

# Resource Curse and Jharkhand

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Why are politicians and bureaucrats in Jharkhand uninterested in spending central development funds even when the state is so backward? And why are they not apprehensive about what this would do to their electoral fortunes? The Madhu Koda case supplies the answers. The ruling elite relies on a share of the rents or super profits from issuing licences for the state's massive mineral resources. And the vote-gathering system is largely based on kinship and community ties, rather than on interest groups demanding various benefits.

The investigation of former Jharkhand chief minister Madhu Koda (and now state officials too) for possible illegally acquiring funds in connection with mining leases, seems to provide the answer to a question with regard to all the Jharkhand governments so far: Why does the state spend so little of the development funds available to it? For the National Rural Employment Guarantee Act (NREGA) Jharkhand spent just about 57% of the funds available in 2008-09. Even in a usual money-spinner for political and bureaucratic interests such as road building, the state spends barely Rs 500 crore in a year. Rajasthan, for instance, spends four times as much.

The overall low expenditure in Jharkhand for schemes funded by the central government is, at first, quite puzzling. Here is a state that was formed after a fairly popular movement for separation from Bihar. The expectation was that this separation would lead to an effort at development of some sort, like the increase in building roads, and provision of education and health facilities, and so on. But that clearly has not happened. The state continues to lag considerably behind all-India averages in almost all development indicators. Rural poverty in Jharkhand at 46% in 2004-05 is second only to that in Orissa

One possible answer is that the state's implementation capacity is very poor. This is probably part of the answer. But it only raises the question: Why has not this implementation capacity been increased in the period since Jharkhand became a state? The answer to this must lie in the political situation and the lack of interest of successive governments in increasing this implementation capacity.

In the now-familiar pattern, both politicians and bureaucrats are interested in seeing that available government funds are largely spent. Even if money is not directly earned in this process, these expenditures are important in the provision of minimal public services, which in a vote-based governance system become a

factor in electoral performance. The Congress-led government at the centre has been seen to take measures with regard to NREGA, loan waivers for farmers – such visible measures are supposed to have played a role in enabling the recent Congress victory.

So, why does this mechanism not work in Jharkhand? The first answer lies in the Madhu Koda case: the ruling elite in Jharkhand has a source of funds based on the state's massive mineral resources and industrial potential. It can get a share of the rents or super-profits by using its powers to issue licences, etc. This means that the political elite does not have to depend on getting a percentage from government expenditures.

This is the well-known phenomenon of the resource curse, particularly observed in failed African states: the ruling elite can earn large sums from leasing natural resources, whether for oil or diamonds, and does not have to depend on collecting taxes from its subjects for personal and state income. Had the state depended on collecting taxes, it is likely that there would have been some pressures from below in case of non-provision of the expected public services. Thus, being able to exploit the powers to lease natural resources, or get foreign aid for that matter, can enable the ruling elite to free itself from the usual functions of the state in providing public goods of various types.

In the case of Jharkhand, the state government has little to do in the way of collecting taxes. Finances are largely provided by the central government, and even those amounts remain largely unspent. So, the taxation route to a more developmental state does not apply in Jharkhand, as in other Indian states.

But what does exist in India for various political parties is the electoral compulsion. As pointed out earlier, a party in order to return to power has to be seen to provide certain benefits to the electorate. This, however, is still not happening in elections in Jharkhand. It is likely that in Jharkhand the vote-gathering system is largely based on kinship and community ties, rather than on interest groups. As a result, politicians may not find it necessary to provide various benefits in order to win elections.

So, neither the taxation requirement nor the electoral compulsion seem to work in

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forcing politicians in Jharkhand to show, or, at least, make a show of providing results. Exploiting the mineral-industrial resource is quite sufficient for private accumulation ambitions. Of course, for exploiting the mineral-industrial base the State would have to provide that sector with the necessary public goods; but such provision becomes unnecessary for the majority of the rural electorate, whose votes can be acquired on the basis of kin and community ties.

The resource curse in Jharkhand is compounded by political and administrative instability. In nine years the state has seen four chief ministers and six governments. Officials too have very short tenures, just about a year each for district collectors and superintendents of police. Consequently, there is a rush to make money before the government changes or the official is transferred. But the point of the resource curse is that the manner of making money is related more to granting leases and other favours to the corporate sector and less to government expenditures on various schemes.

### Way Out?

How can Jharkhand get out of this resource curse? One suggested way could be for the central government to take over the

running of the state. However, this type of “trusteeship” is not only anti-democratic, it would also provide fuel to the losing politicians to fan discontent and thus could be self-defeating. Further, what is the guarantee that the appointed officials would not act in the same way as the ruling elite has done so far? These officials, unlike politicians, would also not be subject to the requirements of being re-elected. The point is not that all officials would necessarily act in this way, but that we cannot just count on the good behaviour of non-corrupt officials to bring about a transformation.

The other way, protracted and not so easy, would be for the electorate in Jharkhand to begin expressing its discontent with all that is happening. This would require that the people at large begin to disassociate themselves from their own elites, and not identify with them in a manner of “What is wrong if our people make money?” The point is that the basic functions of the state are not being met, whether for the Ho (Madhu Koda’s community) or other adivasis, particularly in rural Jharkhand. Unless the provision of basic services becomes an issue in deciding votes, the formation of the state of Jharkhand will only mean the

replacement of one set of rent-receivers by another set of rent-receivers. Some sections of adivasis and other Jharkhandis will use this for private primary accumulation, but it will not make much of a difference to the well-being of the people of the state.

But along with supporting those working for such changes in Jharkhand, the question also needs to be posed: What about the rent-givers? They obviously expect to earn high profits, and are willing to give a share of these profits to rent-seekers. Indian ore has a higher iron content than that found in most of the world. The extra earnings, or rent from this ore, instead of accruing to the State, go to the politicians and officials who receive the bribes. Surely, action needs to be taken against the bribe-givers, just as it needs to be taken against the bribe-takers. These bribe-givers are not poor or powerless persons who have to give a share of what is rightfully theirs (as, for instance, in receiving their dues under NREGA) in order to receive any part of their rights. These bribe-givers are corporations which are seeking to earn super-profits from their investments. Ending the resource curse requires not only popular and other action against rent-takers but also against rent-givers.