

## **Debt, dignity and digital economy**

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### **ABSTRACT**

This paper discusses the linkage between debt and human dignity. It reviews the Human Dignity Index. It investigates whether digital economy is a solution of debt crisis. It also proposes some solutions to the crisis in Greece and suggestions to prevent the crisis in Thailand.

*Keywords:* Debt, human dignity, digital economy, economic development, foreign aid

*JEL classification:* O15, F34, F35

## **1. Introduction**

We are writing this letter on July 2<sup>nd</sup>, 2015. This letter may be reallocated by the journal to an issue before today but it does not matter. The matter we are writing about is the content that Pope Francis encourages world leaders to resolve the Greek debt crisis by keeping human dignity at the centre of the debate. A Vatican statement states that the crisis may affect big social implications especially on families. The statement mentions that

*“The dignity of the human person must remain at the centre of every political and technical debate as well as in the making of responsible decisions.”*

Our impression to this statement of the Pope is at the linkage between debt and human dignity. Prior to this situation, we think that debt is just a financial matter. A person or a country borrows and has to return the debt. This is a common rule of the loan. When the person or the country fails to pay back the debt, he or she falls into the debt crisis. The amount of money to be paid back will be greater along the time and the interest rate. Eventually, when the debt crisis cannot be resolved, the person and the country goes bankruptcy. His or her assets must be sold in order to compensate the debt and interest until the debt is fully paid or the assets are totally sold. These are common in financial world. They are concerned as a matter of fairness that both sides of lender and borrower agree to the terms of the loan. Otherwise the borrower does not borrow.

The linkage between debt to human dignity urged by the Pope lights up a candle that lift human spirit over the financial world. The statement asks for empathy. It also asks for the preservation of human dignity.

The research question here is that should this empathy be included in the general agreement of the loan. Should the terms of the loan in general spare the space for human dignity? Will this empathy bring about more and more debt default? Will the default lead to the financial world crisis later?

Our further question is whether the digital economy plays an important role to make Greece get out of the crisis. When we talk about digital economy, it seems that this term is a cure for all and a hope for everyone. However, is it true like people believe, or is it just a dream that will never be fulfilled? My curiosity may take some more time to find out appropriate answers for these questions, probably after seeing the resolution of the Greek debt crisis this time.

## **2. Linkage between debt and human dignity**

It is hard to measure human dignity. If it is easy, we may be able to do a regression taking human dignity as a dependent variable and debt as an independent variable over a data set of many countries and many years. This is not just an imagination. Fortunately, Bruce Wydick from University of San Francisco proposes how to measure human dignity in his presentation in a conference held by Kellogg Institute for International Studies in Rome in 2014. He makes a conclusion that it is possible to develop a Human Dignity Index. He thinks of the measurement of the dignity via some fuzzy stuffs such as hope, happiness and spirituality. He warns that the index is context specific. This means that the same stuffs may be very meaningful for human dignity in a country but may be not in another country. We are impressed by his idea. If Prof. Wydick has an opportunity to read this letter, please kindly be

informed that We are willing to help you develop the Human Dignity Index, especially in Southeast Asia.

Another agency that proposes to develop the Human Dignity Index is the Emotional Competency. The agency is under the operation of Leland R. Beaumont. To my knowledge, it only operates online at [www.emotionalcompetency.com](http://www.emotionalcompetency.com) and starts the operation in 2005. The agency thinks of an equation.

$$\text{Human Dignity Index} = \text{Human Expression Index} - \text{Human Oppression Index}$$

The descriptions of each term in this equation as the agency gives are as follows:

**Human Expression Index** – *Inspiration of the Human Spirit: creativity, courage, curiosity, invention, transcendence, amazement, and awe. Measure the number of artists, inventors, comedians, adventurers, and explorers. Normalize to a scale of 1000.*

**Human Oppression Index** = *The complement of the Human Rights Index, calculated as 1000 - Human Rights Index.*

**Human Rights Index** – *Compliance with the UN Declaration of Human Rights measured on a scale from 0-1000 where 1000 represents full and effective compliance with the declaration.*

We think that this is a very good idea of Beaumont and a good start for making the index come true. Although the Human Expression Index measures some proxies of the fuzzy stuffs (that Prof. Wydick points out from the beginning), it shows a way to measure those hard-to-measure stuffs.

Another advantage of this idea is at the linkage of the index to UN declaration of Human Rights. This will be good in gaining acceptance from the United Nations and scholars around the world later.

A good news is that this idea of Beaumont is prepared for the 12<sup>th</sup> Annual HumanDHS (Dignity and Humiliation Studies) Conference in 2008. We also notice that the 23<sup>th</sup> Annual HumanDHS conference is held by Chiang Mai University in March 2014 when Prof. Chayan Vaddhanaphutimost leads the administrative committee for the Chiang Mai side. Next time, we promise to ourselves that we will not miss this conference of the Human Dignity and Humiliation Studies. Probably in 2016, we will join the conference in Croatia and again in 2017 in India.

By these development by Beaumont in 2008 and Wydick in 2014, it can be seen that the world is still developing the Human Dignity Index. Hopefully in some years later, an international organization probably the United Nations or the World Bank may launch the first collection of the index. Then the regression linking human dignity to the debt will be possible.

Apart from the quantitative analysis that waits for the data set, how can we link human dignity to the debt? This is a good question for today especially when Pope Francis emphasizes that they should be linked together, and should be at the central negotiation of the resolution of the debt crisis of Greece. By this strong support of the Pope, we assume that the

debt and human dignity has a strong linkage between each other. We will find the supporting reason next.

**Reason 1: Loan default as donation.** A good reason why we should give our empathy to a borrower when he or she cannot return the loan is to view the loan default as the donation. A person gives to a person to help. This is a simple reason but always powerful. When a lender has a lot of money and even does not know what to do with that money, a good way out is to help a poorer person. When it appears that the poorer person is the borrower, the loan will be then concerned as an semi-aid. It is good if the borrower can return the money, but it is fine if he or she cannot make the repayment.

**Reason 2: Mercantilism.** Another good reason is like a story of mercantilism. When a country wins a trade surplus over other countries for many years, she will be lost in the long-run because there is no customer anymore. This is the same story of the loan. Think of a bank. If a bank occupies all the assets of people whose debts are defaults, there will be no more borrowers to the bank. Every other person will be poor and the bank cannot grow more. It is the same for a lender country. If the lenders is getting so big alone, she cannot trade with other countries because she has no customer. The situation that England faces under mercantilism will be back together with the great depression of the world economy.

**Reason 3: World peace.** Germany views her huge financial aid in the time of Chancellor Angela Merkel to back up the Euro as a cost of maintaining peace in Europe. In the history of Europe, wars destroy many good and beautiful things in many countries. These lessons teach people in this generation to avoid war at all costs. Loan defaults are therefore viewed as the preventive expenditure for conflicts and wars that can occur in Europe if a country suffers a lot from unemployment, starvation and bankruptcy. Losing their hope for living is losing their human dignity. It may be difficult to find a way out in peace but probably easier to wage war with other richer countries. Because at that time, the poorer country has nothing to lose.

By these three reasons, we think that Pope Francis is right. He thinks of the future rather than the short-run situation that bankers will just lose their money. He may predict the world peace and steadily growing economy when the bankers negotiate the debt crisis with Greece in peace too.

### **3. The future ahead with the digital economy**

It is funny that the term “digital economy” comes to senses of many people especially those in the government. It is like dreaming when the government tries to promote farmers to change themselves into computer programmers. Then she hopes for the rapid transitions from agricultural economy to industrial economy, to service economy, and to digital economy without the strong ground in digital literacy and digital access. We neither say about the government of Thailand nor Greece. But we are saying to all the government around the world.

Digital economy is the jargon in the era of mobile broadband. Thank to Steve Jobs who invents the smartphone. This device empowers people around the world to access to the internet. However, the access to the internet is just the consumption of the media, digital contents and applications. It does not help most of people in the world to create products and sell online. Some smart persons catch this new trend and become billionaire. That is for some persons but not most of people. For us, we cannot write a computer program and sell it

as an application on the smartphone. We are just consumers. We think that you too, aren't you?

Yet, the promotion of the digital economy follows the success rate of innovation. One in ten, or one in hundred, or one in thousand, no one exactly knows. Nowadays in Japan, graduates from the animation school cannot find their jobs when many animation companies fails to make successful financial returns. It follows the rule of the market; when there are more entrants and competitors in an industry, the price will fall and the profit will descend. This is also true for the digital industry.

It is hard to think of rescuing Greece by the promotion of digital economy. First, the Greek may not be able to change their skills from traditional productions and services to digitally soft skill in only short period. Second, Greece cannot finance the digital economy with much money due to her loan default. New amount of loan may be hard for bankers to lend to Greece. Third, when foreign companies occupy assets in Greece, the retained value-added will be smaller because foreign shareholders bring money back to their homelands. The re-investment in domestic market will be smaller. It means that the Greek will have not enough capital to rebuild their economy. Then it is hard to think of the emergence of digital economy at the time that other industries also need the reconstruction.

#### **4. Resolution of the debt crisis**

It is hard to think of the resolution of the debt crisis of Greece. A possible way out is the depreciation of the Greek currency. This is not possible when Greece is a member in the Euro zone. The Euro cannot be depreciated solely because of the need of Greece. The currency ties many countries together in the European Union (EU). Therefore, a way out for Greece is to free her currency from the Euro. However, this way is not good for the EU as a whole. If it occurs, the strength of Euro will be less. It will even induce other countries in the Euro zone to follow the suit.

Another way is the financial discipline of Greece. The Euro needs a strict discipline of the government budget of each member country. Greece needs to convert her fiscal policy away from populism. This may be hard for Greece but will be good for the EU and the Euro zone as a whole.

The third solution is the lending of more loan to Greece. This aims at the reconstruction of the Greek economy into fully digital economy. It may take time but it does not mean that it is impossible. Greece must be turned into a digital economy. The Greek must be digital literated, skillful and creative. By this option, Greece will newly and totally emerges as a hub of digital economy of Europe.

#### **5. Conclusions**

We write this letter to answer our curiousness of the possible linkage between debt and human dignity. We discover that indeed the debt links to human dignity. We also find some good reasons that the lenders should give empathy to the borrowers whose debts are defaults.

We ask further whether the promotion of digital economy will save the borrowers who are close to bankruptcy. We think that it is hard to do so. It takes time but still not impossible to

become true. This lead to the reconsideration of the lenders to even issue new loan, and a bigger amount of loan, to help the building of the digital economy for the borrowers.

Even though we are writing about Greece, we are always thinking of our home country. We imagine that if the situation occurs in Thailand, what would we do for the country. Of course, now Thailand is insulated by the managed floating of her currency. This prevents the crisis that occurs in 1997 when the country pegs her currency. However, many governments after that spend money by populism. Besides, the digital economy in Thailand is not mature yet. The country needs more investment into the digital industry as well as telecommunications industry that provide the backbone infrastructure and network for the growth of the over-the-top businesses.

It is still risky in Thailand. The debt crisis may return to the country in both direct and indirect ways. To fight the debt and to preserve the Thai's dignity then, we have to control the fiscal policy with a good discipline, prevent populism, and rapidly develop the digital economy in the country. We strongly emphasize here that the digital economy takes time, but not impossible. Then rush to do it and make it become true.

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