

ECONOMIC DEVELOPMENT AND EMPLOYMENT IN SIKKIM



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**Economic Development
and Employment
in
SIKKIM**



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AUTHORSPRESS

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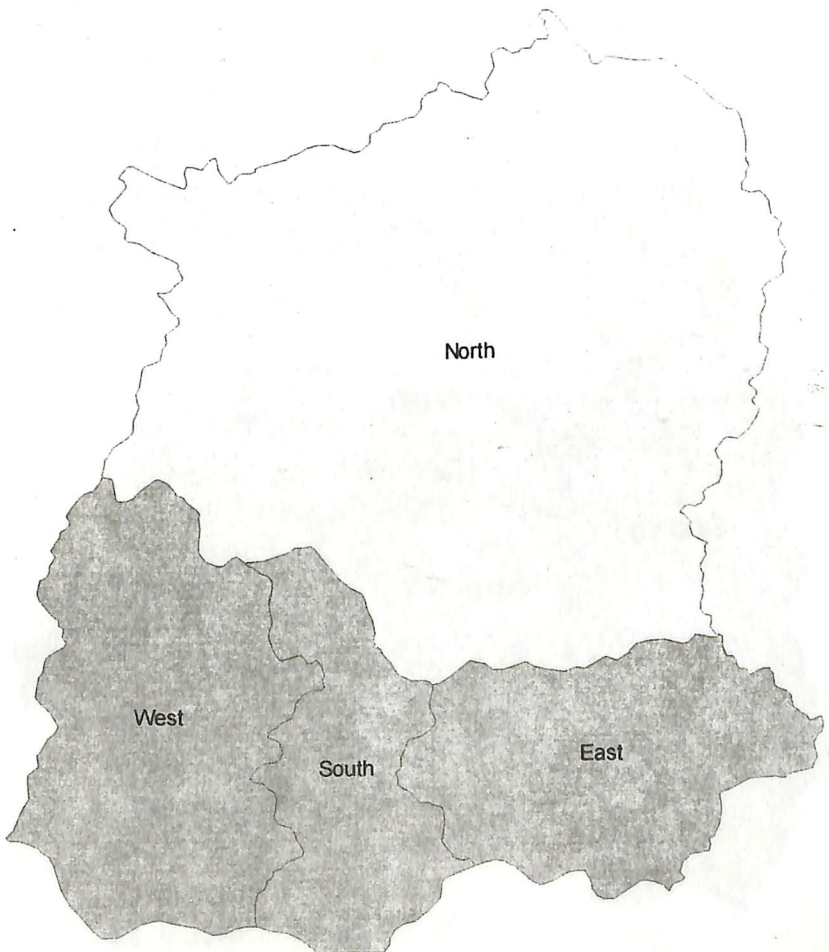
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Introduction

How does an economy function? How does an economy grow and develop? The quest for plausible answers to these questions may have been started by Adam Smith but the process is still continuing and is likely to continue as long as human civilisation exists. The answer even explains the rational behaviour of the earliest society known as Palaeolithic Age or primitive age of human civilisation. The general discourse on development economics says that economy is a cycle of regeneration of production, consumption, saving and investment. A primitive caveman may have saved his time from hunting, which is the means of his livelihood and invested it in making bow and arrows or stone implements. Similarly, a traditional farmer saves some crop, sells it in the market and uses the proceeds to purchase a pair of bullocks. Economic growth will be positive when investment surpasses depreciated capital. Otherwise it stagnates or shrinks (Ray, D.1999).

According to Kuznets (1966), the concept of economic growth has become popular after the Industrial Revolution in Great Britain. It has been aptly pointed out by Debraj Ray, in his book *Development Economics*, "...although an annual rate of growth of 2 per cent in per capita GDP does not appear very impressive,... yet simple calculations shows that a nation's per capita income doubles in 35 years—a length of time comfortably shorter than the life span of an individual. This means that modern economic growth enables people to enjoy vastly improved living standard compared to not only their fathers but also perhaps their older cousins!"

For a relatively long time the development process was judged by the growth of per capita gross national product. In the last few decades, narrowness of this concept has frequently been challenged and development must encompass the parameters like increase in life expectancy, access to sanitation, clean drinking water, improvement in health services, reduction of infant mortality, and increase in literacy rate of women, adults and women empowerment and so on so forth. As it is pointed out by Drèze and Sen, "... it is perhaps a mistake to see the development of education, health care and other basic achievements only or primarily as expansions of 'human resources' —the accumulation of 'human capital.'" However, several authors have pointed out that higher per-capita income is correlated with indicators of the quality of life (Dasgupta, 1993; Mauro, 1993; Summers, 1995, Boone, 1996; Barro, 1996; Easterly, 1997). It can safely be said that development is not all about income but it has significant role to play in achieving different socio-political and ecological and environmental attributes too.

We shall prefer to fall back on Kuznets again. If we want to achieve his prescribed path of development, then the process will follow a path where rapid increase in total factor productivity will bring high rates of per capita output and this in turn will put the per capita consumption at higher level and in the process it will provide an incentive to bring in changes in production process backed by suitable technological changes through a process of continuous investment on research and development. With the steady rise in per capita income the demand for manufactured goods as well as services will rise faster than the demand for agricultural products and this brings the so-called structural changes within the economy. Perhaps he was primarily concerned with required doubling time of per capita output, population growth and real GNP for developed nations, the extent of structural change and total factor productivity growth but at the same time he emphasised on social and ideological transformations.

Tony Killick has rightly pointed out that for significant economic change to happen in any society, concomitant transformations in attitudes, institutions and ideologies are necessary (Killick, Tony., 1995). Similarly, Gunnar Myrdal while

dealing with underdevelopment in Asia has put emphasis on rationality, economic planning, social and economic equalisation and improved institutions and attitudes. Jawaharlal Nehru has defined rationality in a very simplistic manner: "...Modern technique is not a matter of just getting a tool and using it. Modern technique follows modern thinking. You can not get hold of a modern tool and have an ancient mind. It would not work."

Historical background does play vital role here. Most of the Asian and African countries were the colonies of Western European countries like Britain, France, Germany, Portugal, Spain, Belgium and Netherlands. In the postcolonial period, when economic restructuring was taking place in the then colonies including India, it was observed that economic, political structures, educational and social institutions were greatly influenced by the economic, political and social structure of the then colonisers. This has in a certain sense undermined the existence of diverse cultural traditions of indigenous people and rather a homogeneous development structure has been forced upon them. This again has injected a high degree of heterogeneity in development outcome within a certain geographical boundary.

Transformation of human resource into human capital is often considered as an important ingredient for development. Here in addition to number of skilled human resources, cultural outlooks, attitudes towards work, desire for innovation and improvement do bring considerable variation in development outcomes.

If development is viewed as a means to provide wider range of choice to all peoples, then ethnic, caste or religious discrimination is generally viewed as a deterrent to development. The crucial point is whether religious and ethnic composition of a developing region is leading towards a situation of conflict or cooperation and what impact it will have towards the success and failure of development endeavours. In addition, the influence of the big landowners, big entrepreneurs or in brief the economic elites on policy making may have considerable impact on the changing economic and social scenario. However in less developed regions the impact is mostly negative rather than a positive one. Those who consider capitalism to be the ultimate goal to achieve may not perceive the high degree of presence of feudalistic elements within the capitalist frame work.

The pressing reality is that many underdeveloped countries in the world including India are plagued with the twin problems of low per capita income and high levels of inequality. Therefore, it is imperative to see those so-called underdeveloped regions in the global context but equal importance needs to be paid to a scrutiny of the internal institutional structure which presumably has greater influence on the variation in growth figures and on different developmental attributes within the country.

(A cursory look at Sikkim reveals that it is a small mountain State and is located in the Eastern Himalayas. Prior to 1975, it was a sovereign monarchic country though partially colonised by the British up till 1947. The demographic structure is distinctly divided on ethno-religious line. Prior to the integration with India, the migrant Bhutias were the ruling class and they ruled over indigenous Lepcha tribes and migrants Nepalese and in post-statehood period, monarchy paved the way for democracy and Nepalese by dint of being a majority community captured the centre of power. Sikkim is predestined with three major economic activities, along with three major religions and three ethnic groups. Farming is primarily dominated by the Nepalese and among them the majority are Hindus. Pastoralism and border trade primarily are dominated by the Bhutias and most of them are Buddhist by religion. Finally, the original inhabitants of Sikkim, the Lepchas who are primarily associated with sedentary activities and most of them have converted themselves from animism to Christianity. The social structure was feudalistic in nature..

(The development process followed in post State hood period shows that serious attempts were made in Sikkim to create new avenues for livelihood outside agriculture without disturbing the rural fabric of the region) Even the economy is growing at a satisfactory rate, higher than the all India average growth rate. Per capita income stands higher than the all India average. The so called structural change has also become prominent. Does it then imply that Sikkim's economy is moving in Kuznets' way? Has the reliance on agriculture been reduced substantially? Institutional reforms in terms of agrarian reform have not been initiated in Sikkim. Can we then conclude that high economic growth can be achieved without bringing institutional changes? Has high

economic growth led to a strong and resilient manufacturing sector or services? Have the choices diversified for all the people irrespective of their ethnic and religious diversity? Has the rate of urbanisation increased along with the minimisation of regional imbalances within the state? Has the economy become self sustaining and self regenerating one in nature? Does urban-rural gap in terms of both income distribution as well as asset creation exist? Does the whole process of development bring about social and ideological transformation of the society?

To resolve these issues, we need to answer few pertinent questions again. First, how the market and the state are to be combined for the design of an economic system which is self sustaining and self regenerating in nature? Second, how does the state intervene in matters of resource allocations? Finally, how does the community organise collective actions based on mutual trust within a small group characterised by intensive personal interactions? Therefore, within the realm of development economics, we need to search for a right combination of community, market and state for promoting economic growth and to allow the trickle down effect of growth to reach the grass root level. The present study is basically a preliminary attempt to examine the developmental experience of Sikkim through the analytical framework outlined above. The questions we proposed here would not only help us to understand the pros and cons of Sikkim's development over the years but they may lead us to appreciate those pertinent issues which became very popular in the development discourse of our time. The experience of Sikkim in this regard may fulfil the need of a case study which would attest the critical propositions we have made.

It is worth quoting a passage from Douglass C. North's 2003 Gunnar Myrdal Lecture (delivered at Palais des Nations, as 2003 Gunnar Myrdal Lecture) which may provide the reader a minuscule idea regarding the analytical genre the present work has attempted to pursue: One cannot make sense out of the world with just economic reasoning. You have to know political and social theory and, as you are going to see, you must also know some cognitive science. Now, the reason why of course you need all these is that we do not live only in an economic world, a political world or a social world; we live in a world that is a

blended mixture of all these. In the world that we are trying to confront with respect to solving problems, we have to develop a body of theory that integrates all of them.

"So we have changed the world; essentially we have conquered the physical environment. We have made possible a world of plenty. We have enormous piles of statistics to tell us that we have done so. But in conquering the physical environment we have created a human environment that is immensely complicated and over which we have very imperfect understanding. And so, on the one hand, we have made possible a world of plenty, and a world in which human beings live more than twice as long as they did before, and have the possibility of well-being on a level that would be beyond the comprehension of our ancestors. But we have also created a whole new set of problems in a human, political, economic and social structure that we are only able to use very imperfectly to solve and maintain what we are concerned with."