

Editorial

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Wrath of Mother Nature: Why challenge instead of understanding her?

"This is a natural disaster, we can't blame the ruling government neither the concern department"- a comment seen posted in social networking site facebook from an eminent person in response to an angry young man who blamed the government for what has been happening now.

It is right we can't blame the present government for this 'wrath of the Mother Nature'. Each of us is responsible in making Mother Nature angry. We do have our own part but self centric mentality of each of us called - the human being who think about their own life without bothering about others are all responsible in making the Mother Nature's fury.

The frequent flash flood occurred in the state of Manipur co-incidentally increase after the replacement of a new political party, who has been in power for over one a half decades. And precisely, the newly replaced political party which is now ruling the state have the same people who were also a part of the government in the last 15 years. Some among them are top bureaucrats in the government. Points wanted to bring up here is that each of us know why the mother nature is so wild and fury this time. Those in the government know much better as they have already talk a lot on why the frequent flood occurred.

Rampant deforestation taking place at the river catchment area is being blamed. Now the new party with the same people started blaming the constructions of various wetland areas. Importance of preserving wetland areas had been raised by environmental activists since the last 2 / 3 decades but the government authority besides knowing better (with many specialise qualified individuals on the specific matters working in various flood and water conservation departments) had never listened or taken up any long lasting effective measure to prevent the kind of disaster what we are facing today.

Greek's philosophical concept of democratic society being composed of idiots, tribal and citizens is needed revisiting. Today's India democracy is run by idiots by utilising the tribal and by suppressing the citizens whose number is less.

Because the idiots ruled - crores and crores of rupees spent for taking up measures for protection and the preservation of the natures have been pocketed using the tribal as their tools. Those concern citizens, who raised voice against them, were suppressed using any means. *(For understanding the concept pliz refer BUKIT LANJAN speech on 'Naga Day' link - <https://www.youtube.com/watch?v=mFpjiyVcnR2c>)*

2 days non-stop rains floods the entire Imphal Valley, the incessant rains not only impact the state but also the neighbouring Myanmar town Tamu. (Environment has no boundary). Almost all major Rivers in Imphal Valley overflow and breached at many area inundating many locals.

One state PWD Engineer, during an interaction with media persons, once said his experience about a Japanese Scientist asking him why the River bank (retaining wall) of Rivers is higher than the road. The Engineer seems to know the danger of constructing retaining walls of river above the road but give a shrewd answer which the media people could not be convinced as do the Japanese scientist.

Well not only the River Banks are constructed higher than the roads and locality but also all the drains constructed in and around Imphal Valley are also constructed above the road. The water which were supposed to drain flows to the road. Crores of rupees are being spent for control of flash flood but the way the money are spent appeared to be not for the purpose of making the state a better future but to earn from the works in the name of development. These kinds of works are carried out by people called "Idiots", which the Greek called.

Some people had committed crimes against the state which went unnoticed for reason best known and no government is courageous enough to punish any of this criminals.

Time and again, this newspaper had reported about specific project among the many for control of flood. In 2010-11. For this project the government of India had sanctioned a sum of Rs. 500 lakhs for development of River Catchment area in Senapati area under River Valley Project and Flood Prone Scheme. The project was particularly for Laini River but also has parts for preservation of other river catchment area which had its origin at Senapati district. After 8 years the said area looks barren without any trees which are supposed to be there. Why those authorities of that time are called up and conduct an enquiry so that all those responsible, of that time are booked for the present crisis we are facing?

On the other hand, why those responsible, for the constructions of failed drainage system in and around Imphal are not pulled up and punished for wasting public money.

For what we are suffering whom should we blamed? Those committed crime against the future generation or those responsible government authorities who did not take up any action against those criminal. A matter much needed to ponder upon.

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Continuation from previous issue

Manipur and Development Political Economy of Collusion

The write up produced here is the lecture delivered by Prof. Amar Yumnam on Arambam Somorendra Memorial Lecture held on 10th June, 2018 at Lamyamba Shanglen Palace Compound

As North said, economic institutions determine not only current economic outcomes but the future distributional pattern as well. Because of the distributional implications, there naturally arises a "conflict of interest" among individuals and groups over the endogenous determination of the institutions. Whose choice of institutions prevails depends upon the political power of the group. This endogenously emerged political power may be either *de jure* or *de facto*, the latter depending upon the level of cohesiveness (level of solution of collection choice problem) and the command over economic resources of the group. Though technology and other shocks may bring about substantial changes, there is generally path dependency and persistency in the system because of the difficulty of effecting major changes in political institutions and the inherent behaviour of groups to protect their economic interest. "[G]ood economic institutions that provide security of property rights and relatively equal access to economic resources to a broad cross-section of society" would emerge if the political institutions have (a) built-in checks on the abuse of power; (b) the political power is widely based "with significant investment opportunities"; and (c) the scope for political rent seeking is limited.²³ But a Coasian efficient outcome (Political Coase Theorem) does not necessarily result because the "efficient set of political institutions is indeterminate" arising out of the commitment problem of the groups.

A bold and an all-encompassing attempt at institutional analysis of development is that of Avner Greif. He attempts to bring all the elements of the different institutional approaches under one common framework, trying to explain path dependence as well as dynamics of change. According to him, institutions "are not monolithic entities" but "a system of social factors that conjointly generate a regularity of behaviour". Each component of this system is social in being man-made, nonphysical factor that is exogenous to each individual whose behaviour it influences. Together these components motivate, enable, and guide individuals to follow one behaviour among the many that are technologically feasible in social situations. "I often refer to such social factors as *institutional elements*.... are rules, beliefs, and norms as well as their manifestation as organisations." Thus [o]rganisations are institutional elements with respect to the behaviour we seek to understand, but they are institutions with respect to their members' behaviour."

This approach of Greif has the potential of converting the parallel journeys of rules of law approaches of Northian variety and the governance approaches of Williamson variety to institutional analysis into a unified journey. In fact, this is both needed and significant. First, appreciation of the "economics of governance [which] is principally an exercise in bilateral private ordering, by ... the immediate parties to an exchange ... actively involved in the provision of good order and workable arrangements" is

fundamental to understanding the dynamics and sustenance of an institution. Secondly, the emphasis on transaction costs in the governance approach is important to appreciate the efficiency of an institution and its concomitant implication for development. Thirdly, as Williamson himself emphasises repeatedly in his writings, the concept of the firm need not be equated with the real world, the one we come across. Once this is done, we can extend the analysis, as we should, to other social institutions. Fourthly, the adaptation aspect of the governance approach combined with the Northian emphasis on institutions as a mechanism to address uncertainty would be a powerful tool for development analysis.

In fact in the latest paper of North and group, we see incorporation of the Greifian approach (2006) and the analysis of Acemoglu (2006) as well as a major advancement of North's own trademark analysis. The path dependence is now seen as (a) the crafting and functioning of "organisations ...for sustainable human cooperation", and (b) the transition from one social order to another. The state is the highest form of organisation evolved with the primary function of "providing order" as "human violence must be prevented or contained". The state is different from individuals as the former is "inherently an organisation: it is group of individuals pursuing a mix of common and individual goals through partially coordinated action".³⁴ Further, the "internal structure of relationships among members of the state - the state's industrial organisation if you will - is what constrains violence". As regards social order starting from the pre-historic to the present developed countries, human beings have passed through three types of it - *Primitive Social Order, Limited Access Social Orders and Open Access Social Orders*.

The first social order is of the hunter-gatherer period of the prehistoric times. The formation of an organisation to reduce violence in this period leads to the emergence of the second order. The result is the *natural state*, which reduced "violence, producing enormous social gains. Every member of the society is better off. But...does not eliminate violence".

The reduction of violence increases the rents of the individuals while at the same time providing scope for Smithian economies. Sustenance of these economies from specialisation, however, calls for liberalisation of entry, which in its turn has the potential for compromising on the rents of the original member-elites (possessing "privileged rights to valuable resources, such as land, or valuable social interactions, such as trade or worship") of the system. Hence, there was a limitation to the entry into this system. This limitation, however, gets crossed when the expansion of the scope for interpersonal exchange provides opportunities to the elite's scope for a more intensified as well as diversified exchange, and also to "extend the range of organisations supported by the state to include non-elite individuals". Here more competitive political and economic forces come into play taking the state to an open

access society. The progression of these "stable, but not static"³⁹ social orders "is not linear, and regressions can occur". In the entire process of transition from limited access social order based on rent to the open access based on competition and within each stage of the social order the "political and economic systems are organically related, as they are both parts of the same social order... [S]ustaining fundamental changes in either the economic or political system cannot occur without fundamental changes in the other." The corollary this has with modern liberal philosophy can hardly be missed.

The emphasis on the significance of political institutions has now naturally led to the question of the nature and role of the state in development. Here we may recall Hirschleifer's postulation of two possible paths or technologies for meeting demands, one through own production and the other through expropriation from others.⁴³ In a way which we can say as incorporation of such an approach to the institutional analysis, we now find *unbundling of institutions* into property rights institutions and contracting institutions.⁴⁴ Because of the possibility of individuals learning and adjusting to contractual relations while such scope is very limited in the case of state-individual property rights relationships, the implication of the latter for development is much more than that of the former. The risk of an expropriatory state is rather huge. This is also the conclusion we are getting from the ongoing debate on paternalism; in a context of endogenous cognitive errors, cost of paternalism can be really high. Though "inter-group inequality should have an effect on the equilibrium of political institutions and thus on the likelihood that a society ends up as a democracy", one may come across in the real world four different types of political development and ultimately state:

A. There can be a dynamic from non-democracy to democracy and the latter getting sustained and stabilised;
B. There can be alternating cycles of democracy and nondemocracy;
C. An equitable and healthy economy making democracy not necessarily attractive and therefore continuation with non-democracy; and
D. A highly unequal and exploitative society where any movement for democracy is heavily suppressed. Simultaneously, there are now extensions being made to the original Smithian argument on the extent of specialisation being limited by the size of the market. This literature proposes a stage analysis of evolution of the market economy based on the increasing prominence of early subjective relation based relationships to modern generic relation based relationships. An economy passes through five stages starting from the non-equilibrium subsistence economy, traditional social economy equilibrium, inter-personal trust-based specialisation, impersonal objective based specialisation, and finally, the modern market economy. Now there is also what is known as social capital. Though we may like to club them with the institutional approach in the sense that it

represents the quality of the institutions, there is an active and increasingly vocal group of economists who are unhappy with the institutional analysis giving scant attention to culture.

While institutionalists talk of both formal and informal aspects, this group dwells principally on the informal rules. This group emphasises the significance of *social capital* in explaining the development path of a society. While studying this group, we find two sociologists, Coleman and Putnam⁵¹ strongly impacting upon the writings of the economists.

Coleman expresses unhappiness with the "individualist bias in neoclassical economics" and the "broadly perpetrated fiction in modern society, which is compatible with the development of the political philosophy of natural rights, with classical and neoclassical economic theory, and with many of the intellectual developments (and the social changes which changes which generated them) that have occurred since the seventeenth century.

This fiction is that society consists of a set of independent individuals, each of whom acts to achieve goals that are independently arrived at, and that the functioning of the social system consists of the combination of these actions of independent individuals". As contrast to the *functionalist* approach of the institutional economist, he emphasises the *structuralist* approach where "[s]ocial interdependence and systemic functioning arise

from the fact that actors have interest in events that are fully or partially under the control of other actors", and the structure of relationships has "some persistence over time". Trust and networks are important ingredients in this structure. Though, unlike physical capital, social capital does not possess fungibility, yet it "is fungible with respect to specific activities". It "inheres in the structure of relations between persons and among persons", and neither "in individuals nor in physical implements of production". Thus, Coleman speaks for contextual understanding of social capital, which consists of "some aspect of social structure, and ...facilitate[s] certain actions of individuals who are within the structure". Being contextual, a given social capital can have either positive or negative impact according to the context, and accrue to the structure as a whole. This impact is thus economy or social-wide rather than individual oriented. Most of social capital is of the nature of public good as "it is a fundamentally different position with respect to purposive action than are most other forms of capital".

Analysing the differential development history of the regions of Italy, Putnam attributes the better performance of the northern region to the "features of social organisation, such as trust, norms and networks that can improve the efficiency of society by facilitating coordinated actions". Horizontal networks, where actors have equal power and status, help better in building high social capital stocks as compared to the hierarchic vertical networks. *(Remaining part of the lecture will be produced on our next issue)*