

PUBLIC SERVICES

By

Deepak Lal

Earlier this year I had motored from Delhi through West UP to Ramgarh. I had not been in this area for many years. Apart from the usual signs of prosperity- brick houses, the ubiquitous liquor shops and tandoori chicken dhabas- I was surprised to find that all along the road there were signs for local English speaking private schools. Clearly the prosperous villagers of West UP were putting some of their new earned wealth in providing private education for their children. This impression is confirmed by the government sponsored PROBE report on education (Oxford University Press, 1999), which found that poor parents are transferring their children en masse into private schools. Thus in Hyderabad, 61 per cent of children attend private unaided schools, whilst in the slum areas 80 per cent of the children from the poorest families go to private schools. The reasons for this massive move from state to private education is due to what the report calls the >malfunctioing= of government schools for poor children. In a random sample of government schools visited unannounced, the researchers found that only in 53 per cent was there *any* teaching activity, and in 33 per cent the head teacher was absent. By contrast there *was* feverish classroom activity *in* the private schools also visited unannounced. The majority of parents were reported as saying that *if* the costs of sending a child to a government school and a private school were the same, they would rather send their children to a private school^o. **The Probe team (1999) found that one-fifth of the children enrolled in private schools came from casual labour and one half from scheduled castes or backward caste groups. In Uttar Pradesh 36% of school going children are enrolled in private schools.**

The situation is no better with public health services. Thus a 1999 NSS survey on health care reported that, the failings of the public health system are leading to rising demand for private health services. It is not surprising therefore that of India=s overall health expenditure of 6%of GDP, nearly 80% is on private health care. Moreover, the public expenditure on health and education (as well as other quasi- public goods such as water, sewage, electricity) benefits the rich rather than the poor, even though the chief justification provided for such expenditure is on distributional grounds or for alleviating poverty. Thus in its World Development Report 2004 the World Bank estimates that *in* India the richest fifth receives three times the curative health care subsidy of the poorest fifth^o.

The reasons for this failure of social policy are also well known. **As the World Bank=s country study of India in 2000 noted: *the delivery of public services in health and education is fraught with problems related to limited accountability for performance, low management and worker incentives, inadequate materials and equipment for effective health care and education, demands for payment for supposedly free public services, and poor targeting of services and subsidies at the poor. Because of these problems, private delivery of health and education is expanding rapidly, to the public in general and even to the poor***^o Clearly, throwing

more money at the problem is not the answer. As the World Development Report rightly notes: @ the relationship between public spending on health and education and the outcomes is weak or non-existent. @ Nevertheless, the Bank and many of its social democratic supporters are unwilling to draw the requisite conclusion from this dismal failure of most Third World countries to publicly provide the merit goods of health and education, in particular to the poor, which all agree are an important ingredient not only in improving individual welfare but also in promoting growth.

The basic problem arises from the lack of recognition of the important distinction between the *public financing* and *provision* of these merit goods. This distinction was well recognised by every 19th century economist, no matter what their ideological stripe. Thus, here is one such statement on education :@ 'elementary education by the state' is altogether objectionable. Defining by a general law the financial means of the elementary schools, the qualifications of the teachers, the branches of instruction etc, and...supervising the fulfillment of these specifications by state inspectors, is a very different thing from appointing the state as the educator of the people! Government and church should rather be equally excluded from any influence on the school. @ The author: Karl Marx in his : Critique of The Gotha Programme, 1875!

The correct principle for public involvement in public services **is that, while there maybe a case for the public financing of these merit goods there was none for their public provision. As Mill put it for education:**

ΔIf the country contains a sufficient number of persons qualified to provide education under government auspices, the same persons would be able and willing to give an equally good education on the voluntary principle, under the assurance of remuneration offered by a law rendering education compulsory, combined with state aid to those unable to defray the expense.@

But, it will be correctly argued that, in India giving the poor vouchers for say health or education expenditures will be open to the same kind of malfeasance as is involved in so many other programs to transfer incomes to the poor. The problem lies in the centralised bureaucratic model for the provision and financing of public services and quasi- public goods like water, sewage, and electricity. This model as the World Development Report rightly notes arose with the consolidation of Western nation states and the rise of professional bureaucracies, who saw to it that the various decentralized and often private methods for providing these public services were centralized and nationalized. But, this model will not work in societies where the cultural underpinnings for this centralized and relatively impartial bureaucratic model do not hold. It is therefore, hardly surprising that the one third World country where this >top down= approach to the provision and financing of public services has been a resounding success is China. With its two millennia=s experience of a bureaucratic authoritarian state, it=s mandarins can be expected to deliver. Not so the post Imperial state in India, particularly as with the rise of Demos the legendary bureaucratic steel frame it inherited from the Raj has been virtually corroded.

India has now reverted to its classical cultural roots of >village communities=. The >mohallas= in the urban centres are often replicating this ancient form of social organization. It is these decentralized small communities, which have historically provided the public

services and quasi- public goods that all functioning societies have needed. The answer to the problem of public services in India is thus likely to lie in passing the control of the financing of these public services to these local communities, who can then contract with various private agents to provide the necessary services. Given the caste and other hierarchies, which still govern social life in India, there is no guarantee that this alternative will necessarily lead to the distributional outcomes desired by social democrats. But, neither after 50 years has the centralized bureaucratic solution.

How such a decentralized system could work in practice, while following the correct economic principle of public financing but private provision of these public services is splendidly demonstrated in an innovative project undertaken by Parth Shah's Centre for Civil Society. He directed a group of young researchers to examine the 25 agencies, boards, corporations and departments of the Delhi government. They show how from health, and education to sewerage, water, electricity, and slums, the principles of public financing and private provision of public services by local communities can deliver efficient and equitable public services. It would be nice to imagine that in the forthcoming elections their "A State of Governance- Delhi Citizen Handbook 2003" could become the citizens manifesto to hold their elected officials to account.