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A different dividend

Education is not a generic investment, argued economist Tapas Majumdar. So, before investing, the State should find out what the people want or believe. But our policy-makers don't realise this at all

On a recent trip somewhere, a Uruguayan economist I just met asked me if I was a Bengali: "Aren't all Indian economists Bengali and all Indian mathematicians south Indian?" I demurred, pointing to that great triad of non-Bengali economists, Bhagwati, Dixit and Srinivasan, but like many stereotypes there is a kernel of truth in it; it's still not possible to open an issue of certain journals without noticing a Bengali name or two.

How did this come about? Amartya Sen notwithstanding, it is not because of something in the Bengali genes. If I had to guess it has much more to do with a couple of generations of outstanding teacher-scholars in Kolkata who, implausibly (remember the old joke: "an accountant is an economist with charisma") managed to turn economics into the sexiest thing that you could study. Those wonderful teachers are now, alas, mostly all gone. We lost one of last remaining of them, Tapas Majumdar, in the middle of October.

I never had a chance to study with him. He moved to Jawaharlal Nehru University a few years before I started college to lead what quickly became one of India's leading centres for education research. But my parents and the Majumdars were close friends, and I have been fortunate to have them as a second set of parents looking out for me all my life.

Tapasbabu, as the whole world knew him, was the first person to ask me to comment on a serious manuscript — he was writing his 1985 book, *Investment in Education and Social Choice*, when I was starting graduate school. I don't remember what my comments were — I cannot imagine they were worth anything — but I will confess now that I struggled to find anything useful to say. I was young then, and entranced by the idea that economics should be an all-encompassing narrative about the world, and thinking about the economics and politics of education, seemed to me, pretty small potatoes, compared to all the big questions ("capitalism or socialism", "growth or the environment") that animated me. Why was someone as obviously brilliant as he so involved with the nitty-gritty aspects of education?

Over the years as I became more and more immersed in the economics of education, I went to back to Tapasbabu's book many times, every time with a deepening understanding of what he was trying to achieve. What is clear to me now is how far ahead of the entire field he was back then and probably indeed now. I certainly keep discovering new things that I need to worry about: and many of them are in his book.

The economics of education in circa 1985 was built around one simple idea: education is an investment like any other. Families invest to maximise returns on their investment but may not have enough resources to invest enough. Which is why the government has to step in and invest in areas that are not getting enough private investment. This is nice and simple, but also reductionist in a way that makes it not very useful as a guide to policy. Tapasbabu's book is all about why.



■ It's not always about infrastructure

To see why the pure investment frame is not very useful, think of the family investing to maximise returns: what returns? Where does a poor family in rural Jharkhand know the actual returns on educational investment for children from families like theirs, where parents cannot provide homework help. What matters therefore, as Tapasbabu emphasised, is their beliefs about the returns, true or false.

Recent evidence confirms that many parents severely underestimate the benefits from education for their children and when efforts are made to convince them of this, their children do much better in school. Moreover even those parents who believe in education tend to think that it's all-or-nothing: either the child clears the school-leaving exam and gets a government job, or the entire education is wasted.

In Madagascar parents think that 70% of those who matriculate get a government job. The truth is just 33%. On the other hand, even those who do not clear the exam benefit — the evidence suggests that every year of education increases earning in the same proportion.

The government might know that parents have the wrong beliefs, but what can it do? Should a government strapped for resources ignore the demand for high schools because it knows that primary schooling is more valuable than people think? But then would people send their children to primary school, if they know that there is no high school to transition into, given that they believe that passing high school is all important. And if they will not send their children, what's the primary school for? It does not make sense, as Tapasbabu emphasised, for the government to act without taking account of what people want or believe.

The book has many other arguments about why it is not useful to think of education as a generic investment, like building or a factory. And many other essential insights for anyone who is interested in education.

Tapasbabu was also a tireless campaigner for better education for everyone; he wrote textbooks, chaired commissions and kept the middle pages of the *The Telegraph* animated by his engaging opeds. Yet, as one of his most prominent protégés said the other day, he did not have the impact on policy that someone of his stature should have had. In part because he was too gentle and straightforward for the world of politics; in part because his message was too subtle for those habituated to think of education policy in terms of buildings and jobs, as we still seem to be.

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The views expressed by the author are personal

the poverty line

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