to translate revenues and assets into earnings or net income decreased; and, finally, in terms of revenue concentration this paper concluded that BRAC became more vulnerable to financial shocks due to the decrease in revenue diversification. Overall, this research concluded that the reduction of the weight of social enterprise initiatives in total income and the consequent increase of donor grants from 2005 to 2009 decreased the financial sustainability of BRAC across this time period.

Source: Joao Cotter Salvado, (2011).

Check Your Progress Exercise 4

Note: i. Use this space given below to answer the question.

ii. Compare your answer with the one given at the end of this Unit.

1. What do you understand by 'Sustainability of Social Enterprises'?

12.12 SUMMARY

Social enterprise as a business concept differs from traditional non-profit organizations. The field of social enterprises includes both traditional organizations refashioned by a new dynamic and newly established entities that manage to combine a social and economic

dimension. Single characteristics or traits, such as, for example, a focus on income generation from market-based activities, voluntarism or a prominent motivation of doing social good were seen to overlap, and are thus not useful to employ for a sharp distinction. Collaboration and cross-financing between sectors of government, business and civil society is now a common part of a financing agenda.

There are classic cases of social enterprises which have become successful and remain tall as examples of best social enterprises. However, many social entrepreneurs struggle to generate the necessary income; many see them their business as socially sustainable, but are yet to see as financially sustainable. There are social entrepreneurs who are well educated and utilize proven methods of entrepreneurship, such as improvization. They create social value through innovation. Unlike many of the more traditional non-profit forms, these social entrepreneurs take up a considerable amount of entrepreneurial risk and are willing to include their own stakes, enduring personal hardships.

12.13 GLOSSARY

Social Enterprise: The process involves the innovative use and combination of resources to pursue opportunities to catalyze social change and/or address social needs.

Commercial Enterprise: Commercial enterprise focuses on income generation from the venture and for the entrepreneur herself or himself, placing little importance on social value creation.

Corporate Entrepreneurship: There is relatively little contention about the definition and goals of corporate/ business entrepreneurship. A business organization is defined as a 'commercial enterprise, profession, or trade operated for the purpose of earning a profit (economic value creation) by providing a product or service'. Corporations and businesses aim to generate economic value for personal and stakeholder wealth maximization.

Financial Sustainability: Financial sustainability is defined here as a state in which an institution has a reasonable expectation of covering its costs for the foreseeable future.

12.14 ANSWERS TO CHECK YOUR PROGRESS EXERCISE

Check Your Progress Exercise 1

1. Social Enterprise involves the innovative use and combination of resources to pursue opportunities to catalyze social change and/or address social needs. There are three main elements in the definition used here: '1. creating value by combining resources

in new ways, 2. exploration and exploitation of opportunities to stimulate social change or meet social needs, and 3. Offering services and products and creating new organisations'. There is also an argument (Halpern, 1997) that the Third Way or Middle Way (Social Enterprise) has resulted from dissatisfaction with both the state (First Way) and the market (Second Way) as mechanisms to solve the interrelated social, economic, and environmental crises of our time. That is, they provide a private means to pursue public purposes outside the confines of the market and the state.

Check Your Progress Exercise 2

1. Social enterprise needs to:

- have a social purpose (or purposes);
- achieve these purposes by, at least in part, engaging in trade in the marketplace;
- not distribute profits to individuals (prohibition of dividend payouts);
- hold assets and wealth in trust for community benefit;
- involve its members in the governance of the organization; and
- Be an independent organization.

The field of social enterprises includes both traditional organizations refashioned by a new dynamic and newly established entities that manage to combine a social and economic dimension.

Check Your Progress Exercise 3

1. It has varied perspectives on the field such as: as social change; as innovation, boldness and new opportunity identification; as socially responsible activities for the collective good; as targeted community development; as social problem solving with imagination; as innovation in the public sector; as public-private partnership for the public good; as cross-subsidizing social cause activity by a revenue generating business; or even as the social purpose of all competitive firms. Several scholars have attempted to define the field in diverse ways based on a multitude of empirical evidences.

Check Your Progress Exercise 4

1. Although in organizational terms sustainability means the ability of an organization to secure and manage sufficient resources to enable it to fulfil its mission effectively and consistently over time, it is usually seen as an 'integral process that reaches beyond the strictly financial realm to take into account a series of factors, including, but not limited to, resource mobilization'.

12.15 REFERENCES

- Cannon, L., 2002. Chapter 26: *Defining Sustainability*. In: M. Edwards and A. Fowler, eds. The Earthscan reader on NGO management. London: Earthscan, 363–365.
- Chitvan Trivedi and Daniel Stokols, (2011). *Social Enterprises and Corporate Enterprises: Fundamental Differences and Defining Features*, Journal of Entrepreneurship. Available at: <http://joe.sagepub.com/content/20/1/1.refs.html> Accessed on 20th May 2011.
- Dees, G., 2001. *The meaning of social entrepreneurship*. Centre for the Study of Social Entrepreneurship Publications, Fuqua School of Business, Duke University.
- Dees, J. and Anderson, B., 2006. *Framing a theory of social entrepreneurship – building on two schools of practice and thought*. ARNOVA occasional paper series, 1 (3), 1–28.
- Drayton, B., 2006. *Everyone a change-maker: social entrepreneurship's ultimate goal*. Innovations, 1 (1), 80–96.
- Fowler, A., 2000a. *NGDOs as a moment in history: beyond aid to social entrepreneurship or civic innovation?* Third world quarterly, 21 (4), 637–654.
- Fowler, A., 2000b. *NGO futures beyond aid: NGDO values and the fourth position*. Third world quarterly, 21 (4), 589–603.
- Fowler, A., 2002. Chapter 25: *Options, Strategies and Trade-offs in Resource Mobilization*. In: M. Edwards and A. Fowler, eds. The Earthscan reader on NGO management. London: Earthscan, 366–385.
- Galera, G. and Borzaga, C., 2009. *Social Enterprise: An International Overview of its Conceptual Evolution and Legal Implementation*. Social Enterprise Journal, 5 (3), 210–228.
- Halpern, C. (1997). Preface. In L.M. Salamon (Ed.), *Holding the Center: America's Non-Profit Sector at a Crossroads*. New York: The Nathan Cummings Foundation.
- Hearn, J., 2007. *African NGOs: The new compradors*. Development and Change, 38 (6), 1095–1110.
- Hemerijck, A., 2002. *The Self-transformation of the European Social Model (s)*. In: G. Esping-Andersen, ed. *Why we need a new welfare state*. Oxford: Oxford University Press, 173–214.
- Lewis, D. and Kanji, N., 2009. *Non-governmental Organisations and Development*. London: Routledge.
- Joao Cotter Salvado, (2011). *Social Enterprise Models and SPO Financial Sustainability: The Case of BRAC*, Journal of Social Entrepreneurship Vol. 2, No. 1, 79–98, March 2011
- Kerlin, J.A., 2009. *Social enterprise: A Global Comparison*. Lebanon, NH: Tufts University Press.

Kerlin, J., 2010. *A Comparative Analysis of the Global Emergence of Social Enterprise*. VOLUNTAS: international journal of voluntary and nonprofit organizations, 21 (2), 162–179.

Mair, J. and Marti', I., 2006. *Social Entrepreneurship Research: a Source of Explanation, Prediction, and Delight*. Journal of world business, 41, 36–44.

Mitlin, D., Hickey, S., and Bebbington, A., 2007. *Reclaiming Development? NGOs and the Challenge of Alternatives*. World Development, 35 (10), 1699–1720.

Nicholls, A., 2006. *Introduction*. In: A. Nicholls, ed. Social entrepreneurship: new models of sustainable social change. Oxford: Oxford University Press, 1–35.

Othmar M Lehner, (2011). *The Phenomenon of Social Enterprise in Austria: A Triangulated Descriptive Study*, Journal of Social Entrepreneurship Vol. 2, No. 1, 53–78, March 2011

12.16 QUESTIONS FOR REFLECTION AND PRACTICE

1. Explain enterprise and the evolution of the concept of social enterprise.
2. List the characteristics of social enterprises.
3. Identify the demand and supply forces that work on the growth of social enterprises.
4. Differentiate social enterprise from commercial enterprise
5. How do you apply the concept of 'enterprise' to Social Purpose Organizations?
6. Discuss the justification for financial sustainability of social enterprises.

Micro-finance and livelihood projects *per-se*, even when they are group-based have had little influence on addressing deep-rooted gender-specific causes of *household* poverty like huge expenditure on dowry, male substance abuse and polygamy. Large family size, when not a manifestation of poverty, but caused by lack of control of women over their fertility and lack of contraceptive services (in particular male) by government is another gender-specific cause of household poverty on which little dent had been made by the projects.

Evidence from five micro-finance and livelihood projects reviewed indicate that micro-finance and livelihood projects have made more contribution to improving participant households' access to common basic needs like food security, water, electricity and education than gender-intensified ones like improving access to gas, child care and toilets. Differences between participants' and non-participants' access to general basic needs was higher than access to gender-intensified onesⁱ. While nine of the ten projects had had little influence on women's access to child care, one project in Andhra Pradesh which made a conscious effort to organize a community paid and managed child care centers had improved participants' access to child care. However, a question remains as to why the project did not instead make the government ICDS centers work better. Pre-existing gender norms and political economy (transition vs. non transition economies) have a bearing on contribution of project to women's access to gender-intensified basic needsⁱⁱ as well as whether women/girls and men/boys

derive equal benefits from improvements in household's access to even general basic needsⁱⁱⁱ. While no one would argue that increase in food, water and nutrition is good, whether greater access to education is necessarily good is a moot question, with evidence that sex selective abortion is higher amongst women with higher levels of education and labor force participation lower. Similarly, whether improved access to health care is necessarily good is a question if provided in private sector. Unnecessary caesarian sections and hysterectomies are higher in private sector.

An important lesson from all the ten projects is that amongst the poor, women-headed households are poorer than that of male-headed households, and when they participate are less able to reap benefits. The access of women-heading households (and their children) to general basic needs was lower than that of women participants (and their children) in male-headed households. However there were two important aspects wherein women-heading households fared better. They had greater ability to convert their earnings into gender-intensified basic needs (or greater need to invest in these), due to which they had greater access to gas, tap water and child care when compared to women participants in male-headed households (see Murthy, Raju, Kamath and SAPAP research team, 2005). Further, intra-households disparities- disadvantaging girls- in access to food and education was lower amongst women participants heading their households than women participants in male-headed households. This de-bunks the postulation that women are women's worst enemies.

Muslim women in India had greater access to gender-intensified needs like tap water in their house, gas and toilets than their Hindu counterparts^{iv}. The reasons could be multiple – lesser leakage on alcohol, independent occupations of women and men (less agriculture dependent community in that area), greater control over their own income or greater restrictions on their mobility.

The evaluations reiterate the widespread belief that poverty reduction projects targeting women translates better into well being of family members than targeting poverty reduction projects at men^v. A dilemma is whether this instrumental reason should be used to target women. Women's access to 'rest' had reduced in all the ten projects. The number of hours which women spent on 'productive work' had increased, while there was no decrease in the time spent by women on 'reproductive work'^{vi}. Communist ethos had failed to deliver on this aspect even in Moldova. That is pre-existing norms on division of work continue.

The review suggests that pre-existing gender relations makes a difference to the extent to which men and women derive equal benefits out of micro-finance projects. In four projects comparative data was gathered on the numbers and amounts of loans taken by women and men members. In two of the four projects (one from India and one from Sudan) women took less numbers and amounts of loans than men^{vii}, while in two others there was no notable difference. Of the two projects where no gender differences were observed, one was located in Moldova where pre-existing gender inequities were lesser. The other project wherein no gender differences were found was located in Bangladesh, wherein the project had invested in recruiting a gender consultant to accompany the project and had evolved a gender policy which prioritized equity in access to project benefits. However, such equity in benefit did not extend to the fisheries project in Bangladesh wherein women derived lesser benefits than men in spite of a gender policy to the contrary.

Data from five evaluations suggest that some of the gender-specific causes are more amenable to change than others. For example, disparities in access of women and men to loans and savings, disparities in number of livelihoods, and disparities in access to employment are more amenable to reduction than disparities in access to markets, non traditional but well paying tasks (e.g. ploughing),

wages of women and men for similar work and ownership of immovable assets. Falling in between is control of women over their own income and control over livestock^{viii}. However, there are caveats. Women's ownership of moveable assets created through their participation in program is contingent upon their remaining in the institution of marriage in India and Bangladesh (not so in Moldova, not explored in Sudan). This is more so, where women's empowerment is not the primary focus of the project, and loans taken to create that moveable assets needs to be repaid to the women's micro-finance and livelihood groups. Efficiency considerations over-ride women's empowerment considerations and the group itself wants men to keep the asset (if the women leaves the village) if loan has not been repaid!

Moving on to lessons on women's empowerment at individual or 'power to' level, the evaluations reveal that all the ten projects (which had a social mobilization component) had expanded participating women's self-confidence, mobility, friendships with women outside their castes, interaction with banks and government officials (as relevant to their activities) and interactions with local government. They have also enhanced women's access to economic resources (e.g. credit, livestock) and control over 'small' resources like savings. Participating women have experienced lesser physical and sexual domestic violence than the situation before joining, as well as in comparison to non-members. Except dalit women, other women reported a decrease in sexual violence at work place. However, in villages/slums where the concept of women's group-based micro-finance or livelihood was new, there was some physical and sexual violence in the initial stages of women's enrollment in groups, which declined when women's participation led to improvement in household's well being. If one took attitudes on sex selective abortion and dowry – such forms of violence persisted and continued, and whether expanded with micro finance as well as spread of inequities is a moot question. The influence of projects evaluated on women's entry into non-traditional domains or earning equal wages was limited in nine out of ten projects. As already discussed, eight of the ten projects had made little dent on women's ownership of non-movable assets. The partial exception was the case of two agriculture projects, which had promoted collective purchase or lease of land by women's groups. In the case of collective purchase and cultivation of land, the group required access to meso-credit and not just micro-credit. None of the projects had made a marked dent on expanding reproductive rights of women. The extent of difference the project had made to the power which women exercised over their individual lives varied with the context. Women's mobility was high in Moldova even before the project started, which was not the case in parts of Bangladesh and India; with women's mobility in Sudan falling between the two.

At the collective level- or power with level- the extent of contribution of micro-finance and agriculture projects to challenging gender norms at household/community level varied with the ideology of the organization implementing it, whether federation structures had been built in and whether there was consensus amongst women on strategic gender issues. Data from nine projects indicate that the groups organized by two projects had significantly (meaning more than 60% in this paper) and successfully intervened in strengthening girl child enrolment in primary and elementary levels and one of the nine projects had made a significantly dent on early marriage. The latter project was led by a committed officer from the Indian Administrative Service. Less than 50% of groups of the nine projects (as relevant to the country) had intervened on issues of child marriage, wife battering, widow remarriage, dowry harassment (India and Bangladesh), devadasi system (India), sex selective abortion (India), female infanticide (India), female genital mutilation (Sudan), polygamy, unilateral divorces by males, closing of arrack shops, sexual harassment and atrocities against dalit women in public spaces. These efforts, unlike efforts around girl child education, were only partially

successful. The extent of success was higher when federations (only present in India and Sudan) took up gender issues. Yet another issue was that there were divisions between women with more sons and those with more daughters over issues of taking up campaigns on dowry and between dalit exclusive groups and mixed groups on the extent to which they took up atrocities against dalits.

The analysis reveals that micro-finance projects, by themselves, can make a dent mainly on women's collective access to/power in finance markets (bringing number of money lenders and interest rates down), rather than on collective access to/ power in commodity or labor markets, and that too only when more than 75% of the poor are covered. Four of the nine projects had made a significant dent on women's access to financial markets, three had made a significant dent on expanding women's access to commodity markets (all combined micro-finance with an agriculture or livestock or infrastructure interventions with women^{ix}), one had strengthened women's bargaining power in labor market though enabling women's access to labor contracts. In the cases of projects that had made a dent on commodity and labor markets the groups needed access to meso-credit and not just micro-credit. The projects had less significant influence on releasing female (and male) bonded laborers, enabling access of women to equal and just wages and ensuring gender sensitive conditions of work. Interestingly, the projects initiated through the line departments had greater influence on enabling access of women to labor contracts of government.

Groups organized by only three of the nine projects had made a significant dent on poor women contesting for elections in local governments (projects in India and Bangladesh,) attending public assemblies of local governments and claiming entitlements (India and Sudan), strengthening accountability of government service providers related to health, education, food distribution (India and Sudan) and mobilizing welfare services from government for widows, orphans and differently abled (India and Sudan). As is to be expected the groups organized by line departments and quasi government organizations were better at mobilizing government programs than other ones, but it is those non- government organizations that combined struggle, gender-awareness with development interventions which were successful in holding government to account to meet gender needs and interests. However, not all claim-making by groups on governments were related to strategic gender interests, but the process of women coming together to stake their claims to meet practical gender needs itself was empowering.

Yet another lesson is that group-based micro-finance and livelihoods projects targeting women can have little influence on ability of women to realize the 'power within' themselves and articulate a strategic gender vision, unless strategies to raise consciousness of women on this aspect are woven in. In the case of five of the ten projects wherein this aspect was reviewed there was little difference between members and non-members on their attitudes towards giving of equal rights to adolescent girls, as boys, on freedom of their movement and whom they would bequeath their property to. The projects wherein women participants consistently had a more favorable attitude on gender and social equity than non-members were those which had a conscious strategy to sensitize women on gender issues^x. It was disconcerting that such bias in bequeathing property had crept into the minds of some of the participants met in Moldova, where participants of the program were first generation of private property owners. On investigation, it was found that such attitudes existed before the era of communism and were resurfacing again.

In all the projects (spanning four countries) strategic gender-awareness was greater amongst women participants who headed their households, women participants when compared to male participants (in mixed projects), younger participants than older participants and dalits when compared to upper caste

Hindus. However, it was dalit women who continued to face greater gender-based discrimination in their work place. While Muslim women had greater access to gender-intensified basic needs in the case of projects in India, they were less found in leadership positions in federations at village and cluster levels, while found equally at leadership levels at group level. The picture with regard to ethnic issues is more complex, with Irula tribal women participants getting more empowered through their participation than upper-caste women, but not so with Lambani women in Andhra Pradesh. This debunks the popular myth that tribal women, uniformly, are more empowered than Hindu caste women.

In all countries it was middle aged women (30-50 years) who gained maximum from the project both financially and in terms of access to leadership positions created and not the very young (who were too poor in Moldova and Sudan) or faced restrictions (in India and Bangladesh). At the same time it was the younger women who held more progressive attitudes on gender. There was no pattern with regard to age of group and strategic awareness or action^{xi}.

Yet another lesson is that seemingly benign interventions can dis-empower women/girls in patriarchal contexts. In three projects in India and Bangladesh life insurance of women was promoted as a micro-finance product across the board amongst all participants who were largely women. In one project, a woman participant living in a violent home was murdered by the husband and wanted the insured amount. He had forced her to nominate him in the insurance form. A case is still going on in court about the murder, and the federation got together to prevent the insurance company from giving him any benefits. Another well meaning example is of micro-credit being used for paying agents for jobs in Western Europe by women in Moldova. A few cases of women being forced into sex-work and not accessing paid domestic work as promised had surfaced. In Sudan, a man in a group took a loan for his second marriage. In three projects it was observed that women's participation was accompanied by increase in number of hours girls helped in household chores (though not pulled out of school).

Source: Ranjani Murthy

ⁱ To give an example, in the case of five projects on which data on access to general and gender-intensified basic needs was gathered, 75% of participants had access to three square meals round the year when compared to 54% in the case of non-participants. On the other hand, only 30% of participants had access to toilets when compared to 24% in the case of non-participants. That is the difference between member's access and that of non-members' access was substantially higher with regard to food security than with regard to toilets

ⁱⁱ The participants in Sudan (part of five projects cited on which data on access to general and gender-intensified basic needs was gathered) and Moldova (not part of the five projects cited earlier) had greater access to toilets and gas than participants from projects from India (all three countries are rated as lower middle income countries). In Sudan this can be attributed to greater autonomy of women than norms of seclusion amongst Muslims, as labor force participation rates are higher in Sudan and the percentage of women participants reporting control over their income was higher in Sudan and Moldova than in India and Bangladesh. In Moldova, when it was part of USSR itself households had access to toilets, gas and washing machines. At the time of evaluation in early 2000s the question was one of continued access to water, repair of washing machines and maintenance of sewage system. However, access to child care facilities was still an issue in both, which did not exist in urban Sudan and broke down in Moldova during the post-communist era.

ⁱⁱⁱ In Moldova and Sudan where inequalities in distribution of food and health care were absent (Moldova) or not present during normal times (Sudan), there were no gender disparities in distribution of benefits from the project in terms of improved household food, nutrition and health security. However, in India and Bangladesh wherein intra-household inequalities in food and health care were traditionally high, gender-disparities persisted in access to improved investment of household in food, nutrition and health. Disparities were less when compared to non-member households. Even in Moldova and Sudan inequalities in access to higher education was noted which has hampered how far improvements in household income had translated equally into improved education of girls and boys.

^{iv} To state an example, a project in India noted that a high 74% of Muslim women members reported that their household had access to tap water, when compared to the average of 48%. Similarly the percentage of Muslim women participants who reported having access to gas was again the highest (18.5%) when compared to average for all members (11%). Muslim women had greater access to toilets (18.5%) when compared to women participants on an average (16%).

^v For example, in the project in Sudan there was a notable difference in access of women participants (and their children) to basic needs than spouses of male participants (and their children) to basic needs. Interestingly, increase in income was higher in the case of the male participants. That is increase in income does not translate into improved well being to the same extent in the case of male participants as woman participants.

^{vi} In all the ten projects, men helped out in housework only when women had to attend meetings or were sick, but not on a routine basis.

^{vii} To give an example, in one project where loan patterns of ten groups were studied, of which one was men's group and nine were women's groups (in keeping with the overall composition of groups formed by the NGO), the average number of loans taken by male borrowers was slightly higher (2.3 loans) when compared to number of loans (1.8 loans) taken by all borrowers. The amount of loan taken by the male borrowers (Rs 68,000) was over five times higher than the average loan amount for the ten groups (Rs 13,115).

^{viii} 82% of women participants felt they had control over their savings and 46% over livestock purchased through loans on their names. In contrast only 23.5% of women participants legally owned new house purchased through loan and only 11.4% of women participants legally owned new land purchased after joining the projects. Women's self reported control over their own income created through loan activity at the time of the study fell in between at 50% over livestock.

^{ix} Of the two (out of the four projects with a livelihood component) agriculture projects reviewed, one mainly relied on sustainable agriculture technical inputs, but not marketing, while the other project had an additional component on collective marketing. While in the latter case women did have access to markets, the degree of control varied with how effectively they could manage 'contracts' with purchases of products (bio-pesticides and fertilizers). In the case of the women's group based micro-finance livestock project in Bangladesh, a breakthrough had been made in women's access to poultry markets through the project adopting a 'value chain approach', i.e. introducing cross-breeding with some women, hatching amongst other women, chick rearing amongst a third group and poultry rearing amongst others in the same village or within a distance of 2 km. The women hence had access to ready markets. In the case of the construction project, again in Bangladesh, women participants in micro-finance groups were organized into labor cooperatives which took up hollow brick-block making and laid roads under the project. They are now contemplating opening a retail outlet of hollow block bricks in the nearest market. Women's access to markets was better where they had engaged in collective activities than individual ones, and had access to meso-credit and not just micro-credit.

^x Data from five projects indicate that the project which aimed at strengthening women's money literacy, civil literacy, economic literacy and body literacy had a much more favorable influence on women's attitudes against son-preference, giving equal freedom to their sons and daughters, giving or taking dowry etc than the case of four other projects which did not focus on such systematic gender training. While in the case of the first project son-preference with regard bequeathing property was present amongst 25% of members (as against 100% of non-members) in the case of the other projects son-preference with regard to bequeathing property averaged 59% (as against 64% in the case of non-members).

^{xi} Whether the age of the group makes a difference in ability to take up strategic gender interests was examined only in the case of three of the ten projects (a lapse on my part). In the case of the two projects in Andhra Pradesh, India it was observed that younger groups (which also comprised a greater proportion of poorer sections) were more strong in taking up issues of domestic violence and violence against women in public places. But in the case of the project in Tamil Nadu it was the older groups which were more vocal in taking up gender issues. The investment in gender training was more in the case of Tamil Nadu projects and while even here the poorer sections joined later, it was the older groups that had greater access to gender training.

UNIT 13 IMPACT OF COMMERCIALISATION

Structure

13.1 Introduction

13.2 Objectives

13.3 Meaning and Definition of commercialization

13.4 Commercialism and consumerism

13.5 The perceptibility of commercialization

13.6 The origin of commercialization

13.7 Why commercialize?

13.8 Commercialization of Agriculture

13.8.1 Smallholder versus large commercial farms

13.8.2 The impact of commercialization on food security

13.8.3 The impact of cash cropping on food security

13.9 The positive impact of commercialization

13.10 The negative impact of commercialization

13.11 Large-scale (commercial) farming: Pros and cons

13.11.1 Advantages of large farmers compared with small farmers

13.11.2 Risks/challenges of large farmers compared with small farmers

13.12 Summing Up

13.13 Glossary

13.14 Answers to check your progress Exercises

13.15 References

13.16 Questions for reflection and practice

13.1 INTRODUCTION

When we look back at the origin of production and consumption functions starting from the days when humans existed from hunting and gathering; through moving gradually to realize the need for entitlements, and use rights; and then to family-based subsistence farming, and recently to commercial farming for making profits in the marketplace, it is astounding. Today consumerism is the norm all over the world. ‘Commercialize and make profits’ is the order of the day. Containing production to satisfy only subsistence needs, or subsistence-farming is considered as unacceptable and only a way to stagnate. Modern “wisdom” dictates the supremacy of the market. Create a demand, which in actuality is non-existent and then produce to make profit through fulfilling that demand is the market logic. We will explore the origin of the concept of commercialization or commercialism, its meaning, and its modern incarnations in various walks of life as we study this Unit.

13.2 OBJECTIVES

After studying this Unit, you should be able to:

- Define and discuss the meaning of commercialization;
- Illustrate the shifts the humans have made from a life of hunting and gathering to commercialism and consumerism;
- Identify the positive and negative aspects of commercialization;
- Interpret the impact of commercialism on families and economies; and
- Examine the pros and cons, and the impact of commercialization on large-scale farming and smallholder farming.

13.3 MEANING AND DEFINITION OF COMMERCIALIZATION

The dictionary definition of the term commercial simply means ‘making or intending to make a profit’. It is also often disapprovingly used to mean ‘more concerned with profit and being popular than with quality’. Expressions such as the following originate from here: commercial heart of the city; commercially produced/grown/developed; commercial baby foods; their product was a big commercial success. Commercialism communicates the fact of

being more interested in money than in the value or quality of things. We use expressions such as: 'From subsistence farming to commercial farming', meaning we used to cultivate for our own family consumption, but of late, our focus is to make money out of it in the market. This implies that production is now considered as primarily meant for the market. The emphasize: 'commercialize so that you can make profit and show economic efficiency or economic growth'. We can understand that 'commercial production' is the stark opposite of 'production for subsistence needs'.

Commercializing can be defined as production meant for making a profit in the marketplace rather than for one's own family consumption or for fulfilling subsistence needs. It operates with principles such as creating a need for such a product, creating and demonstrating utility, creating consumers through injecting in the minds of people a strong desire to become actual consumers of a given product or service. In economic terms, it intensifies or deepens the willingness to buy so the potential consumers find ways and means to qualify their ability to pay for a product. Commercializing is making consumers feel that that is what they have been waiting for when in fact, they never thought about it before they got introduced to product through a TV advertisement. Commercialization might be defined from producer and distributor points of view only. Although what actually promote commercialisation are the consumer choices due to influences of media and exposure. This is referred to as consumerism.

13.4 COMMERCIALISM AND CONSUMERISM

The market dictum says: 'create consumers before creating a product'. Thus, the influence of the market on consumers is profound. There is no commerce (trade) without buyers. Therefore, it is meaningless to discuss about commerce or commercialism in isolation without referring to consumers or consumerism. We shall also see in this Unit, the role of consumerism that has come about as a result of commercialization. The vantage-point of producers and distributors is commercializing, whereas the vantage-point of product-users is consumerism. In market literature, commercialization is used as a means to make profits and as a way to participate in any economy that is increasingly becoming market-based. In development literature, commercialization is often used disapprovingly, connoting its

tendency to produce goods with the idea of making profits or selling useless objects and encouraging consumerism, which is not sustainable.

Check Your Progress Exercise 1

Note: i. Use this space given below to answer the question.

ii. Compare your answer with the one given at the end of this Unit.

1. What is the meaning of commercialization?

13.5 THE PERCEPTIBILITY OF COMMERCIALIZATION

Whether you walk the streets of New York or New Delhi, Beijing or Bangalore what is glaringly visible is the level of commercial culture that is increasingly homogeneous. The glittering air-conditioned shopping malls; the fast food restaurants; advertisement banners of bikes, branded shirts, trousers and sunglasses, computers, computer courses and so on. Young people drink the same soft drinks, smoke the same cigarettes, and wear identical branded clothing and shoes and so on. Consumerism or consumerist culture is bringing about a kind of cultural homogenization across countries and continents. The kinds of advertisements that are aired for product-promotion make one think: 'life is for celebration' and so consume and enjoy life to the fullest. So, things that were considered as luxuries are steadily and stealthily entering our list of essentials.

Excessive consumerism and humans' tendency to live a 'rich' life is pushing the drive for - with excessive consumption and material possession in India and in the rest of the developing countries. Western life-styles, and Americas culture of greed and gluttony and eternal consumerism is regarded good, which the rest of the world ought to emulate. In India where the slogan used to be: 'good is good'; it is becoming 'more is good, and greed is good'.

13.6 THE ORIGIN OF COMMERCIALIZATION

Commerce is as old as humans on the earth. Commercialization or commercialism is a concept that originated and got on the fast track after many nations started globalizing, and when many economies started moving from state-managed systems to increasingly market-

based systems of production and distribution. So, commercialization is roughly three to four decades old.

Commercialization originated in manufactured goods, and later moved on to services, and of late, to farming as well. Its presence now even in agricultural as well as in non-agricultural sub-sectors such as micro, small and cottage industries is also visible. Two origins can be thought of when we think about the origin of commercialization. One is that when industries involved in manufacturing products and services proliferated, huge quantities of similar products started coming to the marketplace, making the supply in excess of the demand. Producers and distributors felt the need for 'demand creation' to be able to sell their products. Professions in selling and marketing; and disciplines such as advertisement and marketing management started emerging.

Secondly, from the beginning of the 1990s, with the processes of globalization and multi-national corporations establishing their production-base and marketing across countries and continents, commercialization really started taking on a new incarnation with unprecedented vigour. The professions in marketing and publicity; advertisements through printed, visual and digital media served as platforms that could promote the sale of any product, and appeal to the consumers' mind. Often agricultural produces obtained as raw materials after value addition and processing started being sold for profits at unimaginable levels compared to the price of the primary products. This kindled in the minds of farmers the desire to commercialize and face markets. Thus, the influence of manufactured goods being commercialised in the market ripple in the form of commercialization of agriculture, and farm products as well. There are also countries such as India and other Asian countries that promote commercialization of agricultural through deliberate policy choice to make agriculture remunerative and to enable the farmers to fetch reasonable prices for their produces / products.

13.7 WHY COMMERCIALIZE?

Is commercialising good or bad? This is a debatable question. As long as a family is engaged in subsistence farming it will remain in a small vicious cycle. They may not be able to make it big; they are subjecting themselves to the vagaries of risks and unexpected shocks.

Similarly, as long as a country remains producing only for subsistence needs for domestic consumption, it will stagnate. Commercial production for domestic as well as foreign markets leads to better economic growth, and increased national income. The simple logic is identifying the resource endowments in a country and analyzing the possibilities for commercializing it to be able to make the maximum profit. Only when it moves to commercialize things and join the market-based economy, and start competing in the marketplace, a nation can ensure an economic growth rate.

The question of commercialisation being good or bad is debatable. From the producers' point of view and from the point of view of augmenting national income it might be good. From the point of view of generating unnecessary greed for material possession; and from the point of view of depletion of scarce non-renewable resources such as energy, for example, it is considered bad. Taking into consideration the unethical business practices that commercialization makes the businesses to resort to, in order to amass wealth for the company or provide a share in profit to the share-holders; one can argue that commercialisation is bad. But many countries of the world today have chosen to adopt neo-liberal production modes, and many companies and corporations are trying to enhance commercial viability of the product that they are manufacturing. So, there is a dire need to commercialize, while at the same time we cannot deny the fact that it leads to faster depletion of resources and often resorts to unethical means of making profit, externalizing the negativities. All said and done, it is economic efficiency and return on investment (RoI) questions that stand finally, which warrants commercializing – be it a country or a small producer.

13.8 COMMERCIALIZATION OF AGRICULTURE

There has always been a debate if smallholder farming can be given up for large-scale commercial farming. The experience from various countries offers a varied picture. Clearly, differences exist in the pattern of agricultural development (DFID, 2004). While it is generally accepted that agricultural growth is good for poverty reduction, a dispute remains about the extent to which these differences matter as far as the impact on the poor is concerned. There are a number of strands to this debate, including:

- the merits of smallholder versus large commercial farms;

- the impact of commercialization; and
- the impact of cash cropping.

13.8.1 Smallholder versus large commercial farms

Generally speaking, where agricultural development has taken place on small farms with labour-intensive techniques, generating incomes for farmers whose spending is predominantly on locally-produced goods and services, the creation of jobs and incomes for members of poor households has been greatest and the impact on poverty and hunger highest. This is perhaps most sharply illustrated in South and East Asia where farm-level evidence from the 1970s supports the theory that farm size is inversely related to per-hectare productivity.

Where 'improved farming' has been carried out mainly by large-scale farmers using labour saving, capital intensive techniques, and where farmers spend much of their additional income on sophisticated goods produced outside the locality, the impact on poverty and hunger has been less marked. This is well illustrated by the experiences of Brazil and Mexico in the 1990s, when progress in agriculture was typically concentrated amongst farmers with capital to invest who were well placed in the emerging marketing chains. This type of growth did little to reduce hunger and poverty as most smallholders became marginalized.

However, the view that improving yields in smallholder farming will lead to poverty reduction is being challenged. Small-scale farmers tend to be limited more by cash or seasonal labour than by land scarcity. They struggle to innovate because new technology is capital-biased and reflects long-term investment by the private and public sectors in meeting the needs of farmers in the North. Furthermore, lost economies of scale mean that, compared to large-scale farmers, smallholders have fewer skills to manage new technologies, pay more for inputs and receive less for outputs, find it difficult to meet new commodity chain requirements and experience problems in managing dangerous chemicals.

The fragmentary evidence against small-scale farming stems from emerging understanding of the impact of global change on agriculture. The conditions on which the small farm efficiency argument rest are breaking down: globalization is leading to very different

conditions where non-traditional markets (with high transaction costs and greater risks) are promoted and greater capital investment is required for agricultural modernization.

13.8.2 The Impact of Commercialization on Food Security

Since the 1980s, there has been concern that the commercialization of agriculture, that is, more production for the market and less for subsistence, could undermine food security and poverty reduction. In some cases, this concern results from a narrow preoccupation with household-level self-sufficiency as central to food security, and a lack of recognition of agriculture's role in ensuring access to food. There are other concerns though, including:

- market prices vary over seasons but poor households often sell their crops at the lowest price because of an urgent need for cash for credit payments, school fees, medical bills, etc;
- since women do not market commercial crops, they lose control over income and household food supply; and
- crops produced for market are seen to offer a less direct route to improved nutrition than stable production of staple foods.

So what does the evidence tell us? One of the most thorough syntheses of commercialization was undertaken by IFPRI (von Braun, 1995). Ten synthesized country case studies of commercialized small-scale farming found that commercialization was associated with, or led to:

- increased staple food production – risk aversion prevented smallholders from specializing completely in high-value crops and they continued to grow subsistence staples;
- increased demand for farm labour and use of hired labour; and
- generally higher incomes and better child nutrition – but with low elasticity from incomes to child nutrition (i.e. a relatively large increase in income is required for a more modest increase in nutrition).

When commercialization left smallholders worse off, it was more often the result of bad policy rather than a function of commercialization itself (von Braun, 1995).

13.8.3 The Impact of Cash Cropping on Food Security

One particular manifestation of commercialization is cash cropping. Whilst commercialization can include market-oriented production of staple food crops (for example maize, wheat or rice), cash cropping involves crops produced for cash that have a higher value than those consumed for food within the household. It also tends to require a greater degree of specialization.

Concerns have long been expressed that the expansion of cash cropping amongst smallholders could undermine their food security. This issue has been the subject of extensive and rather inconclusive analysis, and evidence from different studies points to dissimilar outcomes.

There is no conclusive evidence to suggest competition between cash and food crops or that increased cash incomes necessarily resulted in better nutrition. Research findings supported neither a food-first approach nor cash crop fundamentalism. They concluded that much depends on the farming system, the choice of crops and the policy context. Generalization on this issue is unwise, but Longhurst, cited in Maxwell (2001), provides a useful codification of the circumstances in which the development of cash cropping is likely to be more or less promising for poverty reduction and food security. Longhurst concludes (perhaps not surprisingly) that the introduction of cash crops into farming systems was generally more likely to have a positive impact on household-level food security when cash crops:

- are grown by both men and women;
- are farmed in combination with marketable food;
- generate regular rather than periodic cash flows with early rather than delayed income flows; and are processed locally.

In the case of cash cropping and broader commercialization, there are differences between short- and long-term impacts. The policy implication is that interventions to promote market-oriented production should be complemented by buffering measures to protect the subsistence bases of the poorest households.

13.9 THE POSITIVE IMPACT OF COMMERCIALIZATION

Commercialization can be thought of in terms of the impact (both positive and negative) that can leave on households, companies, corporations especially the Multi-National Corporations (MNCs), individuals as share-holders of companies / MNCs, and on the economy. Since commercialization operates more with market principles, it has the chances of causing both positive and negative effects. The following can be listed as positive aspects of commercialization.

- Commercialization is resorted to so as to bring about a Fair Return on Investment (RoI) and to make the business sustain. It provides justice to the cost of capital invested in business.
- Commercialization creates competition, which often brings down prices in favour of consumers.
- It enables families and economies to move from subsistence production levels to commercial production, which can help profit maximization.
- Commercialization provides visibility to the products of a given firm.
- A firm that is visible and successful in the marketplace stands fairly good chances of generating additional investment for expansion, and to make international presence felt.
- When many firms / corporations do commercially well, the chances of the country having more capital formation through Foreign Direct Investment (FDI) and Foreign Institutional Investment (FII) are high.
- More production and more commercial activities would lead to high employment generation, which can reduce the levels of poverty among people in a country.
- The tax income that the government gets from commercial activities would become more and so the government would have more financial resources to spend for social development purposes.
- When many governments view markets as the main engine of economic growth, commercialization becomes inevitable.

13.10 THE NEGATIVE IMPACT OF COMMERCIALIZATION

While we have been increasing our levels of consumption, and the material possessions that we live with, we have also been enhancing the complexity and the problematic from period to period. The purpose of production is consumption. As mentioned at the beginning of this Unit, production, distribution and consumption are essential functions of economics. Market-based economic activities have made excessive consumption the order of the day. Excessive production and excessive consumption often has a positive effect on the economy, whereas it imprints its negative effect on environment and society. That is where all the problems due to commercialization begin. They can be broadly pointed out as: Problems of deepening poverty and inequality; causing resource depletion and environmental pollution; beginning of ecological imbalances and global warming and so on. Let us try to list them.

- Commercialization makes one look at everything in terms of money, and ways to cash in on anything they see. It can be water, trees, sand, soil, clay, stones, animals, birds, and even human organs, women, and children. ‘‘Anything can be cashed in’’ is the human tendency that is dangerous about commercialization.
- Commercialization gears up consumerist culture making people develop obsession for overconsumption and to amass material possessions more than what their usual requirements are. Overconsumption by a few, naturally means stealing that which is meant for another section of the society that is starving or are deprived of such things.
- Commercialization drives families to spend more than what they can afford. It becomes difficult for families to reconcile their habits with their net income. Living on future income (salary to be earned) has driven families in developed countries to suicidal tendencies.
- The commercialization that started in manufactured goods, in the past decade, has caught up service sectors such as banking and insurance also. Banks invite and encourage customers to purchase what they call ‘loan products’, through which they can go for buying new cars, a second house and so on. This deprives the poor of the genuine loan that they might need for agricultural purposes. The mind set of bankers today is that loans given to agriculture are risky, whereas loans sanctioned to a salaried person who wanted to buy a car is safe.

- Commercialization and over-production cause environmental pollution – polluting the quality of air, land, soil, water bodies etc. in the production process using them as sources for dumping solid and toxic wastes, and by letting out untreated industrial effluents.
- Commercialization causes depletion of natural resources including the non-renewable ones to be converted into cash, unmindful of the generations to come.
- It deepens the severity of poverty widening the gap between the rich and the poor in society. Those who can afford to make a living, given the change in market conditions, and those who cannot afford it constitutes two each of the spectrum.

There are also issues such as: (i) upon economic efficiency calculations, agricultural lands along with waste lands being handed over to private investors interested in starting industries; (ii) agricultural lands being converted for the cultivation of a specific plant variety, which is meant for use as an alternative fuel (bio-fuel); (iii) corn being used as raw material for alternative fuel production for use in the motor vehicles, whereas people in many countries such as Niger, Sudan, and Ethiopia are struggling to ensure their food security. Commercialization makes one think that selling corn for manufacturing alternative fuel is wiser than making it available for people who starve to death.

Check Your Progress Exercise 2

Note: i. Use this space given below to answer the question.

ii. Compare your answer with the one given at the end of this Unit.

1. Can you list a few positive and negative aspects of commercialization, from your experience?

13.11 LARGE-SCALE (COMMERCIAL) FARMING: PROS AND CONS

A growing number of investors and finance companies have acquired large parcels of productive land in many developing countries for commercial production, long-term

investment, or speculation purposes. On the one hand, such large-scale international investments can supply infrastructure, create employment, increase public revenues, and bring technology and skills to local farmers. On the other hand, they can also threaten food security, lead to the eviction of local land users and loss of access to land for indigenous groups, as well as generating competition for vital resources among local populations. Countries that have attracted investors' interest include those with uncultivated arable land and those with weak land governance. Especially, the bio-fuel boom and the uncertainty surrounding the future of food and fuel supplies have prompted a renewed interest in land-based investments.

Importantly, however, uncultivated land is very likely to be already occupied or used by local populations who use the land for non-arable uses such as pastoralism or hunting and gathering. It is, therefore, of the utmost importance that local institutions protect vulnerable groups from the loss of land on which they have legitimate (if not formally recognized) claims or set up appropriate compensation mechanisms.

This section attempts to compare the advantages and constraints of this model versus small-scale farming and provide some evidence in terms of the economic, social, and environmental impacts so far. However, the extent to which benefits can be reaped by the country and adverse impacts mitigated depends very much on government policies and capacities and the setting up of proper regulations. We shall start with definitions of some repeatedly used categories of farmers.

Subsistence (family) farmers

These are households – fisher folk, pastoralists, smallholders, as well as landless labourers and households requiring social assistance-- for whom food security is the main concern. Small production units are almost totally focused on home consumption. These are among the most disadvantaged and vulnerable rural groups.

Small investor farmers

These are rural households and small agricultural firms engaged in farming as a business. Their production is based on family labour, although in the more entrepreneurial farms the owner and perhaps other family members are in charge primarily of management and

supervision, while the bulk of the labour input is provided by hired farm workers (typically including several permanent full-time employees). They hold cultivated land for both commercial and subsistence agriculture and produce for the market. To cope with price and climatic shocks, they diversify production (maize, soya, vegetables, poultry, cattle, pigs, etc.). They exhibit high production efficiency (with a labour-intensive technology), but their assets are limited: constraints of capacity, legal status, marketing, infrastructure, and capital hinder their growth and full participation in the market.

Large-scale farmers

These are medium to large firms engaged in high-value, export-oriented agriculture. They account for a very small percentage of rural players in developing countries. Management may be local or foreign. There is a permanent staff of full-time hired farm workers, who are to some degree specialized. In addition to their land and other holdings, firms in this category have direct access to finance, modern risk-management instruments, information, and infrastructure necessary to remain competitive in their business operations. They can produce indirect effects on poverty reduction: high adoption rates result in rapid improvements in productivity, driving food prices down on a global scale, and they can create employment.

13.11.1 Advantages of Large Farmers Compared with Small Farmers

Potential to reverse long-standing under-investment in agriculture in countries with large areas of fertile land

According to recent World Bank analysis, large-scale investment can be instrumental when relatively fertile land must be developed in areas of very low population density. Without a large agricultural population representing a potential labour force, expansion into these areas will necessarily require mechanization. Although mechanization of smallholder agriculture is possible through the use of draft animals or hired machinery services, even if these technologies can be made available, development of relatively unpopulated areas may still require significant in-migration from areas of higher population density, to which there may be political obstacles. Under such conditions, large-scale mechanized farming may be the best model, even for the production of staple foods.

High quality standards assured

Large-scale farming might be better suited when producers must compete in overseas export markets that have very stringent quality requirements and demand backward traceability of output all the way to the farm level, and in which contract farming is not feasible.

Economies of scale

Economies of scale are important in some plantation crops grown for export (for example, sugar, palm oil, tea, bananas, and many horticultural crops). After harvesting, these crops need to be processed very quickly and/or transferred to a cold-storage facility; otherwise, they decline rapidly in quality and hence value. If the farm operations of planting and harvesting can be successfully co-ordinated with the off-farm operations of processing and shipping, the economies of scale associated with the processing and/or shipping of these crops are transmitted to the farm level.

However, over the past 15 years and more, rapid growth in agriculture has not been positively correlated with large-scale farming models. Over this period, the agricultural growth rate of Brazil, based on the large-scale farming model, has been exceeded by that of China, Vietnam, and is no less than sub-Saharan African countries (such as Angola, Benin, Burkina Faso, Ghana, Liberia, Mozambique, and Nigeria), all of which feature agricultural sectors dominated by small-scale farming.

Provision of access to markets and technologies to smallholders

In Mexico some large investors (Nestlé, Bimbo, Maseca, Commercial Mexicana, Monsanto, and Pepsi) increased access to technical packages and markets through partnerships with local groups. As a result, the livelihood of the participating communities improved in terms of increased incomes for maize producers and a decline in out-migration. Large-scale investment also reduced farmers' risk, thus providing a secure outlet for produce. There are cases in which investors brought in technology that raised yields dramatically, provided machinery services, and shared technical advice with local people.

Employment generation

Local people often identify jobs as the most important and immediate benefit of investments. However, case studies of large-scale investment in seven developing countries suggest that

high expectations of employment generation were not, in fact, commensurate with the investment or with the qualifications of the local populace. Benefits may accrue in many cases. For example, In Liberia, a case study reveals that the creation of full-time jobs for 400 unskilled workers led to reduced crime and prostitution. Nevertheless, in some cases jobs did not materialize because projects were not viable economically, and/or progress with implementation was lagging. The failure was particularly acute in cases where jobs were expected to provide compensation for land, and where vulnerable groups lost access to some livelihood resources but did not benefit in terms of jobs.

In addition, in some large investment projects, the employment conditions did not conform to the original contract: jobs were offered on a contract basis (day labour) with unclear terms and conditions. This is particularly worrisome, given that agricultural workers are among the most socially vulnerable groups, are the least organized into trade unions, are employed under the poorest health, safety, and environmental conditions, and are the least likely to have access to effective forms of social security and protection. Rural workers are more subject to forced labour than other categories of workers. Wages are lower than in other sectors. Real wages have been rising in Asia and Africa, and declining in Latin America.

Support for social infrastructure

A direct way to share the benefits of large-scale agriculture investment is through the provision of public goods, including schools, transport (maintenance of access paths and local roads), access to water, and providing access to inputs and outputs markets. For instance, a Dutch–Tanzanian joint venture to produce livestock in Tanzania has put in place a social fund devoted to social infrastructure projects (such as schools, dispensaries, teachers’ houses, and village halls). Another large foreign investment in the Democratic Republic of Congo (for the production of rubber, coffee, and cocoa) has employed all previous workers, and provides them with a 230-bed hospital, clean water, electricity, and primary and secondary schools.

Check Your Progress Exercise 3

Note: i. Use this space given below to answer the question.

ii. Compare your answer with the one given at the end of this Unit.

1. What are the advantages of large-scale farming compared to smallholder farming?

13.11.2 Risks/Challenges of Large Farmers Compared with Small Farmers

Lack of attention to existing land users

This is about deficient process for local consultation, and in turn an increased likelihood of conflicts over resources. According to case studies, the allocation of land without prior consultation or agreement on the amount or type of compensation, and without local involvement in the concession, has led to significant tensions that have affected project operations. In a number of other cases, such conflicts required costly restructuring of plans and court actions that could have been avoided if projects had been better conceptualized and local residents had been consulted.

Negative distributional and gender effects

Distributional concerns arise when the procedure for transferring land does not take into account the full spectrum of land users' rights (such as those of women, and the temporary rights of pastoralists). There are several examples of groups at the margin of affected communities that have been completely excluded from processes of local consultation – with negative effects on their livelihoods. Large investment projects can have a strong negative effect in terms of gender equality, as they might provide compensation to individuals who might not be the actual users of the resources. In most cases, land rights are in the name of men only, leaving women without a voice in consultations in the community.

Public-sector constraints on the collection of land taxes and monitoring of investors' compliance with agreements made with local communities

Consultation with local rights holders is in some cases superficial, with lack of prior information and no written agreements that would clarify the various parties' responsibilities and be cited when agreements are not adhered to. In turn, government capacity to monitor compliance is severely limited.

Rent-seeking behaviour/short-term interest

There might be fluctuations in financial and economic benefits and short-term profitability that might lead to the implementation of large projects that are not desirable from the country's perspective, for instance in the case of land acquired for speculative reasons. In addition, major investment can lead to economic rents being captured exclusively by large farmers, instead of being fairly shared with the local population. Large-scale foreign investment in agriculture may create opportunities to capture rent, for instance in the case of excess profits taken by individuals and firms directly engaged in farming, attributable to high farm-gate prices; by agricultural suppliers (e.g. of seed of patented crop varieties) because of monopoly or oligopoly conditions; and by buyers of agricultural commodities (e.g. supermarket chains and estates using smallholders as out-growers).

Negative environmental impacts

More intensive and/or large-scale production is associated with a number of negative environmental impacts, including deforestation, loss of biodiversity, heavy demands on scarce water, negative impacts on human health and water quality from excessive or inappropriate application of pesticides, and increased consumption of fossil fuels. Indeed, increased specialization at the field, farm, and landscape levels produces monocultures that potentially increase environmental risks, because they reduce the number of and variability of within species biodiversity, ecosystem functions, and ecological resilience, and they may be highly vulnerable to climate change.

Evidence suggests that large-scale investment does not necessarily have to result in the conversion of small-scale agriculture to large-scale agriculture. The need for investment in technology, infrastructure, market access, and institutions suggests that private investment could contribute in many ways which do not involve large-scale land acquisitions. According to recent value-chain analysis, for the foreseeable future greater opportunities and important economies of scale for private domestic or foreign investors can be achieved in output processing, packaging, and marketing, rather than in production. These include a wide range of more collaborative arrangements between large-scale investors and local small-scale farmers and communities.

13.12 SUMMING UP

The advent of multi-national corporations have become a cultural and economic *tsunami* (tidal wave) that is roaring across the globe and replacing the spectacular diversity of human society with a new version of good life: Orienting people to make economic calculations of anything and everything; and to convert anything into economic value and cash in. As corporations market the consumer dream of wealth and glamour, local cultures around the world are eroded. Family and community bonds are disintegrated as social relationships are ‘commodified’ and reduced to what Karl Mark called the ‘crude cash nexus’.

In summary, we need to get reminded of Mahatma’s axiom: ‘The earth has enough to provide for everyone’s needs and not for everyone’s greed’. But, today world-wide, excessive consumerism is framed in patriotic terms. There is also a wise saying that is staggering when we read: ‘Only when you have felled the last tree, caught the last fish and polluted the last river will you realise that you can’t eat money’.

13.13 GLOSSARY

Commercialization: Production meant for making a profit in the marketplace rather than for one’s own family consumption or for fulfilling subsistence needs.

Subsistence (family) farmers: These are households – fisherfolk, pastoralists, smallholders, as well as landless labourers and households requiring social assistance-- for whom food security is the main concern. Small production units are almost totally focused on home consumption. These are among the most disadvantaged and vulnerable rural groups.

Small investor farmers: These are rural households and small agricultural firms engaged in farming as a business. Their production is based on family labour, although in the more entrepreneurial farms the owner and perhaps other family members are in charge primarily of management and supervision, while the bulk of the labour input is provided by hired farm workers (typically including several permanent full-time employees). They hold cultivated land for both commercial and subsistence agriculture and produce for the market.

Large-scale farmers: These are medium to large firms engaged in high-value, export-oriented agriculture. They account for a very small percentage of rural players in developing countries. Management may be local or foreign. There is a permanent staff of full-time hired

farm workers, who are to some degree specialized. In addition to their land and other holdings, firms in this category have direct access to the finance, modern risk-management instruments, information, and infrastructure necessary to remain competitive in their business operations.

13.14 ANSWERS TO CHECK YOUR PROGRESS EXERCISES

Check Your Progress Exercise1

1. Commercializing can be defined as production meant for making a profit in the marketplace rather than for one's own family consumption or for fulfilling subsistence needs. It operates with principles such as creating a need for such as product, creating and demonstrating utility, creating consumers through injecting in the minds of people a strong desire to become actual consumers of a given product or service. In economic terms it intensifies or deepens the willingness to buy so that potential consumers find ways and means to qualify their ability to pay for a product.

Check Your Progress Exercise 2

1. One positive aspect of commercialization can be that it creates competition, which often brings down prices in favour of consumers. One negative aspect of it is gearing up consumerist culture making people develop obsession for overconsumption and to amass material possessions more than what their usual requirements are. Overconsumption by a few, naturally means stealing that which is meant for another section of the society that is starving or are deprived of such things.

Check Your Progress Exercise 3

1. Large-scale farming might be better suited when producers must compete in overseas export markets that have very stringent quality requirements and demand backward traceability of output all the way to the farm level, which may be difficult in smallholder farming.

13.15 REFERENCES

DFID, 2004. *Agriculture, hunger and Food Security*, Agriculture and Natural Resources Team of the UK Department for International Development (DFID) in collaboration with Steve Wiggins of the Overseas Development Institute, London.

Daniel Goleman, (2009). *Ecological Intelligence*, Penguin Books, London.

David Macarov, (2003). *What the Market does to People: Privatization, Globalization and Poverty*. Clarity Press Inc. Atlanta. Zed Books, London.

Lucia Wegner & Gine Zwart, (2001). Who Will Feed the World?: The production challenge, Oxfam Research Reports. April 2011. Available at: www.oxfam.org

Wayne Ellwood, (2005). *The No-Nonsense Guide to Globalization*, Rawat Publications, New Delhi.

13.16 QUESTIONS FOR REFLECTION AND PRACTICE

1. Write short notes on the meaning of commercialization.
2. Illustrate the shifts the humans have made from a life of hunting and gathering to commercialism and consumerism.
3. Spell out the positive and negative aspects of commercialization.
4. How do you explain the impact of commercialism on families and economies?
5. How do you interpret the impact (pros and cons) of commercialization on large-scale farming and smallholder farming?

UNIT 14 ECONOMIC GLOBALIZATION

Structure

14.1 Introduction

14.2 Objectives

14.3 System of Natural Liberty

14.3.1 Comparative Advantage

14.3.2 The Central idea

14.4 The Bretton Woods Trio

14.4.1 IMF

14.4.2 WTO

14.4.3 The World Bank

14.5 Promotion of concept Triad

14.5.1 Liberalization

14.5.2 Privatization

14.5.3 Corporate Globalization

14.6 Benefits of Globalization

14.7 The Neo-Liberal Revival

14.8 Globalization and Women

14.9 Overview of East Asia and Latin America

14.10 The Downside of Globalization

14.11 Fair Globalization

14.12 Summing Up

14.13 Glossary

14.14 Answers to Check Your Progress Exercises

14.15 References

14.16 Questions for Reflection and Practice

14.1 INTRODUCTION

The term globalization is widely used to describe a variety of economic, cultural, social and political changes that have shaped the world over the past three decades, from the much celebrated revolution in information technology to the diminishing of national geo-political boundaries in an ever-expanding, transnational movement of goods, services, and capital (Shalmali Guttal, 2010).

Found in the inner wrapper of a book

*“Printed in India with Austrian paper and German ink,
using Swiss technology and Japanese experts”*

Found in a popular Magazine in India

“An English woman with an Egyptian boyfriend crashed in a French tunnel driving a German car with a Dutch engine, was treated by an American doctor at Chennai using Brazilian medicines. The lady died”.

What do these statements convey?

They imply Exchange or sharing of:

- Ideas;
- Information;
- Capital (including human capital); and
- Technologies.

Ideas, information, capital and technologies connect the disbursed human communities and capabilities across national borders. This is increasing economic interdependence of the world through growing volume, and a variety of cross-border flows of finance, investment, goods and services, and the rapid and widespread diffusion of information and technology. Its primary dimension concerns the expansion of economic activities across national borders, and avoiding reinventing the wheel.

Thus, for a product taken at random,

- the raw materials may be sourced from Africa;
- the early stages of processing may take place in Russia;
- the further processing in Malaysia;

- the marketing in Hong Kong;
- the research in Switzerland; and the
- design in England.

Instead of the traditional factory where products were largely manufactured from beginning to end, a network of partial locations makes it possible for previously unheard-of efficiency gains to be achieved.

14.2 OBJECTIVES

After studying this Unit, you should be able to:

- Define globalization;
- Discuss the evolution of the concept of globalization and identify the international organizations that promote this model of development;
- Summarize Structural Adjustment Programmes (SAP) and explain the concepts such as liberalization, privatization etc. that this package attempts to implement;
- Differentiate the developmental / retrogressive outcome of globalization policies that various countries of the world have witnessed, with specific reference to East Asia; and
- State the steps being taken by organizations such as the International Labour Organisation (ILO) to make globalization to work for the poor and women in particular.

14.3 SYSTEM OF NATURAL LIBERTY

Globalization is the model of development that most countries of the world today are either following or making all out efforts to put in practice. This current model of development which we pursue was postulated by Adam Smith (1723 – 1790) as a ‘System of Natural Liberty’. He believed that each individual should be allowed to pursue and advance his or her own interests. This system, he argued, would result in the greatest wealth for both the individual and the society. Indeed, the effort of the individual to serve herself /himself would bring the greatest possible benefits for society as a whole and for other individuals (Daniel R Fusfeld, 1970).

In Adam Smith's opinion, government interrupted economic progress. In the system of natural liberty, there were only three proper functions of government: (a) establishing and preserving justice; (b) defending the nation; and (c) creating and preserving certain public institutions, which no individual or group is interested in creating and preserving e.g. roads, communications, and education (Adam Smith, 1776). Today, our contemporary economists and policy makers have gone a step further expanding the natural liberty by providing even roads, communications, and education for individual contractors and private companies to maintain and earn profits from. The role of the government has been contracted to be even smaller than what Smith envisioned. However, Smith was aware of the tendency of businessmen to serve their own interests at the expense of the public (Adam Smith, 1776).

There are also those who argue such as Korten (quoted in No-sense Guide to Globalization, 2005), that Adam Smith's concept of the market was a far cry from the one touted by today's globalization cheerleaders. Smith was adamant that markets worked most efficiently when there was equality between buyers and sellers and when neither buyer nor seller was large enough to influence the marketplace. This, he said, would ensure that all parties involved got a fair return and that society as a whole would benefit through the best use of its natural and human resources.

14.3.1 Comparative Advantage

Similar ideas can be found in the propositions developed and promoted by David Ricardo (1772-1823), a classical economist again. Ricardo said that policies which limited trade in order to protect domestic producers would injure the nation that established them. Free trade was the road to economic health internationally as well as domestically. Ricardo was able to prove that it would benefit the economy. He showed that as long as it costs less to produce cloth in England than it does to produce wheat, compared with costs in other countries, it will benefit Englishmen to shift their resources to cloth manufacturers, export the product, and import wheat from other countries.

For example, suppose an Englishman must work one day to produce a yard of cloth and two days to produce a bushel of wheat. Then, wheat requires twice as much as effort as cloth. Suppose also that a Frenchman works one day to produce each product. In this case, Englishmen should produce cloth (one day's labour), export it to France, trade it one-for-one for wheat, and import the French Wheat. In this way, Englishmen would get, for one day's

labour, the wheat it would otherwise require them two days to produce. The Frenchmen would also benefit. They could produce wheat, ship it to England and trade one bushel for two yards of cloth, and ship the cloth to France. They would also receive products worth two days' effort for one day's actual work. Both countries would benefit from this division of labour and free exchange (Daniel R. Fusfeld, 1970).

Analogy can be traced in the works of contemporary economists such as Jagdish Bhagwati also (see Jagdish Bhagwati, 2004). Going back to classical liberalism, John Stuart Mill (1806 – 1873) developed concepts and theories that opposed government ownership of natural resources because he wished to preserve the institutions of private property, but favoured a large tax on profits derived from their exploitation because those resources rightly belonged to all (Daniel R. Fusfeld, 1970). The basic argument is that a free-market economy will use all its resources. The rationale is that all countries and all peoples would eventually benefit from the results of increased trade. And world trade has zoomed ahead in the last nearly two decades.

14.3.2 The Central Idea

The central idea of the system of Natural Liberty can be encapsulated as follows:

- More trade is better for all parties concerned.
- Some may gain more from it than others, but all would eventually gain.
- Action that interferes with the free flow of capital, goods and services, and technologies would produce sub-optimal results.
- Controls and restrictions raise the cost of domestic production.
- A country should specialize in production and export only in those items where it enjoys a comparative advantage.

Generally, rule-based global trade is considered to have started after 1944 when GATT came into being. Modern globalization is found to have been initiated around 1980 with the emergence of fundamentalist, free-market governments in Britain and the US. The formula for economic progress adopted by the administrations of Margaret Thatcher in the UK and Ronald Reagan in the US called for a drastic reduction in the regulatory role of the state.

Instead, government was to take a back seat to corporate executives and money managers. The overall philosophy was that companies must be free to move their operations anywhere in the world to minimize costs and maximize returns to investors. Free trade, unfettered investment, deregulation, balanced budgets, low inflation and privatization of publicly owned enterprises were trumpeted as the six-step plan to national prosperity.

Hand-in-hand with the spread of free trade in goods and services came the deregulation of the world financial markets. Banks, insurance companies and investment dealers which had been confined within national borders were suddenly unleashed. Within a few years the big players from Europe, Japan and North America expanded into each other's markets as well as into the newly opened fragile financial services markets in the South. Aided by computer technology and welcoming governments, the big banks and investment houses were keen to invest surplus cash in anything that would turn a quick profit (Wayne Ellwood, 2005). We must note here that Keynesianism (J M Keynes, 1883 – 1946) stands in contrast to the neo-liberal belief that markets are self-regulating and prosperity is inevitable in the long-run. John M Keynes advocated government intervention to correct market failure and to generate employment.

Check Your Progress Exercise 1

Note: i. Use this space given below to answer the question.

ii. Compare your answer with the one given at the end of this Unit.

1. What is the central idea of 'globalization'?

14.4 THE BRETTON WOODS TRIO

The Great Depression of the 1930s, and the II World War made the world's leading politicians and government officials (mainly from Britain, Canada, Australia, New Zealand, and United States), to think about the need to establish a system of rules to run the post war global economy. The Bretton Woods Conference that was held in July 1944 came out with a new framework for the post-war global economy. Three governing institutions emerged from the gathering to oversee and coordinate the global economy. They include (1) The

International Monetary Fund (IMF), General Agreement on Tariffs and Trade (GATT), which later (in 1995) came to be known as World Trade Organization (WTO), and the International Bank for Reconstruction and Development, which is popularly known as the World Bank. Each was envisaged with a distinct role to play.

14.4.1 IMF

The International Monetary Fund (IMF) was born with a mission: to create economic stability for a world which had just been through the trauma of depression and the devastation of war. Another mandate envisaged was to make it easier to exchange one currency for another when trading across national borders and in this way encouraging world trade; and finally, it was required to act as a lender-of-last-resort supplying emergency loans to countries which run into short-term cash flow problems.

14.4.2 WTO

The GATT established a set of rules to govern global trade. Its aim was to reduce national trade barriers and to stop the competitive trade policies that had so hobbled the global economy prior to World War Two. In March 1994, World Trade Organization (WTO), replaced the more loosely structured GATT. The WTO, unlike the GATT, has the official status of an international organization rather than a loosely structured treaty. It has over 137 member countries and 30 observers. WTO pursues the free trade agenda, and doing away with trade barriers.

14.4.3 The World Bank

One of the other key goals of the Bretton Woods Conference was to find a way to rebuild the economies of those nations that had been devastated by World War Two. The International Bank for Reconstruction and Development (IBRD) was created for this purpose, which later came to be known as The World Bank. It makes loans to members below rates available at commercial banks. Its initial mandate was to provide loans for economic infrastructure, which included power plants, dams, roads, airports, ports, agricultural development and education systems. The Bank poured funds into reconstruction and development in Europe after World War Two. As Europe gradually recovered in the 1950s, the IBRD turned its interest to the newly-independent countries of the so-called Third World where it became widely known as the World Bank.

Check Your Progress Exercise 2

Note: i. Use this space given below to answer the question.

ii. Compare your answer with the one given at the end of this Unit.

1. What necessitated the establishment of The World Bank and IMF?

14.5 PROMOTION OF A CONCERT TRIAD

Liberalization, Privatization and Globalization are the main concepts that these three organizations promote as the recent model of growth / development. They do it through a package called SAP or Structural Adjustment Programmes. Structural adjustment is the process through which countries are meant to undertake structural changes to their economy as a precondition to qualify for loans from the IMF and the World Bank. The SAP contains policy prescriptions with neo-liberal ideas.

Neo-liberalism is a revival of nineteenth-century *laissez-faire* political theory advocating capitalism and limited government intervention in economic and social affairs on the grounds that markets are self-correcting in the long run. For the developing countries it has been imposed since the 1980s by Washington-based international financial institutions, notably the IMF, as a precondition for providing financial assistance to debt-strapped developing countries. These comprise trade liberalization, privatization and fiscal austerity. This came to be called: 'Washington Consensus', which was originally coined by economist John Williamson. The neo-liberal economic perspective has come to be accepted as the prudent sense approach to running a country. This radical paradigm shift has occurred in the short span of 30 years.

14.5.1 Liberalization

Liberalization simply means the withdrawal of government interference (regulation) in financial markets, capital markets and trade. The following are some key characteristics of 'liberalization':

- The basic tenet of economic management should be left to the market.
- The demand and supply forces should determine the price of commodities, labour, capital, land and services.
- In order to ensure market operation, all controls, regulations, and measures that constitute barriers should be done away with.
- The state should take the back seat in economic matters.
- No intervention by the state should be implemented in terms of controls, subsidy, selective protection etc.

14.5.2 Privatization

Privatization is the process of transferring State-owned enterprises and services to private ownership. The term is also used to refer to the contracting of government services to commercial firms. The crux is that all public sector economic activities that are in operation should be closed down, phased out, trimmed or passed on to the private sector. Public ownership should be allowed only in the cases of strategic industries such as defence and research establishments. Public sector undertakings should not be allowed to be a drain on the state's resources.

Globalization is both a result and a force of modernization and capitalist expansion, entailing the integration of all economic activity (local, national, and regional) into a 'global' marketplace: that is, a marketplace that transcends geo-political borders and is not subject to regulation by nation states. The practical manifestations of this integration are the dismantling of national barriers to external trade and finance, deregulation of the economy, export-driven economic growth, removal of controls on the transnational mobility of finance capital, expansion of portfolio capital, privatization, and the restructuring of local and national economies to facilitate free-market capitalism. This is to say that the culture and society are increasingly shaped by neo-liberal economic measures that supposedly enhance 'economic freedom' and 'consumer choice'. Most significant among these measures are the liberalization of trade and finance, deregulation, and privatization, which have been nailed down over the past three decades by the Washington Consensus, the unprecedented rise of

corporate power, the formation of the World Trade Organization (WTO), and burgeoning bilateral and regional free-trade and investment agreements (Shalmali Guttal, 2010).

14.5.3 Corporate Globalization

The Multi-National Corporations (MNCs) and big business giants in the industrialised and industrializing economies found that opening up world market for their products meant a great deal of business prospects for them. Hence, concepts such as outsourcing (sending work across national borders to get it done at a cheaper price), and off-shoring (establishing production centres / project units in places where raw materials and human resources are cheap) have evolved as new business models. Manufacturing and service centres of MNCs are opening up in many of the economies that show potentials of huge market, and cheap labour. Thus, China, and India are often spoken about as emerging economies. Initially, the concentration of Western MNCs and the MNCs of emerging economies was on Asian countries like India, China, Indonesia, Philippines etc. Now, taking cognizance of the raw material potential and availability of cheap labour in Africa, it has extended to African countries as well. This is believed to be enhancing national incomes, creating employment and is argued to reduce conditions of absolute poverty levels. It started in the manufacturing sector and extended to service sectors such as banking, insurance and financial services too. This is often referred to as economic globalization.

14.6 BENEFITS OF GLOBALIZATION

Debates about globalization abound, not only about how to define it but also about its origins, central actors, driving forces, and transformative powers. Supporters and detractors alike agree that advancements in applied sciences, technology and communications have played central roles in making globalization possible. US and British banks deal with their customers through call centres in Asia; popular brands of clothing and sportswear design their products in USA in Europe, manufacture them in developing countries, and sell them all over the world at competitive prices; the Internet allows commodities, futures, and currencies to be traded across the globe, taking advantage of time differences in different bourses and exchange markets; legal and medical establishments in the affluent North outsource much of their processing to selected developing countries such as India, to take advantage of a skilled

and educated labour force that costs a fraction of what these establishments would pay in their home countries (Shalmali Guttal, 2010). The following are the underlying benefits of globalization as visualized by the promoters and supporters of globalization:

- Globalization is a gateway of opportunities;
- Free trade creates wealth;
- Trade can eventually benefit everyone involved;
- Sharing of ideas, information, technology and capabilities can enrich human life across national borders;
- The best use can be made of human and natural resources in a given economy; and
- Quality goods can be arranged at competitive prices.

Today's globalization involves vastly increased flows of goods, services and finance across national borders. This has led to greater competition among companies and countries. In addition, easier and faster travel and communication have reduced the cost of doing business across borders and made the world seem smaller. Events in one place can have an immediate effect on people thousands of kilometres away.

Box – 14.1 Globalization- some facts

- By the end of 1980, foreign borrowing had touched nearly 100 billion, and the debt-service ratio had reached an alarming figure of 30 per cent.
- Countries such as England and Japan where India went to borrow, wanted gold and foreign exchange reserve as security to show that the government was able to repay the loan.
- The Gulf crisis of 1990, that led to a sudden and massive escalation of the oil import cost; the disappearance of \$ 2 – 3 billion of annual remittance from Indian workers in Kuwait, Iraq and other Gulf countries.
- The heavy speculative outflow of NRI funds held in India – upto \$ 1 billion – within a short time, to East Asia.
- All these were compounded by a sharp drop in India's credit rating and the unwillingness of the private international banks to offer any more loans.
- A structural adjustment package was introduced in July 1991, which came to be known as New Economic Policies (NEP). Several new policy initiatives were taken up since 1991 including New Trade Policy, New Industrial Policy, New Banking and Finance Policy, Public Sector Reform, Agriculture Reform etc.

- Today, India is said to be one of the fast adopters of globalization policies. There are impressive growth rates reported in industrial / manufacturing and service sectors. There are also a series of problems raised such as the widening gap between the rich and the poor and unprecedented environmental challenges.

Source: Soumyen sikdar (2004) Contemporary Issues in Globalization, Oxford University Press, New Delhi

14.7 THE NEO-LIBERAL REVIVAL

The ubiquitous emphasis which is placed today on the importance of free markets, entrepreneurship and profit-seeking today is indicative of the dramatic changes which have taken place in development thinking since the 1980s – the Washington Consensus. Neo-liberal proponents of capitalist development argue that poverty will be eradicated if governments create the conditions in which profit-seeking entrepreneurs establish new enterprise, creating mass employment and raising incomes of millions of people. The neo-liberal approach not only revives nineteenth-century laissez-faire economic theories but recapitulates many of the prescriptions of modernization thinking. The major difference is that neo-liberalism requires that the State reduce taxation, curtail public spending, and refrain from economic regulation. Instead, neo-liberals urge governments to actively facilitate market activities and promote the interests of the commercial sector. What is good for business, they argue, is good for everyone and particularly the poor. These ideas now dominate international development thinking. Since the collapse of the Soviet Empire, and the embrace of market ‘reforms’ by the government of the People’s Republic of China, they became the new international economic orthodoxy (Anthony Hall and James Midgley, 2004).

14.8 GLOBALIZATION AND WOMEN

There are several studies that support that globalization has and continues to have differential impacts on men and women. It has been argued in India that the privatization of public sector enterprises, reduction in public sector investment, and lower government expenditure on poverty eradication programmes have not served the interests of women.

Another view is that to understand twenty-first-century globalization, the processes of both globalization and modernization need to be considered. These processes have had complex and contradictory effects on women. Modernization has changed gender relations as a result of women's entry into the public sphere - for some groups of women, modernization has reduced gender inequalities and enhanced educational and employment opportunities. However, the decreased reliance on their husbands and fathers and the accompanying rights have been endangered as a result of neoliberal globalization. Women's rights to education, gainful employment, and health are all under threat as a result of government cutbacks in these spheres.

In their groundbreaking cross-cultural study of the impact of global market reforms on women, Einhorn and Yeo (1995) demonstrated that the consequences can be both empowering and constraining. For example, the transition to a market economy in China shows that women's right to work and labour protection that were guaranteed by the socialist state are now eroded. At the same time, greater occupational choices have sprung up in women's professional lives, enabling them to overcome the passive roles they previously occupied under a centrally planned distribution of employment.

The major concerns affecting women under the liberalization process include reduced employment opportunities in the formal sector, adequate protection in the labour force, and the feminization of poverty. The trade liberalization policies have attempted to integrate women into the global economy, particularly through employment in export-processing industries and the expansion of export-processing zones. However, women's job security is threatened by the prohibition on unionization and decentralization through sub-contracting. On one hand, it is likely that the unorganized sector will grow due to the lack of labour legislation, making it attractive for employers to recruit women. On the other hand, in the agro-processing industry where women work in large numbers, the import of modern technology in firms that are to be taken over by corporations such as Kelloggs, Pepsi, Nestle, and General Foods reduce employment in low-skilled jobs (Mathew 1995). Yet there does not seem to be any prospect of women being offered training and technical skills as education now is premised on user-pay principles, which limits the access of poor women. While one argued that the present policies encourage displaced rural women workers to migrate to overcrowded urban areas, another comes with results that suggest that moves toward

privatization and a market economy will weaken the already inadequate services for rural women.

Study of women workers in export-processing enclaves in Bangladesh shows that women from rural middle-strata families were able to increase their employment opportunities, thus challenging the traditional prohibitions on female mobility that were shaped by Bengali culture and a variant of Islamic doctrine. Hence, class differentials and cultural specificity are of paramount importance when considering how economic changes have shaped gender relations and people's responses (Ruchira Ganguly, 2003).

Check Your Progress Exercise 3

Note: i. Use this space given below to answer the question.

ii. Compare your answer with the one given at the end of this Unit.

1. How does globalization affect women particularly?

14.9 OVERVIEW OF EAST ASIA AND LATIN AMERICA

In recent years, China has sustained high level of economic growth and is developing effective responses to the global financial crisis. It has thus become one of the world's largest economies, and the fastest growing one (Arjan De Haan, 2010), drawing the attention of development theoreticians. Similarly, the main challenges for development studies has shifted to East Asia. The reasons why are rather easy to understand.

Japan, and its regional neighbours South Korea, Taiwan, Hong Kong, and Singapore, have made the most impressive economic strides of any nations in the world in the post-war era. They registered a record economic growth rate not only during the prosperous 1960s when international trade and investment were expanding worldwide, but they also have managed to

sustain their dynamism throughout the 1970s and 1980s in the face of severe oil price hikes, a global recession, and rising protectionism in their major export markets. This rapid economic growth, furthermore, has been accompanied by a relatively egalitarian distribution of income. Small wonder then that development specialists are intrigued by the East Asian experience as they try to understand how these high-growth economies operate and why they have been so resilient.

This interest in East Asia has sparked a rejuvenation of cross-regional research on development issues. Latin America is a prime candidate for comparison with East Asia. The two regions are the most industrialized in the developing world, with Mexico, Brazil and Argentina being the Latin American analogues of East Asia's 'Four Tigers' (South Korea, Taiwan, Hong Kong and Singapore). In the past decade, however, Latin American nations have found it difficult to maintain their previous levels of growth, as they confront mountainous external debts, high rates of inflation, shortage of investment capital, and the growing social and economic marginalization of large segments of their population. Until 1997, the tiger economies of the East Asia were the success stories of economic globalization. The highly industrialized countries in East Asia and Latin America have been fertile spawning ground for a variety of theories and concepts dealing with Third World development (Gary Gereffi, 1989).

Later, the East Asian economic crisis was a serious blow to the 'promise' of economic globalization. It was the first time that the 'global managers' and finance kingpins showed that the system was not all it was made out to be. The global economy was more fragile, and thus more explosive, than anybody had imagined. The world has begun to ponder about the pros and cons of globalization. The East Asian crisis planted real seeds of doubt about the merits of corporate globalization.

14.10 THE DOWNSIDE OF GLOBALIZATION

There are studies that have proved that the environmental and social costs of globalization are enormous. The negative externality caused by globalization in terms of displacement of poor people from their places of domicile and work; and the havoc it plays with the livelihood resources of the poor are reported to be high pushing people further down in poverty levels.

The commercial or the economic efficiency calculations have marginalized the poor from subsistence agricultural and non-farm practices. The opponents of globalization believe that globalization is a war on the psyche or it is submissiveness or an inferiority complex that the rich countries are giving to the poor countries with respect to their own cultures, models of development according to their own technological status, intelligentsia, and creativity. They are trying to make sure that this psyche operates in their favour with trade agreements.

Experience from some countries and results of several studies reveal that because of globalization some benefit, many lose. Some countries have reported growth, but with an expanding inequity. It has resulted in bringing down the absolute poverty levels, whereas the inequity between the rich and the poor has widened alarmingly. The globalization model of development is trying to bring economic prosperity, amidst a dying society (Palanithurai & Ramesh , 2008).

14.11 FAIR GLOBALIZATION

Many international organizations and NGOs keep continually coming out with reports on the downside of globalization. These reports report on the repercussions this model of development has on people – especially on the poor and women. The ILO is concerned about the declining labour standards, and conditions of work that are coming about as a result of the globalization model of development. The independent World Commission on the Social Dimension of Globalization (2002), which was established by the International Labour Organization and co-chaired by President Halonen of Finland and President Mkapa of Tanzania, came out with reviews of key global policies. Their report is known as the ‘World Commission on the Social Dimension of Globalization’. The report of this Commission is titled: ‘A Fair Globalization: Creating Opportunities for All’. This report (2004) has come out with several policy briefings to promote a fair globalization – to make globalization work for the poor also.

The report’s central conclusion is that globalization has enormous potential for good, but urgently needs to become fairer, with its benefits extending to many more people and countries. This means changing the path of globalization. “There are deep-seated and persistent imbalances in the current workings of the global economy, which are ethically

unacceptable and politically unsustainable... Seen through the eyes of the vast majority of men and women, globalization has not met their simple and legitimate aspirations for decent jobs and a better future for their children", the report says.

The rapid growth in global markets has not been accompanied by the development of economic and social policies responsive to the needs of people. Rules on international trade, investment, finance and migration are viewed as unfair by developing countries, which do not have an adequate say in governing the global economy. Similarly, workers and the poor have little or no voice in this process. The report outlines a series of coordinated actions at national, regional and international levels involving international bodies, governments, workers, employers and civil society. In addition to fairer rules on trade, finance and migration, the report calls for policies to promote decent employment, sustainable economic development, social security, education and health care. Decent work, which meets people's aspirations and respects their rights and dignity, should become a global goal (www.ilo.org/wcsdgi, 2004)

When liberalization policies are introduced, one of the significant concerns of a country like India - where poverty and prosperity co-exist - is the concentration of schemes and programmes that would prepare the poor to take advantage of opportunities that globalization brings about. How do we make sufficient domestic preparations so that society becomes competent enough to manage the newer ways of doing things? This domestic preparation includes education; training and capacity building of the local institutions; capability enhancement of the mediocre; public health care system; position of the state policy in allocation of resources especially land, water, power etc. In a nutshell, this is about protecting the "pedestrians" in a world that is moving at break-neck speed (Palanithurai & Ramesh, 2010).

14.12 SUMMING UP

'How do we manage globalization in such a way that the poor also benefit, and get out of the poverty trap?' This is the vital question that stands now, when we are well past debating: if globalization is good or bad; and if globalization should be supported or opposed. By now, almost everyone has learnt sufficiently well that this flood gate cannot be shuttering down

raising hands against it. All that one needs to think seriously about is how to manage the challenges, and remain afloat. How to make use of the opportunities so that the poor are not hurt? How to strengthen the state and grassroots level institutions, so that they are not offended by the new-wave market forces? One can observe that globalization has definitely escalated the levels of aspirations of the people, including that of the poor. It is time to study if the long cherished desire of 'making everyone benefit in the long-run' is likely to turn into reality, or is it only an illusory idea floated around by some easy-chair economic theorists.

14.13 GLOSSARY

Globalization: A process of international integration involving increased economic exchanges and communications.

Imperialism: The excess of political and economic power by one society over others.

Keynesianism: Named after the British economist J M Keynes (1883 – 1946), this approach advocates government intervention to correct market failure and generate employment. Keynesianism stands in contrast to the neo-liberal belief that markets are self-regulating and prosperity is inevitable in the long run.

Liberalization: The withdrawal of government interference (regulation) in financial markets, capital markets and trade. De-regulation, and de-control are part of liberalization activities.

Modernization: The process of becoming modern and of promoting modernity through industrialization.

Neo-liberalism: A revival of 19th Century *laissez-faire* political theory advocating capitalism and limited government intervention in economic and social affairs on the grounds that markets are self-regulating in the long run.

Privatization: The process of transferring state-owned enterprises and services to private ownership. The term is also used to refer to the contracting of government services to commercial firms.

Structural Adjustment: The process through which countries are meant to undertake structural changes to their economies as a precondition to qualify for loans from the IMF and World Bank.

14.14 ANSWERS TO CHECK YOUR PROGRESS EXERCISES

Check Your Progress Exercise 1

1. Increasing economic interdependence of the world through growing volume, and variety of cross-border flows of finance, investment, goods and services, and the rapid and widespread diffusion of information and technology. That is connecting the disbursed human communities and capabilities across national borders. Its primary dimension concerns the expansion of economic activities across national borders, and avoiding reinventing the wheel.

Check Your Progress Exercise 2

1. The World Bank was established with a view to rebuild the economies of the nations that had been devastated by World War Two. Its initial mandate was to provide loans for economic infrastructure which included things like power plants, dams, roads, airports, sea-ports, agricultural development and educational system. The IMF was to act as a 'lender-of-last-resort' supplying emergency loans to countries which ran into short-term cash flow problems.

Check Your Progress Exercise 3

1. There are several studies that support that globalization has and continues to have differential impacts on men and women. Cross-cultural study of the impact of global market reforms on women have demonstrated that the consequences can be both empowering and constraining. For example, the transition to a market economy in China shows that women's right to work and labour protection that were guaranteed by the socialist state are now eroded. At the same time, greater occupational choices have sprung up in women's professional lives, enabling them to overcome the passive roles they previously occupied under a centrally planned distribution of employment.

14.14 REFERENCES

Anthony Hall and James Midgley, (2004). *Social Policy for Development*, Sage Publications, New Delhi.

Arjan De Haan, (2010). *Will China Change International Development as we know it?* Journal of International Development, Published online in Wiley Interscience (www.interscience.wiley.com) Accessed on 17th May 2011.

David Macarov, (2003). *What the Market Does to People: Privatization, Globalization and Poverty*, Clarity press, Inc. Atlanta and Zed Books, London.

Gary Gereffi, (1989). *Rethinking Development Theory: Insights from East Asia and Latin America*, Sociological Forum, Vol.4, No.4, 1989. Published by Springer [URL:http://www.jstor.org/stable/684423](http://www.jstor.org/stable/684423) Accessed on 2nd May 2011.

Palanithurai G & Ramesh R (2008). *Globalization: Issues at the Grassroots*, Concept Publishing Company, New Delhi.

Palanithurai G & Ramesh R. (2009). *Standpoints on Globalization and Decentralization*, Concept Publishing Company, New Delhi.

Palanithurai G & Ramesh R. (2010). *Globalization and Rural Development*, Concept Publishing Company, New Delhi.

Prabhat Patnaik, (2009). *The Economic Crisis and Contemporary Capitalism*, Economic and Political Weekly, Vol XLIV No.13, March 28-April 3, 2009.

Ruchira Ganguly, (2003). *Paradoxes of Globalization, Liberalization, and Gender Equality: The Worldviews of the Lower Middle Class in West Bengal, India* Author(s): Ruchira Ganguly Scrase Source: Gender and Society, Vol. 17, No. 4 (Aug., 2003), pp. 544-566 Published by: Sage Publications, Inc.Stable URL: <http://www.jstor.org/stable/3594657> .Accessed: 02/05/2011 07:12

Shalmali Guttal, (2010). Globalization. In Andrea Cornwall and Deborah (Eds.) *Deconstructing Development Discourse: Buzzwords and Fuzzwords* (pp. 69–79) Practical Action Publishing in association with Oxfam, UK.

Wayne Ellwood, (2005). *No-Nonsense Guide to Globalization*, Rawat Publications, New Delhi

..... (2004)‘*World Commission on the Social Dimension of Globalization*’ The full report, which was published in 2004, is available at www.ilo.org/wcsd. Accessed on 10th April 2011.

14.16 QUESTIONS FOR REFLECTION AND PRACTICE

1. What are globalization, liberalization and privatization? Discuss some aspects of interrelationships.
2. What are supposed to be the benefits of globalization?
3. Why do some people oppose globalization?
4. How does globalization accelerate or decelerate women development?
5. Point out a few lines of action suggested by the World Commission to make globalization work for all.

