

Thoughts on North East India

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The North East part of India bordering South East Asia and with Bangladesh as a big chunk lying between the rest of India and the region has been in the news particularly since the mid-1970s. This has aroused intense interest in the region.

Development Economics enjoyed a high tide from the birth in the 1950s and during the 1960s but suffered low credibility and consequent decline in popularity for about a decade and a half from the early 1970s to the mid-1980s. The researches in mid-1980s have turned out to be a robust grounding for recovery with gusto. This was a period with Chaos Theory in Mathematics and Post-Modernism in Philosophy influencing the rethinking at issues and reality. Further it was also a period when big-data analyses became possible with the availability of powerful computers and accompanying programmes. In keeping with the methodological changes in Mathematics and Philosophy, in Economics (particularly in Development Economics) the emphasis on contextualisation for understanding Economic Phenomena and evolving Development Interventions gained momentum. The late 1980s (post-1986 in particular) and the early 1990s are landmark years for the robust rebounding of Development Economics. During this period, various theoretical innovations in thinking about development and emphasising significance of contextual realities emerged. The Endogenous Growth Theorists, Institutional Economists and New Economic Geographers made their contributions during this period. All of them – Robert Lucas, Paul Romer, Douglas North, Oliver Williamson, Elinor Ostrom, Paul Krugman – have already been awarded Nobel Prizes in Economics. The contributions of these economists enabled the scholars to identify the areas where we should be looking for realities. In this context, the Economists started emphasising the primacy of evolving evidence-based policies for development intervention; India's Professor Kaushik Basu (former Chief Economic Advisor of India, former Chief Economist at the World Bank and now back to Cornell University, Ithaca, New York) is one of

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the main protagonists of this articulation. The recent Randomisation approaches for evolving development interventions are a natural progression of the discipline. Development Economics is the in thing once again.

In this context, it is a very refreshing and relevant occurrence to have a book on the transformation of the North Eastern Region of India from an Economist who justifiably claims “*I am a development economist.*” Atul Sarma is yet the Best Economics Mind the North East has produced. Second, though from the region, he has all along made his presence felt as an Economist in places outside the region academically as well in policy debates. Second, though, except as a Vice Chancellor of Rajiv Gandhi University in Arunachal Pradesh, his professional placements have all along been outside the region; the Sardar Patel Institute in Ahmedabad, the Indian Statistical Institute in Delhi, and various Finance Commissions besides the international engagements outside the country. Third, though always engaged in positions outside the region, he has all along been present in discussions, debates and recommendations on development issues concerning the North East right from the late 1970s to till date.

With the earlier interventions for addressing developmental transformation failing to deliver in the North East, there naturally had emerged intense hunger for evolution of contextual development interventions. The earlier process of framing policies based on homogenising an essentially diverse country in all the critical multidimensional properties had failed. Approaches to development intervention in the region have all along lacked endogeneity. Further the so-called experts - administrative or otherwise – had their knowledge of the understanding of the region from a visit of only a few days to the region; in most cases, they came to the region with solutions in their pockets and concentrate on looking for areas for application of the solutions. In fact, the lack of appreciation of the differentials prevailing in the region, and non-evolution of policies based on contextual realities have been the undoing. The approach of the Government of India (GOI) to the development needs of the North Eastern Region (NER) has been well-summarized by the High Level Commission, popularly known as the Shukla Commission thus: “*The Northeast tends to be seen as a distant post, some kind of land’s end. Yet it was until recently a crossroads and a bridge to Southeast and East Asia, with its great rivers ending in ocean terminals.....the Northeast must be enabled to grow at its own pace and in accordance with its own genius. It cannot be treated merely as a resource region, market dump and transit yard. There is a strong resentment over what is seen as an earlier phase of “colonial exploitation” in which wealth was extracted for others’ enrichment. Such a path of development is not advocated.*”

This weakness is coupled by weaknesses of regional governance to articulate unique requirements and dovetail regional policies to the unfolding national

and global challenges. Well, it is a general feature in regions of poor regulations and weak governance that the people in the decision-making positions look at governance predominantly from the perspective of rent-seeking. For the public it is as if what Rousseau wrote in *The Discourse on the Origin of Inequality*: “All ran headlong to their chains, in hopes of securing their liberty; for they had just wit enough to perceive the advantages of political institutions, without experience enough to enable them to foresee the dangers... Such was, or may well have been, the origin of society and law, which bound new fetters on the poor, and gave new powers to the rich; which irretrievably destroyed natural liberty, eternally fixed the law of property and inequality, converted clever usurpation into unalterable right, and, for the advantage of a few ambitious individuals, subjected all mankind to perpetual labour, slavery, and wretchedness.” No we cannot allow such a situation to prevail and sustain in the North East. There is a fundamental contract between the people and the government for attending to the needs for general welfare. As James Buchanan writes in his celebrated *Calculus of Consent* the collective choice responsibility is given to the government because: “The attainment of consent is a costly process, however, and a recognition of this simple fact points directly toward an “economic” theory of constitutions. The individual will find it advantageous to agree in advance to certain rules (which he knows may work occasionally to his own disadvantage) when the benefits are expected to exceed the costs. The “economic” theory that may be constructed out of an analysis of individual choice provides an explanation for the emergence of a political constitution from the discussion process conducted by free individuals attempting to formulate generally acceptable rules in their own long-term interest. It is to be emphasized that, in this constitutional discussion, the prospective utility of the individual participant must be more broadly conceived than in the collective-choice process that takes place *within defined rules*... The areas of human activity that the reasonably intelligent individual will choose to place in the realm of collective choice will depend to a large extent on how he expects the choice processes to operate”. The government of any day is supposed to work within this framework and keeping the expectations of the people in mind. I would like the prevailing provincial government to remember what John Rawls has said in his classic *A theory of Justice* that “each person is to have an equal right to the most extensive basic liberty compatible with a similar liberty for others” and inequality is to be accepted only in so far as it means to promote the “greatest benefit of the least advantaged,”

For these critical reasons, when Atul Sarma writes on the region of his love and based on the exemplary principles of his core discipline, Economics, the world has to listen. When I say the world, I would inevitably at least include the Indian intelligentsia, the governments at both provincial and national levels and the scholars engaged on thinking about the issues of the region. The North East happens to be the marketing interest of book publishers, and thus publications

keep coming out. Unfortunately there are few of these which deserve burning the midnight oil. In my life, I have completed only two books at one go – first was the *A Tale of Two Cities* by Charles Dickens and the second is the book I am reviewing today; the first book is such a wonderful narration of the cost of the First Industrial Revolution and the second is an exemplar articulation of the development challenges in the North East.

The book under review is a collection of sixteen papers already published at different locations, but here it gives us the opportunity to have a look at the core articulation of Atul Sarma as an Economist preoccupied with the rather lack of transformation of the region. On constraining development in the region, the author talks of “five I’s – Initial conditions, Infrastructure lag, Insurgency, Imperfection/distortion in factor and product markets, and Indifferent governance” in the very first Chapter and this framework is salient in the other chapters as well. One can see Gunnar Myrdal, Institutional Economists and New Economic Geographers in his articulations on Initial Conditions, Factor and Product Markets and the regional context. The author argues and quite rightly that development does not happen in a vacuum. Here he also argues that a clear perspective of development from the side of governance is paramount. On the lack of emergence of any meaningful development transformation, the author mentions inter alia three significant governance characteristics. First, any major development intervention in the region has been more out of “ad hoc responses to public agitation rather than following from a development perspective.” This has had the unfortunate consequence of “[w]idespread corruption and cynicism of the bureaucracy [as] both cause and effect of the casual approach to development.” Second, the governance approach to the policy intervention in the region has been rather security-centric rather than focused development articulation. Third, the absence of contextualisation of governance approaches had expectedly led to the failure of any significant sectoral development failing to link with a potential sustained transformation of the region. In this, the author gives the examples of Tea and Oil in Assam.

Further, the security orientation rather than development orientation of governance is also critiqued in the book; how the Asian Miracle had happened may be recalled here. Since the kind of democracy India professes to follow is not uniquely indigenous, and has traces of a long Western trajectory, it would be interesting how the debates relating to government-imposed restrictions have evolved there. Before stretching the history far into the past, we can start with a 1849 piece of a French economist, Gustave de Molinari (1818–1912). This Belgian-born French economist has a brilliant lineage on either side of pedagogy; he was a student of Jean-Baptiste Say but teacher of Vilfredo Pareto. He was for several decades the editor of the *Journal des Économistes*, the professional journal of the French Economic Association, the *Société d’Économie Politique*. His February 1849 piece

on “De la Production de la Sécurité” has been translated by McCulloch in 1977 as “Production of Security”. In this there is one portion relating to government provision of security where de Molinari writes: *“If, on the contrary, the consumer is not free to buy security wherever he pleases, you forthwith see open up a large profession dedicated to arbitrariness and bad management. Justice becomes slow and costly, the police vexatious, individual liberty is no longer respected, the price of security is abusively inflated and inequitably apportioned, according to the power and influence of this or that class of consumers.”* While one may not go to the extent of market-driven provision of security, the observations on consequences of government monopoly of this provision are absolutely apt for our case as well. Let us look at the Indian legal system, the arbitrariness of government functioning, deep rooted rent-seeking in running the affairs of the state in the name of the state by the government, and the massive inequitable apportionment of rights to decide by the Centre on issues relating to provincial governance, particularly those relating to the North East, and Manipur.

This critique of the government is reflected strongly in the twentieth century writings as well, particularly in the essays of Albert Jay Nock. In this connection one paragraph from the classic book written by him, *On Doing The Right Thing*, is very telling: “Everyone knows that the State ...forbids private murder, but itself organizes murder on a colossal scale. It punishes private theft, but itself lays unscrupulous hands on anything it wants, whether the property of citizen or of alien. There is, for example, no human right, natural or Constitutional, that we have not seen nullified by the United States Government. Of all the crimes that are committed for gain or revenge, there is not one that we have not seen it commit—murder, mayhem, arson, robbery, fraud, criminal collusion and connivance. On the other hand, we have all remarked the enormous relative difficulty of getting the State to effect any measure for the general welfare. Compare the difficulty of securing conviction in cases of notorious malfeasance, and in cases of petty private crime. Compare the smooth and easy going of the Teapot Dome transactions with the obstructionist behaviour of the State toward a national child-labour law. Suppose one should try to get the State to put the same safeguards (no stronger) around service-income that with no pressure at all it puts around capital-income: what chance would one have? It must not be understood that I bring these matters forward to complain of them. I am not concerned with complaints or reforms, but only with the exhibition of anomalies that seem to me to need accounting for.”

Atul Sarma have put forth powerful arguments, and there are quite a few other issues in the book besides those mentioned here which need pondering over, like the disconnect between the product base and the diversifying consumption in the region. All these are issues the public and the governance need to seriously apply their mind.

Besides, the important issues confronting the development transition in the region being expounded in the book, I would definitely like the book to be read by all the budding scholars in the Social Sciences in institutes around the region. One big challenge today in Social Science research in the region is the rising dominance by mechanical approaches rather than the application of a critical mind. The present book gives a robust display of the application of Economics Mind on issues confronting the region; this is the way to go about.

Overall, I would definitely recommend the book to be read by all the academics, general public and the policy-makers in the region. I could think of only one weakness in the book where the few discussions on Insurgency do not get appropriately linked with the core arguments of the book.