

THE CONTRIBUTION TO DEVELOPMENT THINKING
OF EARLY RESEARCH AT THE
PAKISTAN INSTITUTE OF DEVELOPMENT ECONOMICS

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I joined the Pakistan Institute of Development Economics (PIDE), then simply the Institute of Development Economics, as a staff member on 1 October 1960. At the end of September 1970 I went to Oxford on sabbatical leave from the Institute. By the time I returned to the subcontinent, Pakistan and the Institute had each split into two parts. Although over most of the period since then I have had close relationship with the two successor organizations of the original PIDE, I never actively served as a staff member of either of them thereafter.

In this paper to celebrate the Golden Jubilee of the PIDE I have chosen to discuss the influence that its research during the early years exerted on development thinking. The period that I have chosen ends in 1970, roughly covering the Institute's first fourteen years of which I was its staff member for the last ten. My objective is not to make a comprehensive analysis of research at the PIDE during that period but rather to highlight those of its research outputs at the time that in hindsight appear highly relevant for the evolution of development debate at a time when development theory itself was going through fundamental transition. Much of what follows is in the nature of personal recollections of a participant of the deeds and misdeeds that he and his friends and colleagues committed during the formative years of both the PIDE and his own professional career. The time that I was had after being asked to write the paper was too short to permit careful research.²

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² I have included the research output by the PIDE staff members including the Research Advisers, both long-term and short-term, that was actually produced as part of PIDE's research program. Publications in the Institute's journal or other Institute outlets by other contributors, including the members of the PIDE's International Advisory Board, have been excluded.

CRITIQUES OF THE ISI STRATEGY

It is useful to begin by briefly describing the context of PIDE's early research. PIDE was not engaged in pure theoretical research. Its avowed mission was applied research on issues and problems of development with special focus on Pakistan. Despite this dedication to applied research, its work inevitably led to participation in, even initiation of, broader development debates for the simple reason that sound applied research can not be undertaken without an underlying theoretical framework. In the case of the PIDE, applied research supplied the empirical evidence that enriched ongoing theoretical debates by providing ammunitions in support of particular theoretical positions.

Structuralism, embodying import-substituting industrialization (ISI) of one kind or another, was the nearly-universal paradigm in development economics of the time. One very influential kind of ISI, emerging with India's Second Five-Year Plan, was based on extreme export pessimism (or "export aversion") enshrined in the Feldman-Mahalanobis kind of growth model which essentially argued that the level of savings and investment was determined by the volume of capital goods produced domestically, thereby rejecting the possibility of exporting domestically-produced consumption goods and importing capital goods. The principle of comparative advantage as an investment criterion had virtually no place in this kind of planning. Given the assumptions of the model, the rate of growth was uniquely determined by the proportion of investment allocated to the production of capital goods.

Pakistan also had opted for an ISI strategy, but one that was different from the above. The principal mechanism was a highly overvalued exchange rate buttressed by import quotas that resulted in scarcity premia on imports far in excess of import taxes. The result was both an income transfer to the recipients of import entitlement and a strong inducement to replace imports by domestic production. Import substitution was concentrated in consumption goods, especially the ones that are mass produced. The composition of industrial production in favor of capital goods as a means to enhance the rate of investment did not feature as an important element. Instead the argument was that

redistribution of income in favor of the capitalist class – promoted by protection and complementary policies, like direct licensing of the import of capital goods to investors at overvalued exchange rate and the rationing of under-priced credit for their use – would enhance the rates of saving which, given the high incentive to invest in ISI activities, would lead to high rates of investment and growth. Indeed export pessimism was far less overt than in the Indian case. By the late 1950s the export bonus scheme (EBS) selectively compensated some industries for the discrimination that the ISI regime generally made to exports. But the overall system of incentives was one of ISI with all its standard features: a discrimination against exports – even those exports that received export bonus generally had an effective exchange rate that was less favorable than the effective exchange rate for the protected imports - and highly non-uniform rates of protection due, among others, to the predominance of quantitative import control.

In retrospect it appears amazing that the ISI regime seemed quite consistent with the critique of the doctrine of free trade based on such justifiable arguments as infant industry promotion; externality embodied in industries; and the failure of market prices to reflect social costs. The failure to recognize that these arguments against free trade did not justify arbitrary non-uniformity of protection and the general discrimination against exports; that “infant exports” deserved as much support as “infant import substitutes” appears in retrospect as extraordinary omissions.

Research at the PIDE gradually emerged from empirical work on individual sectors, issues and policies into broader analysis of the dominant development paradigm of the time. During the 1960s research at the PIDE questioned the ISI strategy adopted by Pakistan from at least three distinct angles. While all these critiques were directly aimed at the ISI strategy practiced in Pakistan, their influence quickly spread to broader development thinking.

The first of these critiques was launched by John Power in a PDR article with a provocative title that asked if Pakistan’s industrialization represented a case of frustrated take-off (Power 1963). The backdrop of the article was the prevalent growth measurement which showed that per capita income of the country had failed to rise during the First Five-Year Plan, which had been concluded two years before, and the uncertain performance during the early years of the ongoing Second Plan. The focus of

the strategy to promote consumption goods industries through protection resulted in the growth of their output for sale in the domestic market. Power, partly basing his argument on the empirical findings of a study by Khan (Khan 1963) which showed that the source of increased demand for industries promoted under the ISI strategy was principally an expansion of domestic consumption far in excess of what normal consumption preference and income growth would have led to, concluded that the strategy was strongly biased in favor of the promotion of consumption at the cost of investment and export. The result was a low rate of investment and growth, a feature that seemed to characterize Pakistan's development in the period for which statistical information was available at the time, and a high dependence on foreign capital. The conclusion might be construed to lend support to the Feldman-Mahalanobis kind of growth theory although Power avoided taking any such position.

A second kind of critique of the ISI strategy was initiated by Keith Griffin (Griffin 1965). By then the Second Plan had been successfully concluded and a sense of euphoria had come to prevail about the economic prospects of the country as the Third Plan was launched.³ The accelerated growth performance apparently took some or much of the wind off the Power critique of Pakistan's ISI strategy. Griffin's criticism of the kind of the ISI model adopted by Pakistan had a somewhat different focus from the one that Power had launched: he raised issues with the rationale of the ISI strategy that deliberately redistributed income in favor of the trading and capitalist classes in the hope of promoting high rates of saving and investment. He pointed out that the increase in the saving rate was meager, that much of the increase in income of the rich was diverted to consumption and other pursuits while the accelerated growth of the economy was heavily dependent on foreign capital inflow. The worsening of the distribution of income that accompanied the ISI strategy actually prevented the broad mass of the population, the poor, from benefiting from growth. Thus Griffin was actually, if not too explicitly, criticizing the very objective function of the ISI strategy in place.

³ In retrospect, the extent of euphoria is well illustrated by the fact that at the time a high-powered delegation from the Republic of Korea visited Pakistan to study the EBS and the broader development strategy of the country. This is sometimes cited by analysts as an evidence of the opportunity that Pakistan at the time had to join the growth league in East Asia which made history in the years that followed. It is well known however that the export incentives and the development policy that the Republic of Korea and the other East Asian pioneers adopted were different from the ones prevalent in Pakistan.

A third and perhaps the most important critique of the ISI strategy focused on the inefficiency and irrationality of the trade regime. Empirical research at the PIDE provided valuable ammunition to the central critique of the inefficiency of the ISI regime that came to dominate development thinking since the late 1960s. The analysis of the specific trade regime that Pakistan had adopted was a principal subject of research at the PIDE since its very early years. Bruton and Bose provided an analytical framework of the Export Bonus Scheme demonstrating that it was an attempt to compensate exports selectively, but at arbitrary, incomplete and non-uniform rates, for the discrimination to which the ISI subjected them (Bruton and Bose 1962). Much of PIDE research in subsequent years was focused on the system of import control and its consequences for the efficiency of investment allocation. The sequence was again from the establishment of empirical facts to the development of analytical critiques. Pal 1964 made an empirical estimation of the ratio of domestic price to import cost (“the observed rate of protection”) of different imported goods and found that the spread was far greater than what might be considered normal trading profits after allowing for import costs and taxes and that this ratio widely varied across different import categories. This work was followed by one of the earliest empirical estimations of effective protection rates ever made in development literature (Soligo and Stern 1965). Like most pioneers, their estimates were limited in a number of ways⁴, but they clearly brought out the highly asymmetrical rates of effective protection along with the documentation of such features as protection promoting activities that at world prices would subtract value (the phenomenon that is usually referred to as “negative value added”). It clearly documented the highly inefficient structure of incentives under the existing ISI regime.

Numerous studies - e.g., Naqvi 1964 and 1966, Child 1968, Islam 1967 and Winston 1970 – analyzed the inefficiency and rigidity of the regime of import control. One interesting finding of Islam 1967 was that the protected industries moved towards attaining comparative advantage at pitifully slow rates if at all. This was a challenge to the justification of the ISI strategy on the ground that it provided an opportunity to the “infant industries” with potential comparative advantage to grow into healthy adults.

⁴ For example, the effective protection rates were estimated on the assumption that tariff provided the binding protection thereby neglecting the higher price premia resulting from the quotas which were pervasive.

Clearly a system of arbitrary protection, insulating industries from the competitive pressure from the international market without time limit, and lacking a strategy to remove the specific causes of infancy, was not conducive to transforming the infants into adults capable of competing in the international market. The strategy in effect presented a great danger of perpetuating infancy. The successful transformation of the initial ISI strategy into a strategy of export-led industrialization in several South-East Asian countries in the subsequent period made it clear that the essence of the inefficiency of the arbitrary ISI of the South Asian kind was that the preconditions for such a transition had not been built into the strategy. Winston's 1970 study was a path breaking analysis of the widespread and varied damage that over-invoicing and attendant distortions caused under the regime of import control and overvalued exchange rate.

By the end of the 1960s development theory had encountered serious challenge to the ISI paradigm that had dominated development policy for decades. Indeed the debate continued for at least a decade longer until some time during the 1980s ISI ceased to be the dominant development paradigm. It is hard to know the extent to which the work done at the PIDE directly contributed to the downfall of the ISI paradigm. It is however clear that research at the PIDE was in accord with several different approaches to finding alternatives to the ISI strategy.

Let us begin with the critique that led to the emergence of today's dominant paradigm in development theory, the so-called Washington Consensus⁵ which strongly emphasizes integration into the global market, free trade, free market and all its other facets such as private enterprise and limited government. Its resurgence may be traced back to the OECD studies on trade and industrialization started in 1970 (Little, Scitovsky and Scott 1970). These OECD studies appear to have been directly influenced by the third of the above three strands of PIDE critique of Pakistan's development strategy to the point that the Pakistan country case study of the series was actually written by a former PIDE researcher (Lewis 1970).

The emergence of the Washington Consensus as the dominant paradigm in development economics after the 1980s does not mean that this is the only critique of the

⁵ By now it would not be right to claim that the consensus continues to exist although it seems to serve as the principal inspiration behind the kind of development policy that the international development agencies like the World Bank and the IMF continue to peddle.

ISI strategy or even the most successful alternative to ISI in practice. The overwhelming evidence to date suggests that the countries which have most faithfully implemented the Washington Consensus have by no means been the best performers in terms of growth with poverty reduction. That distinction belongs to the East Asian Strategy which does not go for free trade as an alternative to ISI. Instead it sets up a trade regime that rejects discrimination against exports while at the same time promotes infants by wide-ranging policies that ingeniously combine selective protection of the home market with countervailing subsidies for exports. The totality of all the different strands of the PIDE critique of the ISI may have more in common with this strategy than with the Washington Consensus.

GROWTH AND DISTRIBUTION

At the time the PIDE was launched development research was rarely focused on issues of income distribution. In the case of Pakistan the focus was very specifically on enhancing the rate of growth.⁶ As noted above, Pakistan's strategy set out to finance growth by redistributing income to the investing classes. This was not however anything exceptional in the context of the dominant development paradigms of the time. Dominant development theories of the day, for example the Lewis theory of growth with "unlimited supply of labor", closely resembling the classical model in several critical respects, ruled out the possibility of increased real wages for the working population while the theories of Nurkse and Rosenstein-Rodan visualized capital construction principally by utilizing surplus labor at unchanged level of real consumption. Even the socialist and "socialistic" developed paradigms that had considerable appeal at the time downplayed the improvement of the living standard of the masses by emphasizing ever higher rates of

⁶ The defense of inequality for growth was eloquently provided by Pakistan's chief planner Mahbub-ul Haq: "the underdeveloped countries must consciously accept a philosophy of growth and shelve for the distant future all ideas of equitable distribution and welfare state. It should be recognised that these are luxuries which only developed countries can afford (Haq, 1963, P.30). Everyone knows that Dr. Haq came to reject this thesis later in life as is testified by his great act of atonement and gift to development thinking: the concept, index and strategy of human development,.

capital accumulation at the initial stage of development, without ever spelling out the length of that initial stage.

PIDE research made a quiet but consistent break with that tradition. As noted above it was perhaps started by Griffin 1965 which underlined the empirical finding that the idea of a positive trade off between higher saving and greater inequality had been false. The paper also highlighted another important aspect of distributional injustice that the ISI strategy engendered. The overvalued exchange rate, with exports heavily dominated by the products of agriculture, and import substitutes comprising much of the non-farm purchase by the farm population, the trade regime resulted in a huge income transfer from the agricultural population to the urban population. To the extent that agricultural population was poorer than the non-agricultural population and much of the exported crops were products of peasant farmers, the income redistributive effect of this intermediation was highly adverse. Griffin estimated that roughly 15 per cent of the value of agricultural output, measured at domestic prices, was transferred to urban areas and possibly three-quarters of the transferred income was used to increase urban consumption rather than investment. A subsequent PIDE study (Chowdhury 1969) showed that the real income loss to agriculture was far greater than what Griffin estimated.

This kind of “primitive capital accumulation” was widely resorted to in many developing countries where the ISI trade regime with above characteristics was dominant. While the phenomenon was studied elsewhere, PIDE research was one of the most extensive and pioneering of such studies. Beyond documenting the aggregate transfer, studies at PIDE emphasized the social cost of the dissipation of much of the transferred resources into consumption; and the asymmetrical regional effect of the transfer mechanism.

The Griffin study ushered in a general research interest in distributional issues. In the years that followed, a number of studies were undertaken to measure different indicators of distribution. The very first estimates of personal income distribution was made from the 1963/64 household survey data by Bergan separately for rural and urban areas of then East Pakistan and West Pakistan (Bergan 1967). A comparison among the four sets of estimates challenged many of the premises of the prevailing development

policy: the study revealed that savings rates were not related either to the degree of inequality in income distribution or to levels of income. A study of real wages in industries showed that the living standard of the workers failed to rise during a period of significant industrial growth between 1954 and 1967/68 (Khan 1967).⁷ A pioneering study by Bose measured real wages of agricultural workers in East Pakistan and concluded that by 1966 they were lower than what they were in 1949 (Bose 1968). The two studies together strongly suggested that the real living standards of the poor masses were not improving, and perhaps declining, during the first two decades after independence.

In the environment of today's development debate these forays into distributional issues may appear limited and fragmentary. It should however be recognized that this was a period when distributional concerns were considered not mere distractions but positive hindrances to growth. This was a time long before McNamara's Nairobi declaration and almost a decade before poverty studies became fashionable. Of particular importance for development thinking was the focus of PIDE's research on the disequalizing forces inherent in the overall development strategy and trade regime; and the clear demonstration that the justification of this strategy as a method of primitive accumulation in a poor pre-industrial society is not borne out by the evidence.

PLANNING IN AN IMPERFECT ECONOMY

One of the major concerns of development economics in the 1960s was to develop techniques to deal with the problem of planning. Governments in developing countries exercised extensive control on the allocation of resources. There was widespread belief that market failure was pervasive so that the market could not be trusted to decide the allocation of resources. Furthermore, substantial public investment was necessary to overcome indivisibilities and appropriate externalities that economists like Rosenstein-Rodan argued were central to the process of overcoming

⁷ The original paper, Khan 1967, showed estimates until 1963/64. These were subsequently updated to 1967/68 in Griffin and Khan 1972.

underdevelopment. Thus governments were in need of planning techniques both at the macro level to decide the allocation of investment, foreign exchange and such other resources; and at the micro level to estimate the social profitability of individual investment projects. This was the time when there was a great proliferation of economy-wide planning models. India was the country for which the largest numbers of such models with pioneering characteristics were developed. These were *planning* models, charting the allocation of scarce resources with a view to achieving stated goals, as distinct from *computable general equilibrium (CGE)* models, simulating the market outcome under given policy assumptions, that came to be dominant later. These models employed a Leontief-type of input-output accounting framework and were of two broad types: the *consistency* models that set out with *given* goals (e.g., a target rate of growth) and worked out an allocation of resources (e.g., sectoral distribution of investment, foreign exchange and other resources) that is consistent with it; and the *optimizing* models which *maximized* or *minimized* some objective (e.g., maximizing the growth of income or minimizing the resource cost) subject to certain constraints (e.g., given capacity to save; a maximum rate of foreign capital inflow; or a minimum improvement in living standard). Of the two kinds, the optimizing models soon became the dominant form for the reason that it was hoped that the *dual* solution of the maximizing exercise would provide *shadow prices* of the scarce resources which could then be used, instead of the distorted prices ruling in the failed market, to evaluate social profitability of investment projects.

Research at the PIDE produced both kinds of planning models (Khan 1967, Naseem 1968 and Khan 1969). Rather than making methodological innovations, their contribution was mainly in shedding light on specific development problems: Khan's optimizing model analyzed if there was any trade-off in terms of sacrificing overall national growth in reducing the interregional inequality in living standard and Naseem's model was a forward-looking exploration of the limits to import substitution in the decade ending in 1972/73 given the constraints in the form of minimum consumption

growth, export possibilities and realistic limits to domestic capacity to save.⁸ One of the features of PIDE's research on multi-sectoral planning models was its painstaking background work in developing the detailed input-output accounts for the country's two regions. This was necessary because no such accounts were available in the country and this ensured the consistency between the accounting framework and the empirical problems explored by the models.

As is well known, interest in multi-sectoral planning models waned after the 1960s. One of the main reasons for this was the failure of the models to provide meaningful shadow prices. These models used linear programming technique which maximized linear functions of variables which were subject to linear constraints. The result of the linearity assumptions was extreme "corner" solutions which had to be ruled out as unrealistic.⁹ Typically these optimizing models got around this problem by introducing additional constraints to make the outcome more "realistic" by arbitrarily ruling out the extremeness of the outcomes. The shadow prices given by the dual solution, reflecting these arbitrary constraints, were thus often quite meaningless. As it became clear that these models would not provide meaningful shadow prices for project evaluation, the quantity solutions by themselves seemed an inadequate reason to persist with them: these quantity solutions were also subject to optimization under many arbitrary constraints; and in a mixed economy there were inadequate instruments to implement these solutions.

PIDE research took an interesting and pioneering turn to obtain shadow prices conceptualized by contemporary project evaluation literature by formulating a model of simultaneously deriving them by using a multi-sectoral model. The model was a multi-

⁸ Khan 1969 is a consistency model to determine for the economy of then East Pakistan the resource requirements for alternative rates of growth and for alternative sets of assumptions with respect to export possibilities and import substitution during the Fourth Plan period.

⁹ A simple example of such a model is the Ricardian comparative advantage under constant cost assumption. The result is complete specialization.

sectoral version of the modified Little-Mirrlees method of shadow pricing.¹⁰ Estimates of shadow prices were made for the then East and West Pakistan.¹¹

An offshoot of this was the evaluation of national income in an imperfect economy. A study carried out at the PIDE by Mirrlees during his tenure as research adviser worked out, to quote his own words: “how national income should be measured in an ‘imperfect’ economy where feasible policy instruments such as taxes, tariffs, quotas and quantitative controls do not operate in a lumpsum manner, and may be far from their optimum level. In particular, I want to examine the meaning of national income, and its parts, when they are measured in terms of ‘world prices’; or, more precisely and more generally, in terms of the accounting prices that might be computed as a guide to particular production decisions, in the public sector and elsewhere” (Mirrlees 1969). Estimates of national income for Bangladesh and Pakistan according to this method are shown in Khan and Mirrlees 1973 and Khan 1972. They revealed both levels and rates of growth that were significantly different from those from the usual national accounts. The Mirrlees paper is of even broader theoretical interest in so far as it raised the important question of the inextricable link between optimum income distribution and measures of national income if a given change in the latter is to be interpreted as an equivalent change in national wellbeing.

AGRICULTURE; MONETARY AND FISCAL POLICY; AND DEMOGRAPHY

The above by no means exhaust or even account for the overwhelming majority of PIDE research in the period under review. Extremely useful research was carried out, among other areas, on agriculture and green revolution; fiscal and monetary issues; and demography. My discussion of these aspects of PIDE research is limited because, in my

¹⁰ The study was led by James Mirrlees (later Sir James Mirrlees, the recipient of 1996 Economics Nobel Prize), then a research adviser at the PIDE. The Little-Mirrlees method of shadow pricing is described in Little and Mirrlees 1974.

¹¹ This work was completed in 1972. By then Pakistan and the Institute had each split into two parts. The model, along with the results for Bangladesh (formerly East Pakistan), was published in Khan 1972. The results for both the regions were available in Khan and Mirrlees 1973.

view, despite their technical excellence and policy relevance, only selected parts of them constituted contributions to broader development thinking.

On agriculture I have already discussed the PIDE critique of the overall anti-agriculture stance of the incentive system of the development strategy. By the mid 1960s the endorsement of the green revolution had changed the circumstances very substantially as subsidized irrigation and inputs were used to promote the new technology in grain crops. Discrimination against many traditional crops and exports nevertheless continued. During this period PIDE research on agriculture became a close partner of official policy to promote the green revolution; much of the research on agriculture tried to identify the strategic factors on the provision of which policy should focus.¹² A good deal of research was aimed at testing the emerging orthodoxy that farmers did respond to price incentives, generally confirming the hypothesis.¹³

While all these research were competent and relevant, perhaps the one area in which PIDE research on agriculture had greater impact on development thinking than others was that of agricultural technology. One aspect of the green revolution in West Pakistan was the strong incentive provided to tractor mechanization by artificially keeping the cost of tractors low: it could be obtained at the highly overvalued exchange rate plus a low rate of tax and this purchase could be financed with credit that was artificially kept inexpensive. Two papers (Kaneda 1969 and Bose and Clark 1969) exposed the distorted incentive system that promoted a technology that, unlike the other elements of the green revolution, substituted for, rather than complemented, labor. This also had a strongly unfavorable effect on income distribution in so far as tractors were adopted by large farmers who used them to reduce their employment.

An area of omission in agricultural research was the issue of land reform. During the period under review the *PDR* published only one article on land reform which focused on consolidation of holdings and made no case for redistribution.¹⁴

Much competent research was also done on fiscal and monetary policy. Numerous papers published empirical research on taxation and revenue generation. A number of

¹² PIDE's "Mr. Agriculture" of the day, Ghulam Mohammad, identified water and fertilizer for West Pakistan and winter irrigation for East Pakistan as the critical inputs.

¹³ Hussain and Khan 1970 compiled the major pieces of PIDE's research on agriculture during the 1960s.

¹⁴ Beringer 1962.

papers dealt with the issue of the effectiveness of monetary policy. Once again, though competent, their purpose was to provide support to policymaking rather than breaking new ground in analytical thinking.¹⁵ Perhaps an exception was the work of Porter on the dangers of monetary policy in agrarian economies and inflationary implications of crop failure (Porter 1961 and Porter 1962). Porter argued that a crop failure may permanently raise the price level in a predominantly agrarian economy irrespective of the policy of the Central Bank.

Throughout the period under review the PIDE devoted a significant part of its research resources to the study of demographic issues. This was the period of early demographic transition when the death rate started falling with the fall in the birth rate yet to start, thereby resulting in a rising rate of population growth. The focus of demographic research was on keeping track of these changes by analyzing the census data and the ‘Population Growth Estimates’ (PGE) surveys; evaluating the family planning programs; and estimating the consequences for labor force supply by analyzing the participation rates. Lack of expertise is the reason why I am unable to discuss this important component of PIDE research during the period under review in greater detail.

CONCLUDING REMARKS

Looking back on the research performance of the PIDE in the period before it split into two successor institutions - the PIDE in Islamabad and the BIDS in Dhaka – I am struck by what I can only describe as remarkable success against heavy odds. The PIDE had very limited permanent staff with adequate training which it was actively focused on providing both by in-house training programs and by a program of study abroad for its staff members. It had limited public support through ad-hoc agreements with a foreign donor: it was only in 1964 that the PIDE got its present name and a commitment of continuing official support through a Presidential Order. It had no statute during the entire period that I have reviewed. The country was under authoritarian rule

¹⁵ A collection of PIDE research during the 1960s on fiscal and monetary issues can be found in Bose 1970.

and the tradition of autonomy for research institutions did not exist. And yet PIDE's research was able to exert significant influence on contemporary development thinking, quite apart from providing independent support to economic policymaking and spelling out alternatives to existing policies.

I have followed the evolution of the BIDS quite closely during the last three decades. It received a statute shortly after the creation of Bangladesh, assurance of independence and substantial access to resources. And yet I am quite certain that, relative to its predecessor, its role has substantially diminished: its influence on development thinking is nowhere near its predecessor's and its research has little originality or pioneering status. I have followed the evolution of the present PIDE much less closely and chances are that I would be wrong in my judgment about it. I believe it has received even greater resources than the BIDS, but I tend to think that its role too has diminished relative to its pre-1971 predecessor. I am not suggesting that the two successor organizations have not done useful research; just that there have been fewer contributions on the frontier compared to what the PIDE did during the period that I have reviewed.

I am not able to explain this phenomenon although I feel that we need to understand the reasons behind the asymmetry. In making a comparison between the PIDE of the period that I have reviewed and today's BIDS, I can identify some clear differences. The PIDE had a research program which was of its own choosing. By mid 1960s it had a core indigenous staff which, though small, had decisively taken over the leadership of the Institute. The staff's preoccupation was with the implementation of the Institute's own research program with insignificant preoccupation with outside involvement and/or private consultancy. Internal enhancement of position was the prime motivation that drove the activities of the members of the staff. Today the BIDS has no research program of its own. All the research is driven by the contracts received from external agencies most of whom are bilateral donors or international agencies. These research contracts do not add up to a coherent program that comprehensively covers today's development problems. Nor do they reveal any meaningful ordering of research priorities dictated by today's development needs. Employment and emoluments at the Institute are no more than retainer fees that do not obligate the staff to engage in any kind of core research. Furthermore, many senior staff members covertly or overtly run their own organizations

or NGOs. I do not suppose the transformation of today's PIDE has gone quite this far; but I fear that it too may have traveled some distance along that path. How this sea change has overtaken research institutions in developing countries – for I believe the phenomenon is not limited to these two countries - needs urgent analysis if these countries are to maintain any kind of independent capability to formulate their development policies rather than allowing their national development plans and policies to be replaced by processes like IPRSPs and PRSPs or whatever fancy names are periodically instituted to disguise the failures of the past ones.

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