

New Brooms for Old Fiscal Discipline & Public Services

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There is a free market public administration. Example: garbage removal. Socialists perform the task through a gargantuan bureau. They recruit a thousand sweepers, buy a hundred trucks and a few thousand brooms. If we examine the work of their bureau chief, most of his time is taken up processing bureau inputs: purchases of trucks, brooms, etc.: recruitment; discipline; leave; unions; and so on. He has little time to look at his bureau's output: see that the town is actually getting cleaned. The socialistic bureaucratic method, therefore, costs more and delivers less. Enter the new public management (NPM).

NPM prescribes contracting-out. The town managers job is only to devise contracts, award them, and see to it that the tasks are performed as per specifications. He actually has the time to see to the cleaning up of the town. What is more, there is competition and choice – the basic requirements of the free market. The job is done better and cheaper; and in a more manageable manner. The socialist bureau is essentially unmanageable. With NPM, it requires just one good person to see to it that the market provides the public services we need. NPM principles can be extended to almost every field: from education to healthcare. There are many pressing reasons why NPM should inform Indian public administration.

Pressing Reasons

NPM arose from the need to tackle overblown budgets. This is India's basic problem, and the longer we take to tackle it, the further away are we from a sound currency. Public choice theory helped the NPM movement. Free market economists assume that all human beings are rational and seek their own self interest. Public choice theory extended this assumption to political science. It assumed bureaucrats and politicians were similarly self-interested

– and inspired *Yes, Minister*. Public choice revealed that bureaucrats rationally maximise budgets in much the same manner that businessmen maximise profits. For nations with budgetary problems, this established the case for NPM. For the last 20 years, the subject of public administration has been dominated by this theme. Except in India, that is.

Free market antipathy to bureaucracy is not new. Ludwig von Mises warned in the forties that bureaucracies are graveyards for talented youth – because in bureaucracies, the young are compelled into the perpetual servitude of the old. Mises said that there were but two ways of managing things: bureaucratic management and management for profit. He said society gains when maximum space is left to management for profit. India's over-reliance on bureaucratic management can, therefore, be said to have

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had three terrible consequences: budgetary overruns; the rule of the aged; and shoddy public services.

Public Services

Public administration and management are sister subjects. NPM was inspired by certain trends that were making themselves evident in management. With globalisation, corporations were becoming hollow. That is, toy firms would have small design and marketing offices in New York and get all their manufacturing done on contract from parties in the Far East. Athletic footwear manufacturers, garment companies and even publishers were following this trend: skills-intensive tasks like editing and proofreading would be done at home, while labour-intensive typesetting and printing would be contracted out. For free market public administrators, this was worth emulating.

The hollowing out of the Indian state will bring about great benefits to this nation, whose bureaucratic services do not perform a single

task properly; and who swallow huge portions of public funds, to the extent of ruining the currency. The politician is neither able to control the fiscal deficit, nor is he able to oversee delivery of public services of acceptable quality. We often see our politicians pick up brooms – the kind wicked witches fly on – to launch cleanliness drives. They would succeed if free market principles informed administrators.

Urban local government is where the beginnings

must be made. Our administrators, for the past 50 years, have been engaged in the charade of rural development:

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the bread, butter and jam of the politico-bureaucratic spoils system. By doing so, they have neglected urban areas, which generate wealth, and where people are densely crowded: these require more public services. A typical district is headquartered in a big town and has three or four smaller towns in its jurisdiction. Our administrators have ruined the whole lot. The total destruction of India's towns and cities is the singular achievement of socialist administration. We need to rebuild urban India. An urban regeneration is crucial to prosperity.

Town managers trained in the principles of NPM and the technicalities of making and enforcing contracts must replace IAS men in urban management. In the UK, generalist bureaucrats do not have anything to do with local government; their only place is Whitehall. Our generalists have taken things a bit too far. Referring to IAS equivalents in those socialist countries of Africa which chose the state and not the market as the means to development, George B N Ayetti often remarks that these administrators are actually functionally illiterate. Judging from the knowledge deficit that marks Indian administration, the same could apply here to our generalists.

Political Economy

This functional illiteracy stems from an ignorance of political economy: fatal to good governance. The IAS embraced socialism wholeheartedly because it put them on top. The ICS, on the other hand, were steeped in classical political economy. Prof. S Ambirajan's excellent study of the intellectual inputs that went into making an ICS officer establishes this. The correspondence of officers from governors-general to district

collectors reveal thorough knowledge of classical political economy. ICS officers

ran book clubs to spread this knowledge, and wrote in scholarly journals. Their policy preferences show a marked leaning towards encouraging market forces. IAS officers spend crores on slum development but do not care to encourage a market for cheap rental housing. They do not know rent control causes slums. Because of their ignorance of political economy, they allow an economic evil to perpetrate a political one: they create and invest in the politically sponsored slumlord. They preferred to monopolise the supply of housing in many cities, including Delhi.

Free market public administration throws up a formidable intellectual challenge to the socialist state and its elite administrators: the chosen personnel for the commanding heights. They have failed miserably in their job and should be speedily replaced: to begin with, in towns. These towns are an economic resource. They cannot be left to those without a valid administrative philosophy.

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