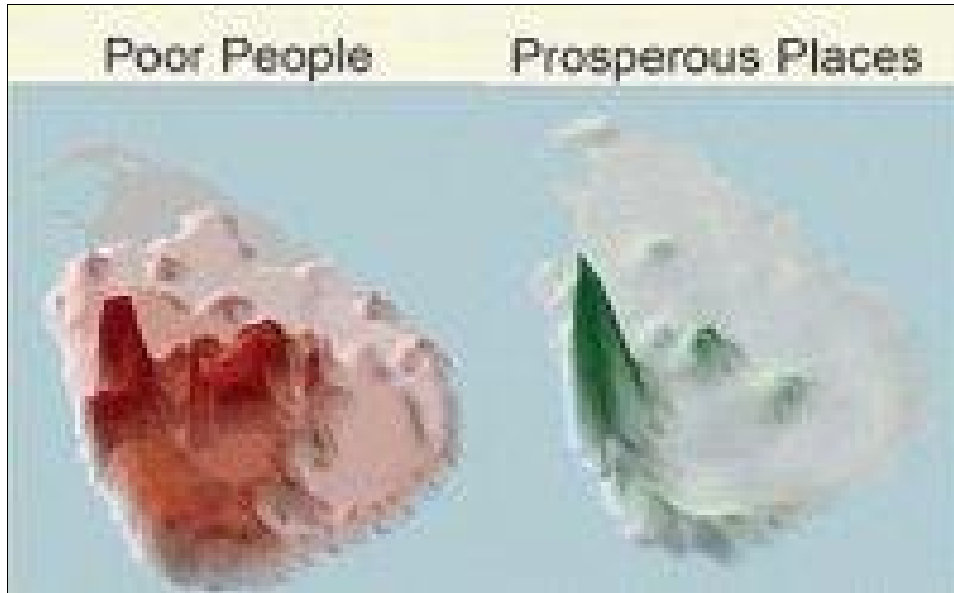


# Combining Bad Economics with Proto-geography

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Figure 1



The World Bank has released a new report on Sri Lanka. The title, "Sri Lanka: Connecting People to Prosperity", sounds very attractive. Looking at the title of the report, one may wonder if the report professes something different from making people prosper since one may connect people to prosperity but at the same time leave them as poor as they were before. The report has revealed, using three dimensional maps, that 17 per cent of Sri Lanka's poor people (421,000), in fact, live closer to 'the mountain of prosperity', i.e., in the Western Province. Figure 1 shows that density of poor people and the mountain of prosperity have close association. In other words, more poor people live in and around the prosperous areas. Of course, as the report has explicated both 'pull' and 'push' factors have been in operation compelling the poor to migrate internally to prosperous areas in anticipation of a better way of life. And it is much easier for them to do so. The presence of slums and shanties in the middle and outskirts of big cities in the developing countries may be attributed to these dynamics; the process David Harvey painted as the primitive capital accumulation by dispossession. This process is somewhat similar to the process that Jayati Ghosh described in another context. She wrote: "But it is a darker process, often more perverse and painful, always more fraught and fragile, indicating in depressing ways the continuing failures of our development projects and how little we have actually achieved for most of our citizens. In fact, the nature of our economic growth—which incorporates people in the process even while excluding them from the benefits of growth—may be forcing more of them to be mobile at great human cost" (Outlook India, Counter Column).

What is the solution the World Bank has come up with in this report? Let me recap its main arguments. The premise on which its argument is based is that "policies that have tried to push economic activities into economically lagging areas have not been successful" (p. ix). Economic production has become more and more concentrated in the Western Province that contributes more than 50 per cent of the GDP (the proportion has reduced somewhat recently). "Industrial relocation policies end[ed] up hurting productivity and profitability" (ibid). What does the World Bank suggest? "The journey through middle income will be

rapid if the economic mountains around Colombo are encouraged to grow. And the journey will be geographically inclusive, if people throughout the country can be connected to the rising prosperity in a few places." If I use the same metaphor, the report suggests that public policies be reoriented and directed by focusing growth-led activities in 'dense' areas (the Western Province, maybe minus the Kalutara District). Public policy space should be confined to the provision of basic facilities in 'distant' areas (namely, Uva, North Central, North Western provinces, maybe part of Sabaragamuwa, Southern and Central Provinces) and to the provision of special services to 'divided' areas (namely, the Northern and Eastern Provinces). (See Figure 2) The report in this sense confronts directly the policies of the present regime that aims at developing multiple growth centres in different parts of the island.

Figure 2

Provinces	North Central, North Western, Uva	Central, Sabaragamuwa, Southern	Eastern, Northern
Challenges	Sparsely populated lagging areas	Densely populated lagging areas	Sparsely populated lagging areas with domestic divisions
Policy priorities			
<b>Spatially blind institutions</b>	Fluidity of labor markets Improving health and education outcomes, safe water supply, and sanitation	Fluidity of labor markets Improving health and education outcomes, safe water supply, and sanitation	Fluidity of labor markets Improving health and education outcomes, safe water supply, and sanitation Improving the efficiency of land use and conversion
<b>Spatially connective infrastructure</b>		Interregional transport infrastructure - Improving connectivity with the Colombo metropolitan area	
<b>Spatially targeted incentives</b>			Incentives to agriculture and agro-based industry Amplify market linkages Don't force activities out of the Colombo metropolitan area

The main weakness of the report stems from its neo-liberal premise that places market and market forces at a pre-eminent position. It implies that government can play a role but its role should be limited to trailing behind the signals given by the market forces. In explaining the East Asian miracle, the World Bank will look either for human capital, social capital or spatial distribution of resource (as in the present report), but refuses to refer to the principal element of development there, namely, the industrial policy of the state. The economic development anywhere of the world, maybe with the exception of a handful of countries, has resulted from the correct industrial policy rather than the unconditional faith in market forces. In this sense, it was not Adam Smith but Karl Marx, Abraham Lincoln and Joseph Schumpeter who revealed the secrets of development. Of course, it is of great importance to examine why economic activities are concentrated around Colombo. Such a study would definitely help in designing correct policies for the development of new growth centres in different areas of the island to make the development that is necessarily uneven, more even. The report says that de-centering economic policies have failed and market forces created more concentrated economic space. This takes us to the basics of economic development. Just de-centering development expenditure by the government will not promote rural and regional development; it needs proper focus, namely focusing on growth augmented economic activities. If we look at the developments in the US, the distant states

adopted not market-led policies, but conscious industrial policy promoting through many incentives growth augmented production and service activities. In the last 30 years, the only significant effort to follow such conscious economic policies in Sri Lanka is Hambantota development.

An explanation of the concentration of wealth and economic activities in and around Colombo needs more sophisticated geography that also focuses on space of power and economics that goes beyond over-arching focus on market. Geography does limit its spatial analysis to physical, demographic, and resource space, but extends to multiple spaces, including the space of power. In case of Colombo, the concentration of power in the capital has effected significantly the concentration of economic activities around it. Developing more power centres and economic centres, and connecting them through networks of transport and communication associated with correct industrial policy that promotes growth augmented production and service activities would definitely contribute to Sri Lanka's progress towards high middle income status. An increase in the proportion of industrial goods in total exports is a positive sign, but to take the next turn the proportion of increasing return and high-tech products and services should be promoted. Hence a change in industrial structure is a must.

The reduction and alleviation of poverty and wage increases depend not on connecting people to prosperity but directing economy towards the production of increasing return and high-tech products and services.

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