

The political economy of public goods: Some evidence from India

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Abstract

We are interested in how public goods get allocated by a centralized state. We use data on public goods and social structure from parliamentary constituencies in rural India to understand the allocation of these goods over the 1970s and 1980s. National policies and political agendas during this period emphasized universal access to basic amenities and financed a rapid expansion in rural infrastructure. We find evidence of considerable equalization in many of these facilities, reflecting perhaps the importance of these commitments. Among the historically disadvantaged social groups, those that mobilized themselves politically gained relative to the others. Measures of social heterogeneity that have been emphasized in the recent empirical literature on public goods are relevant but not overwhelming in their importance.

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1. Introduction

It is well recognized that the nature of political power within societies influences the allocation of public resources. Robert Bates in his well-known studies of the evolution of political power in post-independent Africa showed how the growing power of specific ethnic groups was reflected in the way public resources were used (Bates, 1973, 1976, 1981). In the case of India as well, there is a large literature showing how specific groups (ethnic or otherwise) have increased their

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political salience and laid claims on the munificence of the state (Rudolph and Rudolph, 1987; Varshney, 1995; Jaffrelot, 2003; Chandra, 2004).¹

A related but distinct literature has examined the role of social heterogeneity on the availability of public goods. Most prominently associated with the work of Alesina et al. (1999), this work focuses not on the fortunes of specific groups but rather on the problems associated with multiple groups and divergent interests. A standard conclusion in this literature is that increased ethnolinguistic fragmentation is associated with reduced access to local public goods, often because it inhibits communities from working collectively to extract public goods from a recalcitrant state.²

An alternative approach emphasizes the autonomy of implementing authorities in the use of public resources and underscores the discretion that politicians and bureaucrats retain despite the constraints imposed by social structures. The exercise of such discretion is the subject of theories of governance: incumbent bureaucrats may be driven by a shared agenda or ideology (Weber, 1947), the need to appear even-handed (Wilson, 1989), a desire to please everyone (Dixit, 1996), or plain cupidity. Tendler's (1997) book on Good Governance in the Tropics discusses the role of suitable organizational design in creating an autonomous and effective bureaucracy in an otherwise difficult environment in the Brazilian state of Caera. Montero (2001) explains why the bureaucracy in another Brazilian state (Minas Gerais) could function with a great deal of independence. Hargrove (1994) describes how the leadership of the Tennessee Valley Authority (TVA) in the United States became trapped by the myth of the TVA as a heroic organization and took the organization in directions that ultimately lead to a crisis. Wade (1982) provides an interesting account of how the entire system of delivering irrigation water to farmers in Southern India was structured to facilitate bribe collection by bureaucrats in the public works department.

The influence of local structures may also be neutralized by outside forces: A local bureaucracy might be vulnerable to pressures from a federal judiciary or international public opinion. The desegregation of the U.S. South, for instance, was at least as much a result of such external pressures as it was a consequence of unrest among the Blacks.

We examine the location of public goods between 1971 and 1991 in about 500 parliamentary constituencies in rural India to assess the relative importance of these influences on the allocation of public resources over this period. India is in many ways an ideal place to study the importance of social structure on the provision of public goods. Its traditional social hierarchy, with its caste and religious divides, has been well documented in historical sources. In addition, starting in the early 1970s, the state adopted the rhetoric of removing poverty and providing universal access to public goods. Over the two decades covered by our study, there was a rapid expansion of rural infrastructure and federal budgets introduced specific schemes to favor two historically disadvantaged groups, the Scheduled Castes and the Scheduled Tribes. We ask whether the data provide evidence of convergence in the availability of public goods across the country reflecting the fulfillment of stated agendas or whether these attempts were frustrated by powerful communities appropriating the additional facilities.

¹ According to Jaffrelot (2003), the political importance of social groups in India is a natural result of imposing political democracy "on a social system dominated by the hierarchical logic of castes" (p. 3). Rudolph and Rudolph (1987) attribute the absence of class politics (and the importance of social groups in politics) to the small share of the organized labor force and the importance of public relative to private capital in the post-Independence period. Varshney (1995) shows how agricultural policies in India represented the growing political power of rural landlords and Chandra (2004) examines the conditions under which caste based parties have been successful in the Indian political context.

² Among the many studies of social heterogeneity on public goods are Alesina and La Ferrara (2000), Baland and Platteau (1998), Bardhan and Dayton-Johnson (2001), Dayton-Johnson (2000), Khwaja (2002) and Miguel (2000).

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