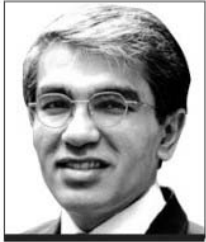


States of the nation

Education and employment agendas may be most effective in the hands of states



MANISH
SABHARWAL

A central government politician responded to my rant about the need for difficult reform with a wonderfully wise response: "Don't lecture us about reform. We politicians know all about reform; we just don't

know how to get re-elected once we do it." But his quip contrasts strongly with the Gujarat CM who said: "Anti-incumbency is just another name for being kicked out by voters for non-performance. But 10 good chief ministers and 10 good mayors may be more important for change in India rather than a single good Prime Minister."

Does the last round of state elections finally validate American politician Tip O'Neil's quip that "All politics is local"? Does this divergence between central and state politicians indicate something deeper, or is good economics just bad politics? Are voters really irrational and incapable of calculating self-interest? Has India reached the stage where national policies imply too much averaging? True or not, nobody questions that politics is a contact sport and the transmission losses between talk and walk increase with distance.

Our central politician gets support from an interesting book called *The Myth of the Rational Voter* by Bryan Caplan. The author believes that the greatest obstacles to sound economic policy are the popular misconceptions, irrational beliefs and personal biases of ordinary voters. He identifies four: the long-run underestimation of markets (anti-market bias), the distrust of foreigners (anti-foreigner bias), undervaluing labour productivity gains (the make-work bias) and a

Key education statistics, India

Adult literacy rate, 2000-04, male	73
Adult literacy rate, 2000-04, female	48
Primary school attendance ratio, 1996-2005, male (net)	79
Primary school attendance ratio, 1996-2005, female (net)	72
Secondary school attendance ratio, 1996-2005, male (net)	54
Secondary school attendance ratio, 1996-2005, female (net)	46

Figures in %

Source: Unicef



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belief that things are getting worse (pessimism bias). He says successful politicians tell voters what they want to hear regardless of facts and logic; their guiding principle is not efficiency or equity but electability.

But I will argue that state politicians in India are starting to recognise that the 3E agenda resonates with individuals and may be good politics. State skill missions in Rajasthan, Gujarat and AP are at the forefront of experimenting. Amartya Sen identified development as freedom. Freedom comes from choices. And choices come from the access provided by education, employability and employment. The 3E agenda is essentially the reform of regulation in education, skill development and labour.

A federal State like India should, and always, will have room for policy making at the Centre and state. But since the need for a swift and effective 3E agenda seems unanimous with all politicians (talk comes cheap), what is the best design for execution? Effective architecture requires answering two questions: a) where does more political will for radical reform exist?

and b) where would the agenda be most effectively executed?

The answer to the first question is easier based on what economists call "revealed preference", i.e. what you do rather than what you say. The current central government undermined its commitment to education by keeping the HRD ministry a geriatric ward and valuing sycophancy over competence. It did not engage with labour law because of a Faustian bargain with the Left that ended too late. But posterity may well judge one of the finest achievements of this government as its attempt to create a scalable and self-healing structure for skill development.

But the answer to the second question may be more important. Most 3E delivery systems (schools, colleges, employment exchanges, and ITIs) are in state hands and the next wave of impact will come from better design and execution. It will not come from privatisation but from choice and competition. It will not come from hardware but from software like performance management (starting with punishing teachers for absence), service level

agreements, and contracting skills (linking financing to outcomes). It will come by creating performance-based and variable compensation, rather than the mindless and unimaginative pay rises of pay commissions. States may be better positioned for this agenda just by being closer to execution.

The argument against stronger states is anecdotal (e.g. Lalu in Bihar), but drunk driving is not an argument against cars. Central governments have got away with multiple objectives but design brilliance lies in reducing the distance and increasing the line of sight. Centralised institutions like AICTE and UGC don't help; the Ayatollahs of education have tried to control quality by controlling quantity and we have ended up with neither.

Machiavelli famously advised breaking promises when it enhanced political careers: "A prudent ruler ought not to keep faith when by doing so it would against his interest because men are not good and would not keep their faith with you". Indian politicians have a horrendous track record in keeping promises but more education, true delimitation and decentralisation will, hopefully, make electoral promises more specific and measurable. Hopefully, in the India of Tarun Khanna's land of a million vetos, local issues will dominate. If newspapers and the Nano shift from Bengal are leading indicators, this has begun.

The policy space for states to act on education, employability and employment must be seized and expanded. Maybe it's time to swap labour and law and order between our Constitution's Concurrent and State List. Because, without accelerated 3E reforms, India's kids are losing their future. And losing your future is not like losing an election.

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