

What is a GNH Economy?

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A group of people found themselves at the intersection of many paths, deep in a valley named “Economy”. After a night spent in pursuit of delights other than the knowledge that derived from study, or the Enlightenment that may result from meditation, they looked around and saw many signs pointing in every direction. “Where are we?” asked one. “I’m not quite sure,” said another, “Where did we come from?” And the third: “Where are we going?” “I can’t remember,” said the first, “if I knew where we were coming from, perhaps I could remember where we were going!” And, as in all such stories, because they were wise and thoughtful, they sat down on the ground, took some deep breaths, and tried to figure out together where they had come from, where they were at the moment, and where they wanted to go. To a very real extent, we are them.

The third democratically elected government under the Bhutanese Constitution stands at the same crossroads. One of its most important tasks, from its very first moments in office, is the mapping out of the path of economic development along which it will lead the nation. The issue is not a new one, but the government is, and precisely for that reason, it needs to take stock of the past and present, envision a future that will capture the imagination of the people, unify the popular will in pursuit of that vision, and develop coherent policies based on that vision.

We are a small-in fact a tiny-country, with limited natural resources and insufficiently educated human resources. For far too long, this condition has been considered disadvantageous and, given our neighbourhood, a source of weakness. The advent of a new government, however, gives us the opportunity to turn the tables on ourselves, as it were. Economic development is not a science; it is a consequence of a choice among different policy possibilities, on the basis of an extremely unblinkered assessment of the realities in which we live and lived. It is a consequence of a willingness to experiment, to adopt policies appropriate to the reality of our condition, and to reject policies that are inappropriate to our reality, or that would lead us to a future other than the one we choose, however successful they may have been elsewhere, or however powerfully they may have been presented to us.

This implies that the government must, first, be willing to take the time to develop the knowledge we need to make coherent policy. Second, it must engage in serious deliberations over the characteristics of the future towards which we would like to move. Because, under the leadership of our Kings, we have set ourselves on the path to democracy, the new government must develop mechanisms to engage the people as widely as possible in the discussion and definition of the social and economic goals we would like to achieve. Third, the government must assess, extremely realistically, the resources we have and those we need to find in order to achieve our goals. Fourth, the government must adopt clear and coherent policies aimed at achieving our goals step by step.

All of this may appear at first glance to be self-evident, but the fact is, we live in a contradiction. On the one hand, our Constitution mandates national elections every five years, and that implies the possibility of a change of both policy objectives and policies themselves, with each new government that comes to power. On the other hand, the vision we adopt that defines and describes the kind of society, economy and polity that we want to become, suggests the adoption of policies and goals that by their very nature cannot be achieved within the short five-year lifespan of any given government. The conclusion is that if we can agree upon a social vision of what we want to become, our politics can rise above the personal level and can focus on the evaluation and adjustment of the long-term policies we need to pursue our objective.

These are not abstractions. The hard truth of the matter is that more than three decades ago, His Majesty The Fourth King gave voice to a vision-Gross National Happiness (GNH) -- to guide the nation on the path of development and change. And His Majesty The Fifth King has striven to encourage us to define that vision and a set of achievable goals, and to develop practical and realistic policies to move us towards them.

Numerous national and international conferences were held. Valuable and important social science surveys were, and continue to be, conducted. Books and articles have been written and published. Institutions have been re-named and reformed. The objective of all these important activities was to create and adopt an approach to economic change that would not mimic the rapacious capitalism characteristic of so much of the rest of the world around us.

We claimed that Gross National Happiness, not Gross National Product, should guide us in our pursuit of our nation's future, but the fact is, we have continued to pursue policies aimed at the increase of the Gross National Product (GNP), and to evaluate our successes and failures in terms of GNP. More than that, as one of our great scholars has repeatedly reminded us, we banked on the development of a particular natural resource to finance development. That may have skewed our development in a direction too narrow for the common good. Besides, that natural resource is not ever -- renewable.

With perhaps the single important exception of the environment, our economic policies have not strayed from the path of GNP development, with such direct or indirect consequences that we find our food self-sufficiency declining; our wealth and income distribution certainly not moving in the direction of greater equality; the consumption of junk food as part of the daily diet of our people increasing, or certainly not decreasing; our countryside becoming de-populated, and the quality of life consequent upon uncontrolled urbanisation has not, apparently, perceptibly improved. The attempt to pursue GNH by means of GNP policies, one can argue, has been counter-productive.

The election of our third democratic government provides us, in this context, with a superb opportunity to take stock of where we have been, to analyse where we are, and to define where we want to go. What follows here is not a proposal or a plan of action; it is, rather, some incitements to encourage discussion in all circles of our society, towards the goal of our reaching some consensus about a set of broad and coherent objectives, towards the achievement of which our new and future governments can develop and refine, adjust and amend clear policies.

First, we must begin with knowledge about ourselves. We need to know where we have been and what we are. A coherent picture of the institutions and processes of Bhutanese society, and the Bhutanese economy up to the present time, needs to be developed. Some research exists and has been published, but many questions remain to be asked, and there are enormous gaps in our knowledge. But our policymakers need to share at least the minimum amount of knowledge that, to the extent possible, is not coloured by a prior political or social ideological assumptions.

We need to talk about and understand social classes, social and cultural conflicts, and relationships of domination and subordination, for example. We need more knowledge about the history of land ownership and control, about the production and distribution of goods in the countryside and in the towns, about changes in consumption and consumption levels, and so on and so forth.

Obviously, we lack the time and the personnel to engage in the kind of research and writing found in those countries to which we send our students to study, but at least we can make a start at a level of generalisation that will be sufficient to inform the discussion of both our policymakers and the general public. And we are fortunate to have in the Centre for Bhutan Studies (CBS) an institution well prepared to engage in the production of such knowledge.

Alongside knowledge of where we have been, we need more detailed knowledge of what we are. This knowledge of ourselves today must be based on honest and straightforward analyses of the distribution of economic goods, wealth, political and economic power; an evaluation of the functioning of our constitutional and extra-constitutional institutions; and a professional guesstimate of the distribution of both traditional and modern goods and services, including education, at all levels of the population.

There is no question that in the reading of it, this sounds like a task beyond our abilities. In fact, that is not the case. The government should task the Centre for Bhutan Studies to design a statistical research project that would bring to light the information we need for analysis. The conduct of that research could be carried out by teams of young foreign and Bhutanese volunteers, that would serve as a model for other countries at a similar stage of development as ours. Much information may already be available but would need to be surfaced and re-fashioned; other information would need to be gathered in the field.

The establishment of a historical and contemporary knowledge base for policy discussions and policymaking will not take place overnight, but the creation of a fundamental knowledge base need not take forever, if the project is carefully planned and efficiently executed.

Second, we must develop knowledge about others. It is not an exaggeration to say that, despite numerous “study trips” to other parts of Asia, Europe, and even Africa and Latin America, most of the policies and policy models that we have adopted over the last period of time had derived from those parts of the world with whose experience we have the least in common, namely, the advanced English-speaking countries of the British Commonwealth as well as the United States. We have failed to take advantage of the wealth of experiment and experience available in Latin America and parts of Africa, from which we might learn. There is good reason to believe that we may have more valuable lessons to learn from Botswana and Costa Rica than from Australia and the United States.

Third, we need to re-think where we are going. To a certain extent, we may have confused such categories as “development”, “modernisation”, and “well-being”. For example, some of our “development goals” may be the result of a concept of what is “modern” more than a consequence of a balanced and well-considered philosophy of “well-being” for our people. By way of incitement to discussion, this statement is intended to raise a host of issues, only a few of which can be suggested here.

Is the well-being of our people better served through urbanisation or through improvement of the quality of life in the agricultural sector? For example, it may be easier to deliver medical care to an urbanised population than it would be to a primarily agricultural population, but such a calculation also needs to account for the quality of life in urban centres, as opposed to the countryside, and to account for the different pathologies of urbanism as opposed to rural life. Another example: Does an emphasis on investment in urbanisation benefit our people more than an emphasis on investment in agriculture, and even in “ruralisation”?

We live in a world with a rapidly increasing population and a rapidly growing environmental crisis, and both these conditions challenge the world’s food supply, so that the price of food is generally rising and will continue to do so. This suggests an important question for long-term Bhutanese policy consideration: Given our size, population, and relative paucity of natural resources, will we ever be able to participate in the world industrial market to the point that our people’s standard of living and well-being will benefit significantly?

Or is it possible that we should be investing far more in the development of agriculture in order to take advantage of changes in the global economy? Asking this question is not suggesting an answer; it is suggesting that the process of policy development must take into account potentials that may not necessarily lie “inside the box”. His Majesty The King is always urging us to think “outside the box”; we have not yet dared to do so, and our new Government’s policymakers must.

Fourth, how should we define, in the broadest terms, the society we seek? If we assume that a GNH society is a “healthy society”, what do we mean by “health”? It is an excellent metaphor with which to begin the discussion. For example, if we use the word “health” as a social metaphor based upon its medical use -- in other words, a characteristic of an entity whose functions are well-balanced within a particular system -- we can begin to speculate about the point at which the maldistribution of income and wealth in our society reaches “unhealthy” proportions, and ask ourselves what measures we need to take in order to restore the distribution of income and wealth to a healthy balance. If we accept the possibility that urbanisation per se may not serve our objectives -- in other words, if we were to determine that agriculture should receive more emphasis than urbanisation -- what would a ‘healthy’ balance of population be between the towns and the countryside? And how would we achieve that balance?

To extend the metaphor of “health”, it is widely recognised that the health of an individual is to no small extent quite dependent upon the community in which the individual lives. What kind of social relationships and arrangements would characterise a “healthy community”, and how should we go about encouraging them? Here, again, one may suggest that highly unequal income distribution may be counter-productive in terms of producing a healthy community and cohesive society, both at the village and at the national levels.

Fifth, if we were to undertake a serious policy of investment in agriculture as the centrepiece -- or even as a seriously important element in our plan for economic change -- we need to ask what kinds of social arrangements and legal structures do we need to promote agricultural growth. Three examples of such questions will have to suffice. First, is the model of privately-owned land and family farming the most advantageous and productive arrangement in agriculture at all levels of production and distribution? We have a law

to define and govern cooperatives, but investment in the development of agricultural cooperatives at all levels has never been a primary policy of the government. There are in the world many different structures of social and economic arrangements at every stage of agricultural production, and we need to determine if the arrangements we now have are the best for the development of a healthy and productive Bhutanese agricultural sector. Second, we need to determine what the optimal size of plots, fields, is to achieve optimal production. Obviously, the question of optimal size of plots is closely connected with the kind of agricultural technology we want to use. Third, given the state budgetary and household income constraints within which we have to function, should we re-think and re-organise the distribution and use of agricultural technology?

Sixth, we think about economic planning in terms of five-year plans. Five-year plans may be useful in terms of specific projects in different economic sectors, because they provide a reasonable temporal framework for investment and measurement purposes. But does the five-year plan concept contribute, or even encourage, thinking about and planning for broad social objectives over the long run, objectives that can only be achieved over decades of coherent policy? Perhaps we need to conceive more than one planning framework, or a longer framework of time for the planning and funding of development of the society as a whole in the direction of our goals.

Seventh, it is widely understood these days that the economy, the political life and the social life of the nation are not three separate areas of activity. Rather, they form part of a seamless web, and development in the economic sector has profound impact on the social and political sectors, just as political decisions have a powerful impact on economic development. In fact, as we all know, the choice of one or another policy or broad economic objective is itself a political decision profoundly influenced by the social relationships of a society. This means that we need to start thinking about the economic process not simply in economic terms but also in political and social terms. Because we are a small society, we can observe the relationships between these different sectors or domains more readily, and take them into account more functionally in our forward economic planning. The economic planning process cannot be the province of economists alone; it requires sociologists, political scientists, and even philosophers.

Eighth, the Government needs to pay greater attention to prioritisation of objectives than it may have in the past, and toward that end, it needs to lead and encourage a broad national discussion about priorities. Until now, a very high priority has been given to the development of hydropower, particularly for export, but given the fact that hydropower is not a resource that will be available to us for development in ever renewable quantities endlessly into the future, there can be no more important task for the Government than to set now the priorities for change, growth and development in the future. Decisions and choices in many complex areas of economic development will depend upon the choice of priorities we make now. Two examples will have to suffice:

- The search for, and the willingness to accept, Foreign Direct Investment (FDI) as such, as an absolute figure whose increase is an objective of government policy, is not, and must not be allowed to become, a goal of our economic policy. We have already made some decisions regarding limits on FDI. Perhaps the most famous is our constitutional policy concerning the maintenance of our national forest cover. The consequence of that for FDI is that, obviously, we would not accept investment aimed at cutting down, let us say, 10 percent of our forest cover to provide raw material for a paper export industry. The same principle of limitation of FDI on the basis of prioritisation of national purposes can and should be applied broadly throughout all our economic planning. To carry this a point further: The search for FDI must be guided by long-term economic planning, not just by the government's political need to demonstrate policy success through short-term statistical growth.
- Because we are a very small country with very limited resources, our balance of trade will grow more and more unfavourable the more we pursue a policy of "modernisation" measured, for example, on patterns of consumption characteristic of larger industrial societies. We will never be able to engage in import substitution for the consumption of industrial goods, for example.

To the extent that we continue to encourage the import of automobiles and, therefore, all the products necessary to support automobiles -- like oil, gas and parts -- our balance of trade will be negatively influenced. It may be interesting, even fashionable, to discuss the importation of electric cars instead of gas engines, but that discussion is about pollution and the environment, not about our balance of trade. Similarly, our balance of trade will grow more negative to the extent that our food consumption habits depend more and more on imported food products.

Both these examples, and they are only examples, suggest that economic policy may depend, very closely, on what we may call “cultural policy”. Consumption patterns may be measured economically but they are defined culturally. Furthermore they are, in the not so long run, philosophical. A national culture that emphasises the beauty, morality, and long-term sustainability of a simple way of life, as opposed to the measurement of success in terms of individual consumption of the most fashionable and contemporary imported goods, is going to influence profoundly our balance of trade. These are only two examples of policy areas that depend upon the discussion of, and the building of consensus around issues that should have been part of our national discussion of GNH, and that must now be central to the development of long-range economic policy for the maintenance of sustainability and national sovereignty. That is what FDI and the balance of trade are ultimately about, after all.

Finally, up to the present time, economic policy and social goal-setting has been largely the province of the bureaucracy, more precisely, the province of the higher reaches of the civil service. But if we are serious about moving further ahead along the democratic path upon which we have embarked, the broad issues raised here need to become the subject of democratic discussion at all levels of our society. The detailed refinement of specific policies, the writing of laws and regulations, the finding of investment or development funds, are all highly specialised activities. But if we want a coherent society in a sovereign nation in the future, we must begin now to engage the people in the general discussion and definition of our long-term vision, in order to build the consensus on which the very existence of community rests.

The building of consensus requires that the people be encouraged to organise discussion among themselves, in their places of work, whether urban or rural, in their neighbourhoods, wherever, in fact, they engage in social activity. This implies, also, the radical need for them to represent themselves corporately to society at large. Consensus is by definition negotiated through and mediated by social, economic and political organisations.

This is a very underdeveloped area in our society, and where it does take place, such as in “civil society”, laws and regulations governing it appear to tend more towards the purpose of controlling than of promoting the development of expression of opinion, without which consensus cannot form.

It should be the task of our Parliament, under the guidance of His Majesty The King, to take the discussion to the people, to discuss publicly the opinions they gather from the people, to engage actively in the process of the formation of a popular consensus, and then to convert that consensus into long-term policy objectives and intermediate policies. This has to take place constantly, not only in election periods. It is often said -- as often as not to explain away our weaknesses and our foibles--that we are a small society in which everybody knows everybody else. But that smallness and the fact that we all know each other may be, if we wish it, a source of incredible strength. The new government should take advantage of that potential.