

**T**he Malcolm Adiseshiah Award, instituted by the Malcolm and Elizabeth Adiseshiah Trust and administered by the Madras Institute of Development Studies, commemorates Dr Malcolm Adiseshiah's life-long commitment to promote research of high quality in the social sciences, in the area of development studies in particular. It is also a remembrance of the encouragement he steadfastly provided to young scholars.

The jury for the first award, consisting of Professor Amiya Kumar Bagchi, Centre for the Study of Social Sciences, Kolkata, Prof. Mihir Rikshit, formerly Professor, Indian Statistical Institute, Kolkata, and Prof. R. Champakalakshmi, formerly Professor, Jawaharlal Nehru University, recommended unanimously that it should go to Abhijit Vinayak Banerjee, Professor of Economics, Massachusetts Institute of Technology, Cambridge, U.S.A.

Among the scholars working on India's development problems Abhijit Vinayak Banerjee is one of the few who have demonstrated the ability to throw light on a wide range of practical problems with the help of theoretical reasoning. His treatment of poverty, inequality, credit, cooperatives, occupational choice and governance has already placed him high in the community of international scholars.

# **Malcolm Adiseshiah Award 2001**

Presented to  
**Abhijit Vinayak Banerjee**  
Professor of Economics, M.I.T., USA.

*A Profile*

**Malcolm & Elizabeth Adiseshiah Trust  
&  
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Professor Abhijit Vinayak Banerjee born in 1961 was educated at Presidency College, Kolkata and Jawaharlal Nehru University from where he obtained his Master's degree in Economics. He completed his doctoral studies in Harvard in 1988. Professor Banerjee taught at Harvard and Princeton before moving to MIT where he is presently Professor of Economics.

Speaking of the major influences on his intellectual growth he cites his parents, Deepak and Nirmla Banerjee, as being the primary ones. It is under their intellectual stimulus that he became, in his own words, 'a social scientist by instinct long before I had any formal interest in social science and even longer before I realized that I was meant to be one'. Among the teachers that whetted his appetite and persuaded him that economics could be intellectually stimulating should be mentioned Professor Tapas Majumdar, Professor Anjan Mukherjee and his father, Professor Deepak Banerjee. Despite his formidable credentials in economics Professor Banerjee claims that he finds 'reading history more fun'. The strongest Harvard influence on him is Professor Eric Maskin. Speaking of him he says that it is hard to match him in 'unrelenting intellectuality and the ruthless commitment to getting to the bottom of things'. Another important source of stimulus is his co-author Andy Newman who has provided him with impetus towards the major interests of his intellectual life. He is associated with several

leading journals as associate editor, foreign editor and referee. Mention may be made of the Quarterly Journal of Economics, Review of Development Studies, Review of Economic Studies, Journal of Political Economy, and American Economic Review.

With the help of sophisticated mathematical reasoning Professor Banerjee has illuminated through papers published in many top international journals several intricate areas of development studies. Among them the following are especially important examples.

Professor Banerjee has demonstrated that if the poor are viewed as those at the margin of subsistence in their specific situations, much in common among them can be found across national boundaries, irrespective of pronounced differences in absolute levels of living.

In an insightful inquiry into misgovernance Professor Banerjee seeks an explanation for bureaucracies being associated with red tape, corruption and lack of efficiency. He argues that 'the culture of corruption in poor countries is at least partly a result of underdeveloped institutions (like a lack of democracy)'.

A third example is his work on the importance of a firm's reputation in winning contracts. Based upon a study of over one hundred Indian software firms his study suggests that Indian firms are not trusted enough to be awarded major contracts and that reputation may be the reason. Also this study seeks to explain why the Indian software industry is not larger than it is.

Prof. Banerjee has worked extensively on

information transmission and in doing so has analysed what he terms the 'economics of rumours'. This is a genre of information wherein the recipient does not know whether to trust what is received. From this he proceeds to analyse the effects of such informational transmission on investment decisions. Another fascinating contribution relates to what Professor Banerjee calls the 'herd instinct'. The free flow of information actually results in an equilibrium which is inefficient. The underlying cause is herd behaviour. In his words 'people will be doing what others are doing rather than using their information'. Therefore the paradox that 'in an ex ante welfare sense society may actually be better off by constraining some of the people to use only their own information'.

His work on co-operation is exemplified by an incisive analysis of sugar co-operatives in Maharashtra. He and his co-authors demonstrate how heterogeneity of landholding patterns enables the wealthier farmers to enjoy transfers of rent by depressing the prices of inputs supplied by the less wealthy and diverting the resulting retained earnings.

A dominant research interest of his is market failure. He is engaged in formulating models of growth which assign a serious place to market failure and find empirical evidence which indicates this centrality. Along with this Professor Banerjee is concerned with defining what he terms 'the economic universe of the poor'.

Prof. Banerjee is happily married to Tuli who grew up with him in Kolkata. She teaches literature at MIT and they have a ten year old son.