
Human and economic security: Is there a nexus?

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Introduction

Since the end of the Cold War, there has been a shift in emphasis in security issues away from “national security” to “human security.” According to Ramesh Thakur, “national security” focuses on “military defense of the state” whereas “human security” emphasizes “the individual’s welfare.”¹ The emphasis given to the defence of the state during the Cold War does not mean that the welfare of an individual was considered unimportant. On the contrary, individual welfare was considered important but it was conditional upon the existence of a secure state. During the Cold War, national leaders perceived that the security of their nations was under threat and therefore placed the security of the state ahead of an individual’s welfare. Today, with the end of the Cold War, armed conflicts are mainly inter-ethnic rather than inter-state.² The traditional threat to states from other states is declining, but new forms of threats – terrorism, organized crime, political instability, and poverty – are rising. Moreover, closer international integration of financial, commodity, and even labour markets has shifted governments’ focus away from national security to economic security as the important determinant of individual security. People in the West today worry less about war than about unemployment, and economic rather than national security is now the major concern of public policy.³ What then is the nexus between human and economic security? Is there a nexus? In this chapter, I explore

some of the literature in the fields of economics and political science to derive some suggestive answers to these two questions.

Some definitions

Initially, one has to be clear about the concepts “human security” and “economic security.” Are they two separate variables or is economic security simply a subset of human security? Some authors from a variety of disciplines regard economic security simply as a subset of human security.⁴ If this is the case, there is no causal relationship between the two concepts and an examination of any “nexus” would be mundane. In this chapter, I treat human security and economic security as two distinct and separate variables. Human security is defined here as conditions that enable humans to be free from physical risk and physical danger, to live in a sustainable environment, and to have economic welfare. This approximates the definition used by de Sherbinin but, unlike de Sherbinin, I do not consider economic security to be necessarily synonymous with economic welfare.⁵

Economic security can be considered at two levels: micro and macro. At the micro level, it embodies two aspects. One is institutional security of the market, which requires the existence of institutions that enable the successful functioning of a market economy. Security of property rights and security of contracts are generally accepted by most economists as the most important of these institutions. The other aspect is economic security of the individual, which is security of employment and income. The former aspect relates to security of private assets, including human and intellectual capital, and sanctity of contracts; the latter relates to the security of the stream of income from those assets. The security of the stream of income of an individual is not just about how secure his or her employment is. It is also about how high or low a society’s guaranteed minimum income is relative to average income. It is in effect the security of access to a certain level of consumption to which people are accustomed. At the macro level, economic security concerns a state’s economic security. It concerns the effectiveness of the state, through its trade policies and foreign relations, in protecting and enhancing the collective economic security of its citizens.

The consumption set that can be afforded by an individual indicates his or her level of economic welfare. The absolute income level of an individual is a good measurement of this consumption set. It includes all sources of income, private as well as government financial and non-financial transfers.⁶ Since economic welfare is related to consumption, it includes “health security,” which is to have access to good and affordable

medical care. A high level of economic security does not necessarily accompany a high level of economic welfare; it is possible to have one without the other, and they may sometimes be inversely related. The middle classes in the United States, Western Europe, and Australia are today, for example, materially very well off, but they suffer from high insecurity of employment and income. The middle classes in the newly industrialized countries of East Asia share the same experience as their Western counterparts. The middle classes in East Asia have reaped significant material benefits from the globalization of their national economies, but the Asian financial crisis has shown that this has come with a price of increased vulnerability of their economies and a lower level of economic security. Workers in the former Soviet Union and in Maoist China were not well off economically; they had very low standards of living compared with those enjoyed in the West, but they enjoyed a high degree of employment and income security. Although the minimum guaranteed income in Western Europe and Australia is higher than in Maoist China, the gap between the minimum guaranteed income and average income was much lower in Maoist China, which had one of the most equal income distributions in the world.

Aside from economic welfare, human security includes freedom from both physical risk and physical danger and living in a sustainable healthy environment. To be free from risk and physical danger is to have personal security. To have personal security is to be free from any form of arbitrary punishment, imprisonment, and violent crime.⁷ These freedoms do not include the freedom from economic risk or from negative market outcomes for the individual, which have more to do with economic security.

Individual economic security and human security

A case has been made that economic security and human security are separate variables, but what is the form of the relationship between them? Are they positively or inversely related? Is the relationship unidirectional – economic security determines human security or vice versa – or are they mutually dependent? These questions are explored in turn in this and in subsequent sections.

One can infer four major arguments from the literature concerning the relationship between individual economic security and human security.⁸ The first can be labelled the “neo-Darwinian view” and it finds support in some of the neo-classical economic studies that have examined the relationship between tax and labour supply, and between social security and saving. It suggests an inverse relationship between individual economic

security and human security. According to this view, economic insecurity provides the incentive for the individual to perform paid work⁹ and to save. An absence of economic insecurity (as a consequence, for example, of the existence of a generous welfare system) lowers the incentive for individuals to work. Moreover, the disincentive to work affected by a generous welfare system is reinforced by the high level of personal taxation that has to be levied on those who work to sustain the provision of such a generous system. The neo-Darwinian view suggests that in the long run a generous welfare system would cause a loss of the work ethic, which ultimately will adversely affect individual economic welfare.

On the question of private saving, Martin Feldstein has found that each dollar of social security wealth in the United States reduces private saving by between two and three cents and the overall impact of the social security programme is to reduce private saving by 60 per cent.¹⁰ The implication of Feldstein's research finding for human security is that the existence of a social security system reduces private saving and thereby adversely affects investment. This reduces economic growth and therefore has a long-term negative impact on human security. The belief in an inverse relationship between economic security and the individual incentive to work and save was very strong in the 1980s, and it drove many of the economic and social policies of conservative political leaders such as Prime Minister Thatcher in the United Kingdom and President Reagan in the United States.

A high level of economic security for the individual does not necessarily have to be financed through high levels of personal taxation. Governments of a small number of resource-rich countries with low populations such as Kuwait and Brunei are able to provide high levels of individual economic security without the need to resort to high rates of taxation. The people of these countries, however, would eventually suffer from the "winner's curse."¹¹ The good fortune of their citizens, according to this argument, makes them soft and unprepared for the rigour of competition, which they must face when their natural resources are exhausted. These countries are moreover easy targets of aggression from their larger and more powerful neighbours and have to rely continuously on Western powers for security.¹²

Although an inverse relationship between economic security and human security finds support from aspects of neo-classical economics, some critics of neo-classical economics also lend their indirect support to this view. The well-known economic historian Joseph Schumpeter viewed innovation as the driving force behind the dynamism of capitalism. Unlike neo-classical economics, his theory does not focus on price competition as a driving force of capitalist development. Instead, it is "competition from the new commodity, the new technology, the new source of supply, the

new type of organization ... competition which commands a decisive cost or quality advantage and which strikes not at the margins of the profits and the outputs of the existing firms but at their foundations and their very lives.”¹³ He coined the term “creative destruction,” which embodies the idea that an old economic structure has to be destroyed before a new one that is better suited to a changed business environment can be created. Economic security for the individual has the connotation of stability, of absence of change, and this violates the principle of creative destruction. Schumpeter would argue that complete economic security for the individual is unattainable, and that any attempt to achieve it would ultimately fail because the forces of capitalist competition would destroy those who seek to preserve the old ways of doing things. In the Schumpeterian world, economic insecurity is the catalyst for change and development. Sunset industries must be allowed to fail lest they become a burden to sunrise industries, and outdated institutions must be replaced with modern institutions to accommodate and to facilitate change.

The classical social democrat or radical position on the relationship between individual economic security and human security is diametrically opposite to the neo-Darwinian view. It holds that there is a positive relationship between individual economic security and human security. Supporting arguments for this position can be found in some of the literature on population growth. Early research on fertility was heavily influenced by Gary Becker, who formulated a model where both low incomes and low opportunity cost of time as a result of a lack of market opportunities for the poor encourage the procreation and raising of children. When households enjoy high incomes and experience high opportunity cost of time, they will opt for quality rather than quantity of children.¹⁴

Instead of the opportunity cost of time, M. T. Cain focuses on economic insecurity as an important variable explaining fertility. According to Cain, economic insecurity and low incomes are responsible for the high population growth in many developing countries. In developing countries, small markets and restrictive labour mobility limit job opportunities and sources of saving. In the absence of a social welfare net, children are the only guaranteed source of old-age pension for many people.¹⁵ As population increases, labour supply increases as well and this puts pressure on wages. Families that rely primarily on selling their labour for income therefore have the incentive to maximize the number of their children to maximize household income. The consequence of many families maximizing the number of their children is to increase the labour supply and so depress wages even further. Another consequence is that fewer public resources per capita are available for government subsidies to the poor for education and health. Education and health are important factors influencing long-term labour productivity, and smaller subsidies to

the poor for these two services have an adverse impact on their long-term economic welfare.¹⁶

Thus the argument for a positive relationship between individual economic security and human security is strong for developing countries, but what about for industrialized countries? Could a case be made that the relationship between individual economic security and human security is positive in these types of state? The answer is "yes," but a different argument has to be used. In industrialized countries, there is access to public pensions and overpopulation is not a problem.¹⁷ The factor that can explain a positive relationship between individual economic security and human security in industrialized countries is economic risk. Returns to investment are positively correlated with levels of risk, but many individuals are risk averse. In fact, the less wealthy a person is, the more risk averse the person is likely to be. The economic welfare of a society depends on having a large number of entrepreneurs who are prepared to take risks to invest in projects for individual profit and in the process create wealth and jobs for the rest of the population. Risk-taking is less likely among the less wealthy when the safety-net available to support those who fail is perceived to be non-existent or inadequate. Failure in a business venture for the less wealthy could mean a fall from a spartan but nevertheless comfortable level of living to poverty. For the wealthy, it could mean a dramatic fall in standards of living, to a level well below the norm.

The source of the conflict between economic conservatives and classical social democrats over the relationship between individual economic security and human security is their opposing views of human nature. Economic conservatives tend to hold the view that human beings are natural free-riders, always trying to get something for nothing. The classical social democrat has a more altruistic view of human nature, believing that human beings are not natural free-riders who are forced to work because of economic insecurity. In this view, people work not just because of economic insecurity but also because it gives them purpose and connects them to society. The reluctance of less wealthy people to invest in a business to be self-employed instead of remaining unemployed or working in a not entirely satisfactory job is related to risk aversion, not laziness. Unemployment is caused not by people who are unwilling to work but by the unavailability of jobs at at least the subsistence wage.¹⁸ In the classical social democrat view, economic security is likely to enhance economic welfare and hence human security by providing social insurance for risk-taking. Whereas conservatives tend to emphasize the problem of "moral hazard"¹⁹ in the economy, classical social democrats tend to emphasize the cooperation between individuals.

What is the available evidence that supports or counters these per-

spectives? As one would expect, evidence exists to back both arguments. Andrew Schotter reported a series of experiments that suggested repeated transactions between individuals increase free-rider behaviour because individuals take time to learn that free-rider behaviour can improve their economic payoffs.²⁰ On the other hand, Roland McKean argued that repeated social interactions provide “opportunities for application of social pressure,” which contribute to the successful enforcement of informal rules and ethical conduct. Continuous social interactions increase the importance of individual reputation and collective sanctions become effective deterrents against free-rider behaviour. However, reputation is important to the individual and collective sanctions work only in the presence of small numbers of people. With large numbers, the effectiveness of deterrence is compromised by informational and enforcement problems and moral hazard is more likely.²¹

Most Western industrialized governments tend to adopt a middle neo-liberal position between the conservatives and the classical social democrats. In this middle position, the form of the relationship between individual economic security and human security is seen to be an inverted U. At low levels of individual economic security, increases in economic security improve economic welfare and hence human security. There is a threshold, however, beyond which further increases in economic security reduce economic welfare and human security. The neoliberal view recognizes the importance of a basic safety-net to provide a modicum of individual economic security, but it also recognizes that too much economic security for the individual can reduce the incentive to work and to save. This type of theorizing provides the intellectual justification for welfare targeting of the poorest while allowing the market to dictate outcomes for those of the population who are better off. This is the ideology of Tony Blair’s “New Labour” in Great Britain and of the Hawke–Keating Labor governments of the 1980s and the first half of the 1990s in Australia. It is also the ideology behind the policies transforming command economies to market economies.²²

The dominant Japanese management view on the relationship between individual economic security and human security differs from the middle neoliberal position.²³ It is still a middle position like that of Western industrialized states, but the form of the relationship is not an inverted U. From the Japanese management perspective, the specific form of the relationship depends on whether one is looking at inter-group or intra-group interaction. Intra-group cooperation is a form of social insurance and it provides economic security through risk-sharing among members of a group, which encourages individual risk-taking. Inter-group competition, however, is fostered to provide the incentive to achieve higher economic welfare. Intra-group cooperation and inter-group competition

together form the foundation for long-term economic growth and guarantee human security. Japanese industrial organization is the best example of this belief in action. *Keiretsu* business groups enable risk-sharing in innovation between the manufacturing J-firm and its suppliers. Suppliers compete to remain within the *keiretsu* for the benefits of assured markets, and this competition between suppliers and cooperation between the suppliers and the manufacturer make the manufacturer internationally competitive.²⁴ Within the J-firm, cooperation is emphasized with a view to improving the competitiveness of the firm.²⁵ In other words, internal cooperation is designed to facilitate external competitiveness. Intra group, the relationship between economic security and human security is seen to be positive, whereas inter group, this relationship is seen to be negative.

This Japanese management approach to individual economic and human security emphasizes the importance of institutions and finds support from the institutional school of economics. The school sees that continuous interaction of institutions and organizations in the face of competition drives institutional change. Institutions are “rules of the game in a society”; they are “humanly devised constraints that shape human interaction,”²⁶ and organizations are “groups of individuals bound by some common purpose to achieve objectives.”²⁷ “Competition forces organizations to continually invest in skills and knowledge to survive.” Key competency acquired by individuals and organizations will determine their “perceptions about opportunities and hence choices that will incrementally alter institutions.”²⁸

There is a subtle yet important difference between the view on competition expressed here and the view implicit in Schumpeter’s “creative destruction.” Schumpeter emphasized discrete historical jumps; North emphasizes incremental and evolutionary changes. According to North, change is path dependent. Incremental and evolutionary changes are consistent with maintenance of individual economic security. Discrete historical jumps are not; they imply dramatic changes and upheavals. The Japanese view of capitalist development is closer to North’s view than to Schumpeter’s perspective. Internal stability and the promise of economic security for the individual encourage risk-taking by a group, which improves its external competitiveness and, theoretically, advances long-term economic welfare and human security.

State economic security and human security

The four major arguments concerning the nexus between economic security and human security discussed above focus on the issue at the micro

level. In this section, the problem is discussed at the macro or state level. At the state level, the issue centres on the effectiveness of the state, through its trade policies and foreign relations, in protecting and enhancing the economic security of its citizens as a group. Economic security involves securing current sources of raw materials and finding new ones, as well as protecting current and new markets for domestic producers. On one side of the argument, it can be seen how economic security enhances human security. Guaranteed access to raw materials and continued access to existing markets and expansion of foreign markets are obviously good for the economic welfare of a country. On the other side, however, efforts to achieve economic security could be a source of conflict. Japan's attempt to enhance its economic security in the 1930s was an important factor driving that country into World War II. Recently, efforts by China and some of its neighbours to secure potential rich sources of energy in the South China Sea are behind the territorial disputes among these players.

Policies implemented by states to protect domestic markets may enhance the economic security of domestic producers. States have used strategic trade policies successfully to develop new industries, penetrate world markets, and enhance a nation's economic welfare. All these policies have the potential to enhance the economic security and economic welfare of a nation but, when advocates of "free trade" dominate world politics, they also have the potential to generate conflicts with the nation's trading partners in today's world. Although bilateral trade disputes on their own are unlikely to lead to serious retaliatory conflicts that could harm human security, they can inflame other disputes severely enough to cause a major conflict.²⁹ The ongoing trade dispute between the United States and China and the disputes between these two nations over Taiwan, human rights, and weapons exports, for example, are sources of tension that could conceivably lead to a serious conflict between them.³⁰

Market institutional security and human security

Liberal theory predicts a positive correlation between market institutional security and human security.³¹ Market institutional security in the form of economic rights, particularly property rights and rights to secure contracts, is regarded in liberal theory as an important prerequisite for economic development and the promotion of human security. Although the case for a positive relationship between market institutional security and human security is strong, there are also strong alternative arguments that suggest this relationship is complex and cannot easily be represented in simple linear terms.

Baumol and Olsen, among others, emphasized the importance of private property rights for human security. Baumol made the distinction between productive and unproductive entrepreneurship. In his view, productive entrepreneurship creates wealth; unproductive entrepreneurship merely redistributes wealth. Property rights are one of the “rules of the game” that determine whether a society encourages productive or unproductive entrepreneurship. When private property rights are impeded or are inadequately protected, entrepreneurs concentrate their efforts on protecting their existing wealth and redistributing other people’s wealth, and neglect production. Baumol illustrated his argument with examples from feudal China. He explained that official positions were highly coveted in feudal China because weak legal protection of property rights allowed imperial officials to depredate the general population. Wealth gained through productive entrepreneurship could easily be lost to the predatory actions of officials. The consequence of this, according to Baumol, was low levels of productive investment and economic development.

Olsen contrasted the behaviour of roving predators with that of stationary bandits to illustrate the importance of secure private property rights for economic growth and hence human security. He painted a picture of life in a locality where anarchy reigns. In our anarchical society, uncoordinated theft by roving bandits destroys the incentive to produce, making the local population and bandits worse off as a result. The incentive to produce is improved, according to Olsen, if the bandit chief makes a commitment to the locality by establishing himself or herself as a warlord. Uncoordinated theft is replaced by organized theft. A secure warlord will have the incentive to provide security and other public goods that will stimulate economic activity. An insecure warlord with temporary tenure will have no incentive to provide public goods that complement other inputs in production. Instead, productive assets will either be confiscated or be left to run down.

In China, township and village enterprises (TVEs) appear to provide a counter-example to the importance of private property rights. The property rights of Chinese TVEs are vague and insecure but competition for investment funds among community governments appears to be effective in keeping a check on their predatory actions towards the TVEs.³² The presence of ample investment alternatives for capital in other localities substitutes for a lack of formal property rights protection in providing market institutional security.

Most of the traditional literature on property rights focuses attention on the state or the “ruler” or “warlord” as the only potential threat to property rights. But other actors are potential threats as well. Once attention is drawn away from those threats in the traditional literature,

property rights violation could be interpreted in a different light. As Przeworski and Limongi have observed, organized workers have threatened the property of capitalists, and landless peasants have threatened the property of landlords.³³ Hence, property rights violation need not always be negative, since historically the poor have had to violate property rights in local common-pool resources to survive. The local commons as a source of food and fodder during bad years serve as insurance for the poor. Enforcement of property rights over the commons induces the conservation of scarce resources and internalizes externalities, and is good for the environment, but it can be detrimental to the well-being of the poor.³⁴

A similar argument could be used to justify redistributing land from rich landlords to landless peasants. A lack of market institutional security may be a reason for personal security because violence by the poor is forestalled. The key is whether property rights violation is a one-shot confiscation or whether it is continuous. When land reform is carried out as a one-shot move and strong commitments given by the state that there will be no further redistribution of land are believed, then there should be no economic disincentive to production. Land reform in Taiwan in the 1950s is one example of a successful land reform backed by the force of the state. It was a one-shot move that made a positive contribution to Taiwan's postwar economic miracle. The People's Republic of China had a programme of land reform too, but constant changes in property rights and inappropriate agricultural policies undermined agricultural production and threatened human security.³⁵

Organized workers may threaten the property rights of capitalists, but it can be argued that this leads to more equal incomes and a more harmonious society. More importantly, it is debatable whether organized labour will necessarily undermine human security by disadvantaging owners of capital and lowering their incentive to invest. Proactive organized labour may be able to impose a numerator management strategy, rather than the denominator strategy favoured by owners of capital, which some research has shown to strengthen rather than weaken the long-run competitiveness of the firm.³⁶ A numerator management strategy focuses on research and development to create new products and markets. This is opposite to a denominator strategy, which focuses on cost-cutting.

Saint-Paul and Verdier add another interesting twist to the argument on income redistribution by suggesting that wealth redistribution does not need to have a negative impact on economic development, and by inference human security, if the income is redistributed as public education. Public education, according to these analysts, is an investment in human capital, which plays an indispensable role in promoting economic growth.³⁷ Moreover, the amount of positive externalities generated by

education is large. Consumers of education do not internalize all its benefits. Funds redistributed away from the wealthy to fund public education benefit the wealthy from the positive externalities generated by a better-educated population. All things equal, owners of capital will derive a higher return from their investment with a better-educated workforce.

The protection of property rights and the enforcement of contracts in places such as Italy and post-communist Russia are often provided by organized crime. Provision of these services by organized crime tends to flourish in places where state authority is weakest.³⁸ The provision of these services is incidental to other predatory actions of organized crime, and they do not ultimately contribute to economic welfare but in fact undermine personal security and have an adverse impact on human security. So, although protection of economic rights may be important for the development of human security, the experience of Russia shows that the mechanism through which this protection is obtained is equally important.

Democracy, economic security, and human security

A substantial amount of the literature that deals with the relationship between democracy and economic welfare, especially that written by scholars trained in economics, focuses on the impact of democracy on the protection of property rights. Olsen saw democracy as an effective tool of good governance for guaranteeing the protection of economic rights.³⁹ Dornbusch and Edwards took the opposite position and argued that democracy may create the incentive to appropriate capital.⁴⁰ On the other hand, Saint-Paul and Verdier pointed out that, even if democracy leads to redistribution of wealth, it is not detrimental to growth if the redistribution is delivered as public education, as we just considered.⁴¹ Thus, democracy may not be bad for human security even if it may be bad for economic security. In fact, democracy may not necessarily be bad for economic security. Dornbusch and Edwards focused on the impact of democracy on owners of capital, but democracy may enhance the economic security of owners of labour, who form the majority of society. Industrial democracy could increase the economic security enjoyed by workers by making it more difficult for owners of capital to dismiss them. Another argument for a positive link between democracy and economic security has been put forward by A. K. Sen, the Nobel laureate in economics, who has argued that adversarial politics and a free press play an important role in famine prevention.⁴²

The argument that an autocratic government is conducive to economic growth was popularized by Huntington, who argued that democracy leads

to popular demands for high consumption.⁴³ This has an adverse impact on profits and investment and therefore undermines growth and economic welfare.⁴⁴ Hong Kong, Singapore, South Korea, and Taiwan have often been cited as examples of authoritarian rule being successful in enhancing economic welfare. However, there are many other examples, such as North Korea and Zimbabwe, of authoritarian rule being the antithesis of economic growth and economic welfare. The available evidence is still inconclusive as to whether democratic or authoritarian regimes are best for economic welfare.⁴⁵

Even if the evidence for an inverse relationship between democracy and economic welfare is strong, economic welfare is only one aspect of human security; personal security is another aspect. Personal security includes freedom from any form of arbitrary punishment and imprisonment, which is best guaranteed by a democratic system. Moreover, according to Congleton, democracies are more concerned with the well-being of the environment than are authoritarian regimes. This, reasoned Congleton, is because an autocrat receives a greater share of national income than the median voter in a democracy. As a result, his or her opportunity cost of forgone income from environmental controls is higher.⁴⁶

Democracy has been treated as the independent variable, and economic security and economic growth as the dependent variables, in our discussion so far on the relationship between these three variables. It is perfectly legitimate to specify democracy and economic security as dependent variables and make economic growth the independent variable. Economic growth provides greater economic security and a higher level of economic welfare, but it is not clear that rising economic incomes will turn an authoritarian political system into a democratic one. Przeworski and Limongi, in a statistical study of 135 countries between 1950 and 1990, found that the birth of democracy is not an inevitable consequence of economic development, but a high level of economic development improves the chances that a democracy will survive once it is in existence. They found that democracies with per capita incomes above US\$6,005 (at constant 1985 prices and purchasing power parity values) are likely to exist forever.⁴⁷

Conclusion

There is obviously a nexus between human and economic security. A wide range of literature, mainly from the disciplines of economics and political science, was used to establish the existence of such a nexus. But the relationship between human and economic security is complex and my analysis of the literature is unable to come up with a clearly defined

causal relationship. There are two main reasons for this. First, the arguments in the literature differ according to differences in ideology or theoretical approaches. The Thatcherite and the social democratic views on the relationship between economic and human security are at opposite ends of the spectrum. The former envisages an inverse relationship, the latter a positive relationship. The neoliberal and Japanese management views sit somewhere in between, but the form of the relationship that they envisage differs. The form of the neoliberal relationship varies according to the level of economic security. In the Japanese management case, the relationship depends on the subject of analysis, whether it is inter group or intra group.

The second reason for different interpretations of the relationship between economic and human security is that some factors impact on both human security and economic security in the same direction but other factors affect one of them in one direction and the other in another direction. The impact of democracy on human and economic security, for example, is multi-directional. Democracy may lead to violations of the property rights of owners of land and/or capital but this may enhance the economic security of poor peasants and workers. Democracy may discourage investment and can have a negative effect on economic welfare and thus human security. In other instances, however, it may ensure personal protection and enhance the environment, and promote human security.

Notes

1. Ramesh Thakur, "From National to Human Security," in Stuart Harris and Andrew Mack, eds., *Asia-Pacific Security: The Economics-Politics Nexus* (Sydney: Allen & Unwin, 1998), p. 53.
2. See Samuel P. Huntington, *The Clash of Civilizations and the Remaking of World Order* (New York: Simon & Schuster, 1996) pp. 35–36.
3. A survey undertaken in the United States found that "43 percent of the population knows a friend or family member who has lost his or her job." Another survey found that a significant majority of workers suffer from some anxiety about losing their jobs. See Frank Calamito, "Reflections on the Downsizing Debate," *HR Focus* 73, no. 7 (July 1996), pp. 9–12.
4. Alex de Sherbinin, "Human Security and Fertility: The Case of Haiti," *Journal of Environment & Development* 5, no. 1 (March 1996), pp. 28–39; Ian Gough, "Economic Institutions and the Satisfaction of Human Needs," *Journal of Economic Issues* 28, no. 1 (March 1994), pp. 25–49; and Jessica T. Matthews, "Power Shift," *Foreign Affairs* 76, no. 1 (January/February 1997), pp. 50–66.
5. de Sherbinin, "Human Security and Fertility," p. 37.
6. In economics, economic welfare is normally measured only by real income or consumption.

7. Economic security, health security, and personal security are the three kinds of security identified by President Clinton that American voters are most afraid of losing. See Mickey Kaus, "Maximum Security," *The New Republic* 209, no. 24 (13 December 1993), pp. 17–19. I have included freedom from arbitrary imprisonment as an aspect of personal security. This aspect is not of concern to most Americans and was not covered in the *New Republic* article.
8. The word "infer" is used here because the literature does not explicitly discuss the relationship between individual economic security and human security.
9. "Work" is defined as more than just having a job; it is viewed as being in a job where the necessary amount of effort is applied to achieve an acceptable output.
10. Martin Feldstein, "Social Security and Saving: New Time Series Evidence," *National Tax Journal* 49, no. 2 (June 1996), pp. 151–171; and Martin Feldstein, "Social Security, Induced Retirement and Aggregate Capital Accumulation," *Journal of Political Economy* 82, no. 5 (September/October 1974), pp. 905–926.
11. The concept of the "winner's curse" originates from bargaining theory. It denotes a situation where the winner of an auction has offered a bid that exceeds the worth of the item on offer. See John McMillan, *Games, Strategies and Managers* (New York: Oxford University Press, 1992), pp. 137–141, for an elaboration.
12. The Iraqi invasion of Kuwait in 1992 and the continuing dependence of Kuwait on Western military force are constant reminders of the "winner's curse."
13. Joseph Schumpeter, *Capitalism, Socialism and Democracy* (New York: Harper, 1942), p. 84.
14. Gary Becker, "An Economic Analysis of Fertility," in National Bureau of Economic Research, ed., *Demographic and Economic Change in Developed Countries* (Princeton, NJ: Princeton University Press, 1960), pp. 209–240.
15. M. T. Cain, "Fertility as an Adjustment to Risk," *Population and Development Review* 9, no. 2 (June 1983), pp. 688–702.
16. G. Psacharopoulos, "Returns to Education: An Updated International Update and Implications," *Journal of Human Resources* 20, no. 4 (Fall 1985), pp. 583–604; and John Strauss and Duncan Thomas, "Human Resources: Empirical Modelling of Household and Family Decisions," in Jere Behrman and T. N. Srinivasan, eds., *Handbook of Development Economics: Volume 3A* (Amsterdam: North-Holland, 1995), pp. 1883–2023.
17. The generosity of public pensions varies across countries. Although public pensions do not eliminate economic insecurity altogether, they provide sufficient incentive to produce a low population growth.
18. The subsistence wage differs according to how rich a country is.
19. "Moral hazard" is defined as self-interested misbehaviour due to inadequate information or information being too costly to acquire, which places limits on the types of contract that can be written and enforced. See Paul Milgrom and John Roberts, *Economics, Organization and Management* (Englewood Cliffs, NJ: Prentice-Hall, 1992), p. 129. It is important to note that there are many non-conservative and left-leaning economists who believe there is a moral hazard problem. The difference is they are more likely than conservatives to believe that appropriate incentive schemes can be found to elicit cooperative behaviour.
20. Andrew Schotter, *Free Market Economics* (Oxford: Blackwell, 1990), pp. 100–101.
21. Roland N. McKean, "Economics of Trust, Altruism, and Corporate Responsibility," in Edmund S. Phelps, ed., *Altruism, Morality, and Economic Theory* (New York: Russell Sage Foundation, 1975), pp. 29–44.
22. It must be noted that economic reform has yet to bring the expected material benefits to many of the former command economies. Many of their citizens have experienced a

reduction in their levels of human and economic security. Among the former command economies of Central and Eastern Europe, only Poland's economy in 1997 was larger than it was in 1989. See figure 3 in Joseph E. Stiglitz's "Whither Reform: Ten Years of the Transition," paper presented at the annual World Bank Conference on Development Economics, Washington, DC (28–30 April 1999). China is a lone star performer among former command economies. China's economy has more than quadrupled in size since its communist leaders started instituting market reforms in 1978.

23. This is derived from examining studies on the so-called Japanese style of management or industrial organization. Two representative studies are Masahiko Aoki, "Toward an Economic Model of the Japanese Firm," *Journal of Economic Literature* 28, no. 1 (March 1990), pp. 1–27, and Airoyuki Odagiri, *Growth through Competition. Competition through Growth* (Oxford: Clarendon Press, 1992). But perhaps the best-known study on this topic in the West is Chalmers Johnson, *MITI and the Japanese Miracle* (Stanford, CA: Stanford University Press, 1982). The economic crisis in Japan has not changed the core management style of the J-firm. The crisis is more the result of a banking crisis caused by inappropriate sequencing of financial liberalization than of a deficient corporate management system. See, for example, Takeo Hoshi and Kashyap Anil, "The Japanese Banking Crisis: Where Did It Come from and How Will It End?" *NBER Macroeconomics Annual* 1999.
24. Odagiri, *Growth through Competition*, pp. 136–165.
25. Aoki, "Toward an Economic Model," p. 10.
26. Customs and social norms as well as laws and official regulations are rules.
27. Douglass C. North, *Institutions, Institutional Change and Economic Performance* (Cambridge: Cambridge University Press, 1990), pp. 3–5.
28. Douglass C. North, "The New Institutional Economics and Third World Development," in John Harriss, Janet Hunter, and Colin M. Lewis, eds., *The New Institutional Economics and Third World Development* (London: Routledge, 1995), p. 23.
29. They can certainly be serious enough to sour relations between two nations. Japan–USA trade disputes have led to various books published in each country that are critical of the other or view the other as a long-term threat. The best-known book by Japanese authors that has been translated to English is Shiataro Ishihara and Akio Morita, *Japan That Can Say "No"* (Tokyo: Kobunsha, 1989). One book published in the United States has the ominous title, *The Coming War with Japan* (New York: St Martin's, 1991). The tension between the United States and China led to the publication of a book in China with a title that was inspired by the book by Ishihara and Morita: Song Qiang, Zhang Cang Cang, Qiao Bian, et al., *China Can Say "No"* [Zhongguo Keyi Shuo Bu] (Hong Kong: Mingbao Chubanshe, 1996).
30. Andrew J. Nathan and Robert S. Ross, *The Great Wall and the Empty Fortress: China's Search for Security* (New York: W. W. Norton, 1997), pp. 73–78.
31. William Baumol, "Entrepreneurship: Productive, Unproductive, and Destructive," *Journal of Political Economy* 98, no. 5 (October 1990), pp. 893–921; North, *Institutions, Institutional Change and Economic Performance*; Marcus Olsen, "Dictatorship, Democracy and Development," *American Political Science Review* 87, no. 3 (September 1993), pp. 567–576; and Gerald W. Scully and Daniel J. Slottje, "Ranking Economic Liberty across Countries," *Public Choice* 69, no. 2 (1991), pp. 121–152.
32. Gabriella Montinola, Yingyi Qian, and Barry Weingast, "Federalism, Chinese Style: The Political Basis for Economic Success in China," *World Politics* 48, no. 1 (October 1995), pp. 50–81.
33. Adam Przeworski and Fernando Limongi, "Political Regimes and Economic Growth," *Journal of Economic Perspectives* 7, no. 3 (Summer 1993), pp. 51–69.
34. Pranab Bardhan, "Research on Poverty and Development Twenty Years after Redis-

- tribution with Growth,” *World Bank Research Observer* (Annual Conference Supplement 1995), pp. 59–70.
35. Chih-ming Ka and Mark Selden, “Original Accumulation, Equity and Late Industrialization: The Cases of China and Capitalist Taiwan,” *World Development* 14, no. 10/11 (October/November 1986), pp. 1293–1310.
36. Leong Liew, “Management and Organization in Chinese Industry: From Mao to Deng,” *Review of Radical Political Economics* 30, no. 2 (Spring 1998), pp. 46–86.
37. Gilles Saint-Paul and Thierry Verdier, “Education, Democracy and Growth,” *Journal of Development Economics* 42, no. 2 (December 1993), pp. 399–407.
38. Arthur A Goldsmith, “Economic Rights and Government in Developing Countries: Cross-national Evidence on Growth and Development,” *Studies in Comparative International Development* 32, no. 2 (Summer 1997), pp. 29–44.
39. Olsen, “Dictatorship, Democracy and Development,” *passim*.
40. Rudiger Dornbusch and S. Edwards, *The Macroeconomics of Populism in Latin America* (Chicago: Chicago University Press, 1991). This is more likely to occur, however, if the median voter is relatively poor. See T. Persson and G. Tabellini, “Politico-Economic Equilibrium Growth: Theory and Evidence,” mimeo, cited in Saint-Paul and Verdier, “Education, Democracy and Growth,” p. 399.
41. Saint-Paul and Verdier, *ibid*.
42. Sen’s work on famines was one of his many achievements that won him the Nobel Prize in 1998. An excellent survey of his work on famines can be found in Jean Dreze and Amartya Sen, *Hunger and Public Action* (Oxford: Clarendon, 1989).
43. Samuel P. Huntington, *Political Order in Changing Societies* (New Haven, CT: Yale University Press, 1968).
44. It is interesting to note that Huntington’s work had a great impact in China when the supposedly liberal Zhao Ziyang was Party General-Secretary. Many of his key advisers advocated an ideology of neo-authoritarianism (*xinquanweizhuyi*) based on fast-paced market reforms, but with an authoritarian political system to ensure stability.
45. Przeworski and Limongi, “Political Regimes and Economic Growth.”
46. Roger D. Congleton, “Political Institutions and Pollution Control,” *Review of Economics and Statistics* 74, no. 1 (February 1992), pp. 412–421.
47. Adam Przeworski and Fernando Limongi, “Modernization: Theories and Facts,” *World Politics* 49, no. 2 (January 1997), pp. 155–183.