



## Centre for Public Policy Research Centre for Comparative Studies

Door no.28/3656, 1<sup>st</sup> floor, Sonoro Church Road, Elamkulam Kochi, Kerala, India- 682 020

### **The CPPR Centre for Comparative Studies ‘Various Indicators of Economic Development at State Level in India’ - 06/09/2013**

**Keynote Address: Dr. Chandra Ranade** Econometrist and Professor at Virginia International University.

Dr. Chandra Ranade spoke of Various Indicators of Economic Development at State Level in India. He stated that the topic of discussion was something that he likes and he has been researching upon for the last 50 years. He indicated that what they study in India is applicable at the global level and vice versa.

Dr. Ranade emphasized that in the past people were only taking about economic growth and economic growth was entirely based on the calculation of the gross domestic product or was income either per capita or absolute. The concept was internal production and focus was on its growth. Later on it was realised by the world and the World Bank that growth does not necessarily mean development for all and growth is a subset of economic development. Today, though the focus is on economic development at the state level, we cannot only dwell upon pure economics. If we have economic development, we can assume that we will have growth; if there is growth then we can be sure that there will be development.

The World Bank realised that focusing on economy is not enough and how economic growth has to be environmentally and socially sustainable development. Now it is globally accepted. Interestingly India had thought about social development much before international thinkers. Luckily in India, our founding prime minister Pandit Jawaharlal Nehru was always thinking about socialistic pattern of society. India started with the goal of inclusiveness – all castes, all religions and all regions. The 2<sup>nd</sup> Five Year Plan also explicitly mentioned socialistic pattern of society. That is the strength of India.

This transition in thinking at the international level led to the important and popular landmark called the Millennium Development Goals which actually relates to multi dimensional aspects of development. It identifies poverty as not just income or food intake but

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multidimensional in nature. Dr. Ranade said that as far as primary education is concerned India made a mistake by focusing much on the tertiary education i.e. higher education. He mentioned how IIT's and IIM's were created but clearly India did not go for universal education. Many countries like Thailand, Ghana etc. went for primary education as their first strategy and saw the subsequent benefits of investment in primary education. Sadly though India spoke of primary education on papers it went for tertiary or higher education.

In terms of the MDG i.e. Environmental Sustainability, access to sanitation is of major concern. Dr. Ranade highlighted that he considers sanitation as important as eradication of hunger in this century. He explains that states like Kerala, Sikkim, Manipur, Mizoram, New Delhi and Tripura have managed to provide sanitation facilities to more than 90% of the state's population while the average for India is less than 50%. Thus in the rest of the states people do not have good access to sanitation which is disturbing. People who live in Kerala can be proud that the state is blessed with good sanitation facilities. Since 1970's Kerala has ranked number one in terms of cleanliness in comparison to the whole country. "So why is the rest of India struggling with poor facilities?" he asked. Also, he explained that though Gujarat state has achieved excellent rate of growth in the last 10 years and Maharashtra state has a very good rate of growth; in both these states, less than 50% of the population has good sanitation facilities. "Is this a little shocking?" he questioned. He emphasized that the only countries that compete with us in terms of poor sanitation facilities are in Sub-Saharan Africa like Ghana, Kenya etc.

In terms of the last MDG i.e. global partnership Dr. Ranade wonders why there is no inter-state partnership in India. He highlights that there is extreme variability in India in every field from agriculture to industry to IT to areas like health and sanitation. He reemphasizes. "But why there is no partnership among the states? Why everything is centre and states?"

His next emphasis was on key issues like water, electricity, labour migration and sanitation. He clearly argued that industrial partnership is the only solution to overcome hurdles in these areas. He underlined that the United Nations decided in Co-operation and collaboration with all international organisations and the governments around the world that these goals have to be met soon. "They say 2015 - 2030 but expectation is quite soon." He commented.

Later, he dwelled into the need to study the status of economic development when we do an inter-state comparison. He explained, "In terms of statistical data the government of India has issued several sites where we can get the numbers. When it comes to the income, the richest state is Goa and the poorest state will be one among the BIMARU states. The ration of Income received by the riches state and the poorest state is 1:7. Thus the rich states have

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seven times more income than the poor states. The richest states following Goa are Maharashtra, Punjab and so on. Kerala is good in many areas but income wise it is behind probably 5<sup>th</sup> or 6<sup>th</sup>. There is some trade off between growth and equity. Now the debate is which should come first. If you ask me, my view is that equity should come first. Because some of the growth is going to only some top five star people who look down from there at the slums. I don't think we want that kind of growth. So I will prefer equity not total equality but equity to growth. If some states have not grown to the level of the top states, that is okay as long as there is less poverty, there is good education, good health facilities, good sanitation etc. And everyone knows that Kerala ranks number one in these. But nobody knows that the states that have high income do not have these facilities. The effort is to understand why this happens? What factors cause growth and what factors cause inequality? It's a big question."

He continued, "The first one is a loaded word called governance. People are arguing in India that governance has by and large failed everywhere. If one looks at the World Bank statistics on governance around the world, India does not rank higher. India is way below them; par below some of the sub-Saharan countries or Pakistan our other neighbour also rank poor in terms of Governance. This is surprising because India used to have very good governance during Nehru's time. If we go back to the history the level of corruption in Nehru's time was virtually nothing. There are a couple of cases like the Mundhra case. But now if you open the newspaper or any website, the first news is about governance. Thus governance is a factor. We have to figure out why governance is an issue in many countries."

He made his second point. "Second one is, whether it is a good approach to have public sector seeking private sector partnership? In other words, if you say that the agricultural university in Kerala which is public sector, cannot manage on their own, they need to approach let's say a spice industry to develop research in that area. This trend of public sector seeking sector partnership is not happening in India for whatever reasons. Universities might be doing this but not systematically. Lots of universities approach private sector, approach multi-nationals. But one commodity no one wants to talk about in India is genetically modified crops. In the United States, 90% of the food that people eat is genetically modified. All of this food is produced in collaboration with private sector. If one goes to the Cornell University, one can see that the university has partnered with genetically modified crops industry like 'Akay' for research. Same way in the health sector the pharmacists have partnership with public sector agencies like National Institute of Health (NIH) or U.S. Food and Drug Administration (FDA).

His third point was "Open Society". He explained, "Good news is that India is an open society. We are an open society. There is nothing hidden. Whatever we do is in public. There is no secrecy. Our neighbour China is exactly opposite. Nobody knows what is happening there. The World Bank has recognised that the openness of information is very poor in China. At the same time, India has managed to have a very higher rank."

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The fourth area of discussion was as follows, “Are we flexible? Yes, of course we are flexible. Otherwise mobilisation won’t have been there. The year 1991 was a breaking point when we changed from a socialistic kind of society. Now we are calling it growth with inclusiveness and not socialistic. So we have flexibility.”

Dr. Ranade continued by stating that “Ability to meet crisis” is the next point of interest. He explained, “This isn’t a case of surety. We are very good in disaster management but ability to meet crisis, it varies from state to state. We saw what happened in Uttarakhand - major disaster in the mountains – Kedarnath and surrounding areas. Of course half of that was due to nature. But half of that was created by us due to poor policy in terms of development. As climate change is going to continue, it is going to be more severe. Ocean is going to rise and Kerala as well as West Bengal will be affected,” he predicted.

Dr. Ranade highlighted that when all of the above stated factors i.e. Governance, Public sector seeking private partnership, open society, flexibility and ability to meet crisis are met; it leads to growth.

The next attempt made by Dr. Ranade was to check how they differ from one state to another in India. He furthered, “One factor I want to touch upon is unevenness. I have done research on Bihar for 3 years, Punjab for 3 years and West Bengal for 1 year. We tried to see the inequality in assets in terms of land as well as other assets and also social inequality. Now if I have to speak about these 3 states, Bihar comes higher in terms of inequality. But something happened in the last 6 to 7 years with the change of the leadership Bihar is slowly changing. The uneven society is becoming even at least in terms of asset ownership and has a positive effect on growth. Bihar is growing faster than it used to. This might be because of the peasantry that is now managing agriculture. A similar experiment was conducted in West Bengal. When Marxist government came to power in 1970’s with Jyoti Basu as the first chief minister, they came out with a land reform called “Operation Barga.” This was a major land reform and land was redistributed to those who cultivate land. I have done some analysis of that and it was a successful land reform. Effect was very positive. Agriculture grew rapidly for 6 years and it was so successful that a team came from Dhaka, Bangladesh to learn lessons from W. Bengal. It was almost like what has been proposed as inter-regional learning. Something happened afterwards in W. Bengal and somehow growth did not continue leading to a stagnant condition the reason for which is not known yet. This showed that removal of inequality will give you some growth but not for a long time. Thus there is some kind of saturation.

Further, he explained the case of Kerala, “there is fairly reasonable equality in terms of access to good service such as education, health, sanitation and water. If that is the case the question is will this kind of equality in terms of access to basic facilities lead to faster growth? And when will it bring faster growth? So may be Kerala is just on the verge of

picking up in terms of growth. One possibility of why it is not happening is that when you do well, you do not get any help e.g. in terms of Financial allocation.”

After retrospection he continued, “This reminds me of one policy in the U.S. When President Obama got elected, he introduced a program called ‘Cash for Clunker.’ The idea was that the inefficient cars, big cars that consume more petroleum, government agreed to buy them. That means those who had efficient cars did not get any benefit and inefficient cars got subsidy. This is a weird kind of policy. There is another joke in Income Tax circles particularly banking sectors. Banks which go bankrupt get help and the banks which are doing well get nothing. Not even a rating of A Star. So you get rewarded for your mistakes. That hinders growth of some states. It is a complicate policy issues. I don’t have any answer but that is the situation all over the world. Anyone who is doing well doesn’t get any help, they are on their own. I think Kerala are similar states actually need some boost to grow at 10% per annum. In certain sophisticated fields like high value crops why should Kerala grow rice? Kerala can focus more on spices, plantation crops and Kerala can import rice form some other states. Kerala can grow rapidly more on IT, more on modern sophisticate industry which does not require much land. There are certain strategies. Thus state specific strategies in terms of public private partnership provided equality is there to assume growth is extremely important.”

He took back the discussion on states which are lagging behind and what can be done. He stated that one should just follow the example of Bihar. He explained that the present Government of Bihar has done a great job in terms of what the research in the 70’s and early 80’s indicated that they had given up on Bihar. “My views have changed now. Bihar is growing, also U.P. will grow, Orissa will grow and if that happens all the problems that we talked about the rest of the country will vanish. So there is a hope that performance is changing for better since certain backward states like the BIMARU states are doing well in terms of governance” he beamed.

Dr. Ranade continued, “So how do you analyse impact of growth at the state level? Let’s look at Punjab and Bihar. You may know that 20 years back, lakhs of labourers of Bihar used to travel every agricultural season to Punjab and go back. There was extraordinary migration. These labourers gave Punjab their skills in rice plantation. Overtime, this migration trend has reduced substantially for 2 or 3 reasons. One is government policy for providing employment via NREGA scheme. The second important thing is that Bihar’s agriculture is growing. So why should Bihari labour go to Punjab? They can work on their own anyway. These are major changes and that has implications.”

International Migration was the next area of discussion. Dr. Ranade pointed out. “Kerala is renowned for International Migration. Kerala’s growth comes due to the foreign remittances. One has to study from which state international migration is happening? Some of the states to

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be mentioned are Kerala, Andhra Pradesh. If you come to the U.S in I.T. many Indian's are there. And 80% of Indians' are from Andhra Pradesh. Tamil Nadu is another state and Punjab and Gujarat for reasons of Trade.

Dr. Ranade's next attempt was to introduce the new initiative by the World Bank to the audience. "Thus, I view Inter-State comparison just like Inter-Country comparison. There is a lot of learning in my view by comparing states. So how do they learn? Do we offer training programs from Bihar to Orissa or Kerala to Bihar? I had a major project in Nigeria on pump irrigation and in Nigeria they did not know how to do this. Nigeria has oil. They know how to drill oil, go deep and use expensive rigs but they really don't know how to do small scale irrigation. We had collaboration with Nigeria and Punjab. SO some Punjab farmers were brought to train Nigerian farmers. Dr. Kurien who started the Amul diary and became a success story around the globe had send several teams from Amul to other parts of the world to train them. This is inter-country collaboration. It does not happen in India unless the central government is involved. No state initiative has been noted."

He furthered his lecture by explaining a 'collaboration for development' initiated by the World Bank in recent times. He explained, "There is a web portal where people are invited to share their experiences about growth and development. Thus it is all done through internet to begin with. And then initiatives are taken and people are invited to go from one country to another in terms of technical co-operation in different developing countries as well as developed and emerging markets around the globe. The idea is that just by knowing what is happening in other parts of the globe, people change. E.g. just by knowing about the sanitary facilities in Kerala; people of Bihar will start demanding the same. Thus knowledge is very important. Also, knowledge hubs are created for sharing development experiences across the globe. E.g. how the knowledge about the reasons for Gulf of Mexico Oil spill can be used to tackle oil spill in Ghana or so. Hence the future world is knowledge. How do we participate in that knowledge sharing? How do we benefit? It is not easy because you don't see immediate payment. The dream is that this is going to be the future.

He delved into explaining a personal experience he had with new technology like face book. "E.g. during the Arab spring someone in Tunisia did not find a job and burned himself. That news spread around the world because face book is accessed by all youths around the globe. There were reactions in Tunisia, then in Egypt and then in Libya. Three expert journalists from the Middle East were invited to tell us if they saw this coming and they said no. They had no idea that this will happen in Egypt and Libya of all the places. The same time Anna Hazare in India went on fast. Then for three weeks there were huge responses. Unfortunately, Anna Hazare gave up. In Egypt and Libya for that matter did not give up. Thus the new technology of face book and global media has made major impacts. But this new media is active only in states where there is education. Then we come back to Kerala, Maharashtra, Punjab, Gujarat that are doing well. So if we look at the press they are also only reporting

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stories from these places. If something happens in Orissa we don't know. Hence there is a clear discrimination in terms of the global media by focusing only on the advanced states and if something happens in some remote corner no one is bothered. Many Dalits are complaining about this trend. There are letters in Economic and Political Weekly that if one high cast lady gets raped so much of hue and cry is there. At the same time so many Dalit women are raped there is no national protest. That is clearly discrimination. That is unevenness of justice." He expressed his hope that this unevenness will go because of new technology of global media as he has noticed that it is already reducing.

### SUMMING UP

While summing up, Dr. Ranade stressed on the importance of state level studies. He explained, "Some states are doing very well and we see lot of potential. There is a worry in some quarters and some corners that states which are doing really well are not getting their due share. That will threaten the union of this country. Somebody might raise a voice that why should we belong to them? The centre has to worry about this. Solution in my view is that the states which are doing really well should be rewarded. They should be given in fact some special allocation from centre. Second thing is industrial collaboration. Who will do this? May be Non Governmental Organisations like CPPR have a major role to play so as to think about and come out with important recipe's for inter-state collaboration. Third is that the future of state development is knowledge - not so much physical infrastructure but knowledge infrastructure. How to use that knowledge infrastructure internally in India and also internationally is very critical in collaboration with the private sector. We cannot say that public sector will do this in fact public sector will do only 20% or maybe 10% and leverage on the private sector for 90%. I can predict that by 2020 all those states that are lagging in all the HDI's will show substantial change in those indicators. We will not see extreme poverty in India. Hunger will vanish in the next two years. I fully support the 'Food Security Bill'. It is not costly. There is enough money in the country. The food security bill will not only eradicate poverty and hunger but will also help rural community in the agriculture sector. So I am very optimistic provided the said things are done." he concluded.