

Discussant to Keynote Address
Reshaping Economic Geography

I would like to thank IPS for inviting me to participate in this panel discussion. Since my abiding interest in economic geography began while I was a Research Fellow at IPS as Saman and other former colleagues at IPS – Dushni, Nisha and Malathy well know, I am particularly appreciative of your gesture Saman, in inviting me today to comment on this report.

So let me start - with a gush. I simply LOVE this book. It is fantastic. It is all about what many of us in Sri Lanka working in the fields of poverty, inequality and regional development have been subconsciously looking for. This book theoretically conceptualizes and articulates many things which we have observed and developed an instinct about, over the last decade at least. I know Sunil, Dileni and Ranil will agree with me – we worked together on these issues in the late 1990s when Amal Kumarage first pointed out to us that we have plenty of rural access roads but not a single limited access, high mobility highway.

As a researcher I came across the economic geography literature for the first time in 1999. At that time I thought, Wow. This is IT. This is where we went wrong. This is how we can go right. This conceptual framework has dominated the way I have come to look at the problems we face as a developing country today. So I would like to ask the World Bank, where on earth have you been all this long while? That is the only criticism I have about this fantastic report.

So, in the dark ages when nobody knew about the kind of things that this book talks about, where did Sri Lanka go wrong?

We went wrong in idealizing the self-sufficient village as the ultimate goal on development. We concentrated on paddy, irrigation, rural roads. Virtue dwelt in the

village, we thought. And greed and vice lurked in the town. The town we considered an unavoidable evil at best.

Efforts to spread economic growth prematurely will jeopardize progress, you say. Sure, we've been there, done that - in the 1950s, 60s and 70s.

Then after economic liberalization we encouraged export oriented industrialization around the metropolitan hub of Colombo. We implemented rural development projects in the villages. We didn't think of connecting up.

The JVP insurrection showed us that this policy was not socially sustainable. So we set up garment factories in rural areas. Some survived, others didn't. We didn't really think about having more towns and having people move to towns for jobs.

By the late 1990s we had realized that we needed to urbanize, to link rural areas with urban areas to grow, to reduce poverty. We realized that we needed to spatially integrate. And now the government's policy framework for the first time explicitly envisages regionally dispersed, urban growth centres and small and medium townships integrated with rural hinterlands as well as with domestic and international markets through provincial and rural access roads, highways, railways and ports.

Of course, one big problem in setting things right is finance. Since we did things wrong in an economic geography sense for so many years, we have to devote much of our current resources to cope with the socio-political fall-out of those misguided policies. And now we are short of funds to do what is needed to progress in the right direction, in terms of density, distance and division. And the pity of it all is that while the World Bank has finally come out with what needs to be done, it has also very little money to help us take its valuable advice.

A good piece of research always stimulates thinking, expands your mind, propels you to make other connections. And that process brings me to the other problem we face.

The report's main message is that economic growth will be unbalanced. To try to spread out economic activity is to discourage it. But development can still be inclusive, in that even people who start their lives far away from economic opportunity can benefit from the growing concentration of wealth in a few places. The way to get both the benefits of uneven growth and inclusive development is through economic integration.

Now this is all very well as far as economics is concerned. But markets don't work in an economists' nirvana. Quite often they have to function in a political hell. The report talks about economic institutions that are spatially blind. But we have to contend with political and electoral structures that are not spatially blind. An electoral system that depends on spatially defined units is going to produce politicians and policies that will create a peripheral ratchet, which is what happened in Sri Lanka. Whether it is schools or industrial estates, the electoral mechanism will always try to spread the resources – thinly - at high marginal costs of delivery. That is what destroyed our highly successful Central School system. That is why politicians prefer to build lots of rural roads connecting two villages in their electoral district rather than a highway which connects different levels of urban centres in areas outside their watch.

And why should politicians support any policies that would enable their supporters to up and go to the cities looking for better jobs, after they have struggled hard to get the power lines and the Pelwatte Sugar factories to some rural area which may have been best left to the elephants?

I think that in developed countries, you reached a stage where the market delivered urbanization and concentration before the political demands caught up with you. In the UK, for example, the economy had industrialized and the population had become concentrated in urban areas at least fifty years before the Third Reform Act. In fact, the demand for greater democracy came from the urban, industrialized masses and their city-based leaders. So there was no question of a peripheral ratchet trying to deliver equity too soon.

We in Sri Lanka have started from the other end. We got electoral politics at a time when we were still a predominantly rural people. It is no surprise that we ended up where we did. By the same argument, China has and may fare better because it is going for development first.

So while I certainly agree that the Kuznetzian structural transformation requires spatial transformations, I would like to point out that, that in turn would require some far-reaching transformations in the political landscape that we have known. That is, we need to move towards an electoral system that is far less dependent on spatial units than we have at present and we have to at least start thinking about how we can begin to move towards such a system.

This is a crucial question for Sri Lanka at this juncture, given that many donors and well-wishers are firmly convinced and are trying to convince us, that devolving more power on a territorial (that is spatial) basis will finally cure our long-running conflict.

Given the conclusions of this report, we have to honestly ask ourselves, will it, really?

Thank you for this book and thank you IPS for inviting me.

Ramani Gunatilaka

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