

[Abhijit Banerjee](#)

October 02, 2014

First Published: 13:38 IST(2/10/2014)

Last Updated: 14:07 IST(2/10/2014)  Print

India's self-righteous policies aren't helping the poor

One problem with globalisation is that bad ideas seem to travel faster than good ones; first there was smearing tomato ketchup on everything; then drinking sugar-soaked cocktails ("Cosmo"-politanism) instead of our traditional whisky soda, and now this idea that we should abandon the poor to their fate in order to protect their dignity. I had always believed that our rich knew too much about poverty to embrace this silly American notion, but in the last few weeks in Delhi, I heard it multiple times from people who should have known better.

There is nothing remotely dignified about sorting through rotting trash to find something to feed your child, or asking someone for money because you have none (anyone who has contrived to give people money before they had to ask will never forget the look of gratitude in their eyes). It is true that we are richer now than when I was a child, and thankfully fewer and fewer people are driven to those extremes, but where is the dignity in having to get up at 4am to go to the field in the dark because the toilet nearby has no water supply and stinks to high heaven?

There are, of course, many good arguments against subsidies for the poor. Subsidies contribute to the deficit and the resulting inflation often eats into the incomes of the poor, so that their net gains are often small. This is obviously all the more true if the subsidies are poorly targeted, like the notorious LPG subsidy, where the effective redistribution must be from the poor to the middle classes. Most importantly, however, the problem is less the amounts we are spending on behalf of the poor and more the way we are spending them. Well-designed subsidies help the poor make the best of whatever opportunities they have; poorly designed ones either do very little or actually make things worse for them.

To start off with a particularly egregious example, consider the one form of subsidy that almost no one is against - public education. Even Milton Friedman - doyen of

radical free market thought - was willing to consider some government intervention into primary education on the grounds that it is unfair for children to not get a chance in life because they were born to poor parents.

Estimates of public spending on primary education in India vary across states, but the national average, as a percentage of GDP per capita, seems to be higher than that in China and comparable to Singapore. A lot of this money goes to pay teachers. Newspaper headlines about underpaid teachers notwithstanding, the average civil service teacher (i.e. a teacher with a permanent government job) makes at least four times our national per capita income, which is a measure of how much the average person gets paid. The corresponding ratio in the OECD is roughly 1:1.

Non-civil service "para-teachers" in the government system and teachers in private schools, on the other hand, are paid something much closer to the per capita income, a third or less of what civil service teachers are paid. Yet, the evidence from the work of Karthik Muralidharan and his co-authors suggests that they do at least as well and probably better in terms of teaching the children - even though no one does particularly well; we know from the Annual Status of Education Report (ASER) that no more than half the kids in class 5 can read at second-grade level - probably because they try harder.

Why are we paying these teachers handsome salaries to teach badly when they teach, and in many instances, to just not show up in class? A part of the answer is that they are well organised, but ultimately the whole thing survives because we don't complain, because we and the government, encouraged by education "experts", continue to measure teacher quality in terms of salary and qualifications, and not by what they deliver.

It is bad enough that we are wasting huge amounts of money here - cutting civil service teacher salaries to para-teacher levels would save us at least 1% of GDP and probably more, which could then be handed back to the poor, but what makes it much worse are the political ramifications of over-paying these teachers. Faced with the embarrassing fact that the share of children going to government schools is dropping fast - even in rural India, a third of the children now go to private schools - and therefore naturally a bit worried about how long they would be able to continue to milk the system in this way, the civil service teacher community and its friends in the education establishment managed to engineer a coup under the guise of the Right to Education (RTE) Act.

While the Act brought in some good ideas, a key piece of the legislation was to require private schools to pay salaries comparable to civil service salaries. This regulation is now beginning to bind, and private schools are being forced to shut down

because they cannot afford those salaries. So the generosity to government teachers in the name of subsidising the poor, is now biting back, shutting down schools that serve the poor and robbing the poor of options they want.

None of this is meant to say that it is hopeless to try to help the poor. If we just ask whether the programme substantially benefitted the intended beneficiaries - a low benchmark since we don't ask how much it costs and whether there were better ways to spend that money - there are certainly government programmes in India that come out ahead. A few examples, in no particular order, include the extension programmes that introduced farmers to high yielding varieties of wheat and, later, rice, the rural bank branch expansion programme of the 1970s and '80s, the Bihar government's programmes for bicycles for school girls, and the recent and controversial MNREGA. Even the Right to Education might do a lot of good if its radical idea of reserving a quarter of the seats in elite private schools for the poor gets properly implemented everywhere, which has not happened so far.

Note, however, that in each of these cases the programme solves a specific and widely recognised problem - for example, bank branches can help with the fact that the poor have no safe places to save their money and bicycles help girls get to high schools that are otherwise too far away. By contrast, the logic of forcing private schools to pay their teachers many times what the market can bear is scarce at best, especially given that there is absolutely no evidence that the higher paid civil service teachers teach better - if anything, it's the opposite.

The problem, in other words, is not so much the subsidy itself, but the way these programmes get conceived of and implemented. This is no accident; any attempt to do anything "for the poor" tends to be cloaked in such self-righteousness that hardly anyone dares to ask the necessary questions about it: does the programme itself make sense, is there any evidence to think that it would work, is there anything else that we could do that would be better?

Our recent journey towards the National Food Security Act (NFSA) is a case in point. Once it was announced that we will make an effort to "feed our starving masses", it was impossible to stop the NFSA juggernaut. Even the opposition BJP felt that it had to support it and no one, except some grumpy economists who complain about everything in any case, took it on asking why we should believe that it is starvation rather than poor nutritional practices, which is the primary cause of our malnutrition or why giving people some cheap grains would solve that problem rather than finance some more cell phones and other aspirational goods.

As I have written elsewhere, all the evidence we have suggests that the programme will do almost nothing for malnutrition. It could even make things worse, by diverting

attention from the urgent problem of improving nutritional practices. Yet, we committed many thousands of crores to it without even a proof of concept.

Maybe a part of the problem lies in the fact that we think of subsidies as charity. The act of giving, and not what it achieves, becomes the goal. If, instead, we thought of subsidies as something that we owe the poor for all the historical inequities of caste, class and location that they have had to suffer and for our failure to deliver an environment where every child can grow up to his best potential, maybe we would feel less self-righteous and more responsible for what is actually being delivered.

A part of the problem lies in the fact that we think of subsidies as charity. The act of giving, and not what it achieves, becomes the goal.

(Abhijit Banerjee, well-known economist and author, is the Ford Foundation International Professor of Economics at the Massachusetts Institute of Technology (MIT), where he founded the Poverty Action Lab in 2003)

<http://www.hindustantimes.com/StoryPage/Print/1270890.aspx?s=p>

© Copyright © 2013 HT Media Limited. All Rights Reserved.