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CALCUTTA - INDIA



**BENGAL'S
ECONOMIC
SURVIVAL**

NINE BENGALI ECONOMISTS SET AN AGENDA
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While the results of the state election are still awaited, we would like to urge whichever party or group of parties that forms the next government to commit to a coherent economic programme. In recent times, public opinion, cutting across the ideological spectrum, has centred around the need for economic revitalization of West Bengal, especially in industry, as the key to solving many problems that currently afflict the state. It is good to start by evolving a consensus concerning the root of these problems. While political parties may differ with regard to appropriate policy responses, we believe there is some common minimal economic programme that should act as a benchmark for any coherent approach. There are two reasons for this.

First, a small core of economic principles ought to be common to all political parties — for the simple reason that in the long run good economics is good politics. As the people benefit from the fruits of progress, the political parties that make this progress possible are rewarded and returned to power repeatedly. And economic progress requires a stable commitment to economic policies, in order



to encourage long term investment flows into West Bengal. However, political parties tend to become obsessed at election time with short-run goals, which improve their chances in the immediate polls, at the expense of their long term staying power.

Second, there is a fair degree of consensus among economists regarding the ingredients of a successful long term economic strategy for the state. In the current climate of globalization, West Bengal will have to build on its innate strengths — especially its human resources — to attract sufficient private investment in order to spur growth, create jobs and raise living standards across the board. The current international economic environment, particularly the worldwide demand for skilled labour conversant in English, provides a unique historical opportunity for West Bengal to achieve high growth within the next decade.

Both political parties and citizens would benefit from a clear statement of the key ingredients of a successful long term economic strategy. Without going into excessive detail, it will be most useful to outline five principal priorities that should form the core of such a strategy.

First, the state should aim to do vastly better in education — both primary and advanced. While Bengal has performed better than the Indian average in terms of improvement of basic literacy over the last decade, the absolute rates still remain low compared to many other Indian states. It is important to set our targets much higher, aiming to achieve a literacy rate of 85 per cent by the year 2010, and establish the state as a major Asian centre of excellence in higher education and research. In information technology there is still scope to benefit from the growing worldwide demand for trained software professionals, and catch up with leading south Indian states. Knowledge-based service industries require relatively little investment in facilities and skills,

and yield returns within a short span of time.

And West Bengal can proactively take the lead in biotechnology, widely acclaimed as the next great frontier in science and technology. In particular, it could target development of new pharmaceuticals (especially those pertinent to tropical diseases), pest-resistant and nutrient-enriched food crops. This will require a strategy of strengthening existing institutions of higher education, and creating new scientific and technological centres. Since such investments would be extremely expensive for the government to undertake alone, they will necessitate innovative schemes for cooperation between the government and private industry, both with regard to financing and technical collaboration.

Historically, West Bengal had a great advantage over all other states in higher education, research and development, but we have lost this edge in recent times. The new government must pledge not only to stop the erosion, but turn the state into a centre of research and development excellence. As an initial step, and one that involves the private sector, the state government should set aside a fixed share of the budget — two per cent is not an unrealistic aim — and announce schemes for matching the effort of the private sector in R&D.

Second, infrastructure is the base in the absence of which no new investment would be attracted. There are four principal areas where improvements in quality and quantity are urgently needed. Improvement in telecommunications is essential for the growth of IT, knowledge-based service industries, and for the connectivity of businesses and research institutions.

Then, there is immense need for better roads to link the cities and towns of the state. There is also the question of the availability of sufficient and reliable sources of power. Of course, power does not appear to be a significant constraint currently, but we do not want the shortages to re-appear once an industrial revival is under way. And last of all,

port facilities have to be world-class. As with higher education, infrastructure is also an area where collaboration between the government and the private-sector will be essential.

Third, good health for citizens is increasingly recognized as just as essential as investments in physical capital for economic progress. It is also an important component of any poverty alleviation programme. In particular, the government must work to improve people's access to safe drinking water, basic health facilities and encourage research in public health and medicine. Improvements in primary schooling and health can be achieved by a partnership between the state government, the *panchayats* and non-governmental organizations. *Gram* panchayats and NGOs can be entrusted with the responsibility of operating schools and clinics, and initiating plans for construction of new ones where none exists; the state government can be primarily responsible for construction and overhead support of schools and clinics.

In addition, the state government should provide help to market and export agricultural and rural products, which create jobs and income for the poor. Even sectors such as IT-assisted goods and services, and processed plastic have the potential for large growth in job-creation and poverty alleviation.

All the above pledges will involve monetary as well as concrete policy commitments. Our final two pleas are for matters more nebulous and therefore harder to fulfil, but equally important. There is the need for a better work culture, which entails creating and supporting schemes of rewards and punishment. These include the act of dismissal in extreme cases, in the workplace, and avoidance of political interventions in private management-worker relations motivated by short-term political expediency. It has often been pointed out that in India, wages may be low but labour is not cheap. This is especially true of West Bengal. A good work culture is important to no one as much as the

workers themselves, for they themselves will benefit from the increased jobs and higher wages that an industrial revival will bring. We believe that labour in West Bengal should be cheap by virtue of being skilled and efficient, not because wages are low. Creating a climate for good labour relations, monitored by legal and quasi-legal institutions, would be essential to ensure this.

Finally, there must be concrete steps to curb corruption in everyday life. A corrupt system discourages the entry of new firms into business. One of the first principles of economics tells us how efficiency and progress are intimately connected to the ease with which new businesses can be set up. Business success should depend on skill, talent and hard work, not on the ability to exploit personal connections or grease the system.

Corruption and pilferage also result in bloated government budgets and poorer quality of infrastructure and public services. Most governments know where corruption is rife and who the corrupt are. Byzantine regulations, lack of transparency in the relations of the government to private citizens, and excessive discretion awarded to government officials without concomitant responsibility, all contribute greatly to the culture of corruption. Many Latin American countries have undertaken reforms in the past decade to make administrative changes within the government, with considerable success in reducing corruption. These include separation of powers, heightened monitoring of officials, punishments for corrupt officials, and rewards for honest ones.

Moreover, the politicization of administration and institutions stokes corruption: committing to maintaining an arm's length and delegating powers to legal and regulatory bodies is essential. This is important not just for reducing corruption but also for law and order in general. In the workplace, in hospitals, in schools, no one should have the right to take the law into one's own hands.

Though much has been achieved in the area of

agricultural growth, limited land reform, and decentralization through the panchayat system, West Bengal has steadily lost ground over several decades in various areas, especially in the industrial sector. It is time to be ambitious about what can be achieved and to remember that good economic policy may require us to do things which may not always be pleasant in the short run.

Short term electoral politics encourages competing parties to make promises that are unsustainable in the long run and ignore the laws of ordinary arithmetic. Good policy is not a matter of emotion and table-thumping political speeches, but of painstaking planning, plenty of research and a commitment that goes beyond the next round of elections.