Chapter 15
Ethical Behavior and the Development Paradigm

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ABSTRACT

Marketplace ethical behaviour is quite difficult to practice because it stands at cross purposes with commercial objectives. Both companies and consumers look for short term benefits in preference over practices that are sustainable or planet friendly. The thinking that dominates development economics globally is to buy, use and throw. Companies like to launch new products all the time encouraging consumers to buy new and bigger models, packaged attractively, on which margins are higher, throwing away perfectly fine and working products. Ethical behaviour – whether it is sourcing of raw materials to paying workers adequately – entails additional costs and efforts. Modifying behaviour or inculcating long term thinking is not an easy task. This chapter looks at existing behaviour both of companies and consumers. It also describes ways in which business and government policy needs to change to encourage long-term thinking in society to change lifestyles across the board.

INTRODUCTION

The world as we know it faces massive disruption and even destruction because of global warming and deterioration of habitats. It is becoming imperative that both companies and consumers start thinking about the long-term impact of their choices and behaviour. Unfortunately, the present paradigm of instant gratification for consumers and of meeting quarterly profit targets for companies does not encourage long-term ethical behaviour. However, it is increasingly becoming clear that behaviour both of companies and consumers must be modified for long term health of the planet and survival of the human race.

Modifying behaviour or inculcating long term thinking is not an easy task. This chapter looks at existing behaviour both of companies and consumers. We draw on research to show how prevalent human
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behaviour is detrimental to the planet. The chapter also describes ways in which business and government policy needs to change to encourage long-term thinking in society to change lifestyles across the board.

Ethical behaviour – whether it is sourcing of raw materials to paying workers adequately – entails additional costs and efforts. An ethically produced product incurs more expenditure, which is in conflict with consumers’ desire for cheap products. Even if we assume that some rich consumers will pay high prices for ethical consumption, millions of middle class and poor people across the world will continue to prefer cheap products, regardless of how they were produced. For them immediate survival and meeting of family budgets is more important than being ethical or long-term survival of the planet. This poses a unique problem both for countries and individuals.

Drawing from examples in India and across the world, we show how the prevailing development paradigm has resulted in immense pollution and hardships for the people. We discuss how ideas of economic growth and development have deleterious effects on the planet. We question whether it is time to change our thinking on economic development and show how that change is beginning to occur. We discuss alternate development philosophies and study examples of how companies are modifying their business models to include disadvantaged sections of society through social innovation.

The chapter is organised as follows. First, we discuss modern lifestyles that are influenced by the development philosophy that measures everything in terms of GDP growth. There is little room for ethical behaviour here. We then discuss ethical behaviour and conclude that personal ethics must shape societal ethics for the health of the planet. If not checked, we face serious consequences of economic growth such as waste generation, pollution, reduction in living spaces, and inequality. We discuss the capitalist disorder that is a direct consequence of such lifestyles and the thought process that is leading to change in the capitalist system that is required today. Such rethinking on the world order brings us to sustainable models and sustainable business. We discuss alternate development ideas of Schumacher and Gandhi, and how they are resulting in a new type of business model, called the social business model. This is much more sustainable and inclusive. Examples of taobao model in China, microfinance in Bangladesh and milk co-operatives in India, illustrate that several companies have already started building on this alternate development model.

MODERN LIFESTYLES

Marketplace ethical behaviour is quite difficult to practice because it stands at cross purposes with commercial objectives. Both companies and consumers look for short term benefits in preference over practices that are sustainable or planet friendly. The thinking that dominates development economics globally is to buy, use and throw. Companies like to launch new products all the time encouraging consumers to buy new and bigger models, packaged attractively, on which margins are higher, throwing away perfectly fine and working products. As a consequence, we generate enormous amounts of waste. We guzzle energy and pollute our surroundings, waste natural resources recklessly and destroy natural resources. The planet is fast approaching its maximum carrying capacity; its survival and that of the human race itself is being threatened today as effects of climate change and global warming destroy traditional livelihoods and usher in huge changes whose effects are still not totally known.

It is not wrong to say that our lifestyles, shaped by notions of modern economics, are responsible for this widespread destruction. There is hardly any room for ethical thinking and behaviour when everything is quantified at the altar of GDP growth. Instead of selling a perfectly functional small car, for instance,