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More Practical than Principled

By: Andaleeb Rahman

This comprehensive road-map for better governance focuses more on practical solutions than on the underlying principles that guide government actions and citizen relationships. But can solutions be "non-ideological" and without a strong political vision?

The mandate of the 2024 election shows that citizens' needs ought to be the top priority of any administration. The state must understand its citizens' needs and be seen to be acting on governance, public services, unemployment, and inflation. An effective and inclusive state is not only essential for facilitating and sustaining economic progress, but also key to electoral success.

In this book, Karthik Muralidharan presents his ideas on how to build an "effective" Indian state. He defines "state capacity" as the ability of the government to get things done and therefore studies it as an organisational concept. The recruitment of a frontline and elite bureaucracy (their accountability, and incentives to implement programmes), and the government's ability to raise fiscal resources, allocate funds, and resolve political interests that inhibit policy reforms to advance human welfare remain at the heart of this book. The book also identifies the roles politicians, bureaucrats, civil society, intellectuals, philanthropists, the business community, the media, and ordinary citizens must play in creating an effective state.

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According to Muralidharan, better state capacity would improve governance and public services, reduce clientelism and patronage, circumvent distorted political incentives that inhibit reforms, create empowered citizens, and promote inclusive growth. On top of this, it will also improve the electoral fortunes of political parties. The re-election and longer tenure of many chief ministers is a testimony to the electoral payoff. For citizens, an effective state is more accountable and it could lead to more motivated and less corrupt politics. Building a capable state is therefore a win-win solution, and the book discusses how to build one.

Unfinished Agenda

Building an "effective state" is an "unfinished" item on the agenda of democratic empowerment in India, writes Muralidharan. While appreciating the Indian state's historical performance as commendable (a "solid B plus"), he wants it to achieve its higher potential and outlines a remedial course for this. He presents intuitive, cost-effective, scalable, and non-political solutions (supposedly avoiding the usual market versus state or growth versus human development dogmas), which are "low-hanging fruit" to increase the return on public investments by a factor of 10, no less. The Indian state is seen as analogous to an antiquated car, which will not function more efficiently with more fuel (read greater expenditure) because it has structural faults that have to be rectified.

Outcomes, not Outlays

Muralidharan calls for social sector investments that are cost effective in attaining the desired welfare outcomes, instead of merely increasing financial outlays. He holds that the frontline bureaucracy ought to be given greater incentives and be made more accountable for the manner in which programmes are implemented. He offers multiple solutions, including the hiring of contractual school teachers, practicum-based training and recruitment to the local public administration, lateral entry for civil servants, and better training and greater autonomy to public officials.

A robust statistical system (with real time outcome data, sample surveys, interoperability of data systems) that generates consistent, accurate, and timely data is seen as a "foundational investment" in state capacity. It will allow both personnel and policy to respond to citizens' interests in a timely manner, thereby increasing the quality of investments.

> The book also argues for distribution of an inclusive growth dividend, where a share of India's GDP goes to the poor in the form of cash transfers that combine many of today's inefficient subsidies.

To raise revenues, the author suggests greater taxes on immobile assets such as land, property, and goods, and on negative externalities such as alcohol. He argues that improving public services through better state capacity is likely to strengthen the "fiscal compact", which is now weak, making tax avoidance a common practice. As citizens benefit from better governance and services, they are more likely to trust the government. This should create the civic mindedness necessary to make them report income more honestly and pay higher taxes.

Investments for Efficiency and Equity

The book presents a framework against which much of our social welfare programmes and public investments must be weighed. There is a four quadrant diagram where trade-offs between efficiency and equity are listed with respect to various investments. For example, investments in the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) are both equity and efficiency enhancing, while the externalities associated with the public distribution system (PDS) make it an inefficient programme though it may promote equity.

A believer in technocratic solutions, Muralidharan suggests an array of cost-effective reforms, such as a choice-based PDS, biometric authentication of those who receive MGNREGA payments, and expansion of the primary healthcare staff, as ways to improve equity and expand the efficiency frontier of public investments. The book also argues for distribution of an inclusive growth dividend (IGD), where a share of India's gross domestic product (GDP) goes to the poor in the form of cash transfers that combine many of the inefficient subsidies, such as on agriculture. This would be akin to a universal basic income (UBI) but would be conditional on the country's growth path, allowing everyone a "share of the pie".

State and Markets as Competitors

Without getting into the traditional state versus market debate, *Accelerating India's Development* looks at the state as an enabler of market efficiency. The imagined Indian state is bigger in size but lithe (without lifetime employment security and benefits to public servants, but with greater autonomy and incentives), impersonal in conduct (less rigid rules but fair in treating citizens), brimming with energy (spurred by youth and better trained staff), swifter in response (driven by data and technology), closer to citizens (federal and decentralised), and amenable to policy experimentation (in identifying the right programme and design).

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A more capable government in the service of its citizens would compete with private players, thereby improving overall efficiency. Muralidharan provides examples from states such as Tamil Nadu and Kerala where better public hospitals have played a disciplining role in ensuring that private hospitals also provide better healthcare at a lower cost. Owing to the better quality of services in public hospitals, citizens have a greater choice and private providers must deliver on their social responsibility to hold on to their clients.

More Solutions, Less Politics

This book has clear suggestions on how to upgrade the state (as an organisation) for it to work efficiently. It has a lot to offer for diverse audiences. For critical readers of the Indian economy, it connects many seemingly disparate themes on governance, growth, development, and poverty, and backs them with empirical evidence (from India and outside) on how various small state-led (and state government-led) developmental interventions could spur economic growth as well as human development.

For the general reader, this is a very engaging read despite its intimidating size. It is a great resource to understand what ails the Indian growth story and the menu of potential options available to build a vibrant nation. For politicians and bureaucrats, who I believe are the true audience of this major effort, the book provides a framework to rethink their own positions and policy strategies. It also has a menu of policy options, with which they can "experiment at scale" and shape policy discourse.

Belonging to the first category of readers, I found parts of the book a refresher course on governance, institutions, and the political economy. I also learnt about some of the most rigorous evidence from various randomised control trials the author has collaborated on.

Accelerating India's Development, however, does not address the causes of (or offer solutions to) the complexity of the various systems that characterise the foundational ideas of the Indian state (say, decentralisation, rising centre-state federal tensions, and weak social democracy). The basic understanding is that economic development is a linear process and state building is characterised by

predictability. But recent research, as on China, has shown that economic development can be dynamic and adaptive and top-down investments may not be the most efficient.

The book's fixation on "cost-effective light-touch interventions which are politically acceptable" leaves one wondering if its ambition is to just influence policy or to critically engage with the idea of building a truly democratic society. The techno-optimistic solutions that undergird the policy solutions would appeal to exhausted bureaucrats, control-obsessed politicians, and citizens who are enamoured of technology. But the perils of such solutions (if they do not succeed) are experienced by ordinary citizens. While the author highlights that the book is motivated by philosophical ideals of social justice, I find less of that and more of "what is do-able". As a result, the book lacks a political vision that drives the state and its motivations; a social contract, which lubricates the state machinery and its treatment of its citizens.

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Indeed, *Accelerating India's Development* does present important ideas that can't be ignored in policy circles. We must discuss them carefully, though as the author himself says in the concluding chapter, evidence supporting these ideas is still emerging and therefore careful experimentation is necessary before scaling up these approaches. I was both intrigued and slightly disappointed with the book's assertion that the proposed solutions are a "non-ideological, non-partisan, evidence-based, centrist approach".

Muralidharan is effusive in his praise for Prime Minister Narendra Modi (a believer in technocratic solutions with a sketchy record of promoting deliberative politics) and cites religious quotes (from the *Ramayana* in footnote 29, Chapter. 18) on the political leader's commitment to "*sabka saath, sabka vikaas, sabka prayas*".

I would leave readers with a quote from Edward Said, "No one has ever devised a method for detaching the scholar from the circumstances of life, from the fact of his involvement (conscious or unconscious) with a class, a set of beliefs, a social position [which generates] knowledge that is less, rather than more, partial than the individual (with his entangling and distracting life circumstances) who produces it. Yet this knowledge is not therefore automatically non-political."

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