

TN's sui generis development model

A common Tamil identity laid the ground for socio-economic growth. It must now promote market-based entities

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Tamil Nadu is one of the richest States. The State leads the country in achievements in sustainable development goals, and it ranks at the top in economic freedom rankings. For most of its contemporary history, Tamil Nadu has been ruled by stars from the movie industry. *The Economist* in 2013 called the politics and economics of the State to be “eccentric”.

But the growth and political model of Tamil Nadu is not eccentric at all, and it fits well with the broad model of endogenous growth, customised to the Indian context, where human capital drives productivity and growth, that in return drives investments in human capital. As the global pandemic forces countries to reassess their development, Tamil Nadu’s “eccentric” model can provide some lessons.

India is a diverse country, and such societies if fragmented can have a tough time producing public goods accessible to the commons. The reason is straightforward: when there is little social unity, people want goods and services for their own communities, which come at the cost of fewer essential public goods like health and education.

However, such divisiveness need not be the inevitable fate of diverse nations. People have multiple identities like caste, language, religion, profession, etc. A key question for a diverse society to ask is: Which identity is more salient politically, to people? When that salient identity creates divisions between people, it creates fractionalisation — limiting production of public goods. However, when that identity is unifying, it helps lay the ground for socio-economic growth through appropriate public investments.

Common linguistic identity

Tamil Nadu followed a unique approach to State building in the 20th century, where ideas promoting a common Tamil identity, built around its ancient Tamil language, was popularised by mass media in the early decades of Independence. Such Tamil identity helped reduce the narrow walls of caste that existed historically, as the linguistic



Spread out Tamil Nadu has developed many independent economic clusters M PERIASAMY

commonality became a salient unifier for people.

In 1901, it was common in Tamil Nadu to meet a Vadugamuthu Pillai, a Chelappa Nayakker or a Ramasamy Thevar. One could identify a person’s caste just by the surname, as is still the case in most parts of India. Today, however, one usually meets a Vadugamuthu, Chelappa and Ramasamy, and the disappearance of caste surnames is part of a broader anti-caste self-respect movement propagated by the 20th century social reformer Periyar.

Using Tamil cinema and print publications, Periyar’s followers, most saliently screenwriter and orator CN Annadurai, propagated the ideas of self-respect movement in the broader public through movies and plays. Annadurai’s time marked the transition of Tamil movies, which before him portrayed the lives of kings and epics.

His works started to portray the lives of common people with whom the public could easily identify with. His followers Karunanidhi (a screenplay writer famous for his dialogues in the movie *Parasakthi* (1952)) and MGR (MG Ramachandran, the original Tamil superstar) continued this trend and actively used

movies to inculcate a sense of common ‘Tamizhan’ centred around the love for Tamil language. All these three personalities became powerful Chief Ministers of the State, and so did J Jayalalitha, an MGR follower who herself was a leading actress of Tamil cinema.

Economic clusters and freebies

This common Tamil identity helped in creating a political climate where more public goods could be provided — like construction of schools, roads and electrification in almost every village, or construction of smaller dams across the State. Stable governments in Tamil Nadu actively focussed on public education (especially of depressed classes), public health (especially of and by women), and business (especially through establishment of business-friendly Special Economic Zones, or SEZs).

SEZs attracted industrial investments in the State both before and especially since liberalisation. Today, Tamil Nadu is home to the most number of factories and SEZs in India.

Unlike Bengaluru which is the sole driver of investment sentiment in Karnataka, in Tamil Nadu, multiple cities like Coimbatore, Tiruchi, Salem,

Erode, Tirupur, Madurai and Thoothukudi have emerged as independent economic clusters. These cities act as drivers of economic growth by mobilising people from nearby rural regions to cities.

This has helped Tamil Nadu achieve an impressive 49 per cent urbanisation rate, and has created a sustainable manufacturing economy. Such urban regions generate large revenues for the State that gets used to fund its various welfare programmes, creating a virtuous circle.

Tamil Nadu parties depend on competitive populism to attract voters, which continues even today in the form of offering freebies. These freebie schemes have taken a toll on the financial health of the State, but few schemes like free bicycle, free mixer and grinder, free cattle, and free health insurance have also provided the poor with assets and wealth. The money which had not been spent on buying these assets, could now be spent on education, healthcare and business, aiding human capital and economic development.

Ending patronage politics

Tamil Nadu’s economic model isn’t necessarily sustainable. Freebies that create wealth for the poor can only be offered if the economic engine works through concurrent promotion of enterprise and public goods. This requires a fine balance. Crony capitalism and clientelism weaken this balance in liberal economies around the world. Just as the coronavirus is most deadly for less immune people, the same way the economic impact of the pandemic will be most devastating for economies that fail to overcome cronyism and clientelism.

Fiscal mismanagement, political patronage to particular enterprises and communities, and rampant corruption risk stagnating Tamil Nadu’s economy in a manner similar to many Latin American countries. To escape such a fate, Tamil Nadu’s public and politicians need prudence, a focus on promotion of impartial market-based institutions, and of public goods. The same advice can be offered to all other States, too.

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