

New Public Management: Escape from Babudom

I write this essay with great hope. I am hopeful for two reasons: first, because India produces some of the best business managers in the world, but its public administration is a shambles! Since Management and Public Administration are sister subjects, it is hoped that this essay will prompt interest in the field and consequently lead to actual improvement in conditions on the ground. India should also produce the best administrators in the world. The second reason to be hopeful is because our recent history contains a long period of excellent public administration, under the Indian Civil Service (ICS). The very fact that we accorded the 'commanding heights' to the state in 1947 proves that the state, then, was possessed of enormous functional legitimacy: it performed its chosen functions well. I will discuss the intellectual inputs that went into the making of an ICS officer and show that there was in that a healthy dose of classical liberal political economy. This prompted them to keep the economy free and the state minimal. Since those days, socialism has landed us with a maximalist state. There is no liberalism in the intellectual grounding of an Indian Administrative Service officer today. It is hoped that this essay will lead to the inclusion of liberal principles in the teaching of public administration in India.

What is a Liberal Administrator?

A liberal is one who believes wholeheartedly that the greatest political value is freedom: a liberal administrator, therefore, does not wish to infringe the freedoms of the people with unnecessary rules, regulations, and red tape. His *laissez faire* attitude to the people whose common affairs he is to administer comes from a profound realisation of the fact that the people do not really need him: in fact, they can get along much better without him. Having understood this, the liberal administrator tries to make himself useful by going after the bad guys, the frauds, cheats, murderers, and rapists, and leaving the good guys, the businessmen who create wealth, alone. The notion that there is a natural 'spontaneous' order in society is easily proved by the fact that there is order on the streets and in the markets of London, Paris, Tokyo and Hong Kong or Calcutta, Bombay and Delhi, not because the police is there enforcing order, but because people are orderly on their own. Trade is a positive sum game--both sides win--and man has been playing this positive sum game from time immemorial. This profound truth--the very opposite of Thomas Hobbes' dark conceptions of a 'state of nature'--is something only the liberal administrator appreciates. Indeed, it may be said that the state of nature--what Adam Smith called 'natural liberty'--is the ideal of the liberal administrator. The liberal administrator knows and respects the fact that the institution of civil society which makes 'natural liberty' so harmonious is the market. He keeps his hands away from the market. He does not seek to compete with businessmen, and so does not set up factories and shops with government money. He spends tax money on those things people cannot build on their own, like roads, parks, clocktowers, libraries and so on. On the practical side, in the cities and the towns falling under his jurisdiction, the liberal administrator always ensures that the physical markets on the ground are clean and accessible. He worships his city's central business district. At the opposite end, we have the statist 'control freak' administrator: the one who cannot bear to see society left alone and wants to feel important. He wants the people to line up and queue before him, he wants to check documents and papers, and he wants to enforce complex rules and regulations. Hong Kong has had liberal administrators always (and we discuss John Cowptherwaite later in this essay), and see how it has prospered, to levels of per capita income far higher than its erstwhile colonial master, Britain; and India has had control freaks for 50 years, and see how

she has suffered. Control freaks in India must wake up to the fact that their administrative philosophy is all wrong, and it leads to a 'rent seeking society.' So here's to more liberal administrators in India.

What is Bureaucracy?

The German philosopher Max Weber laid great store by bureaucracy. He considered it to be the civilian equivalent of a disciplined army, performing the duties of the state. According to Weber, bureaucracy has four characteristic features:

- Hierarchy: that is, a ladder; a command-and-control structure.
- Impersonality: or impartiality. The bureaucrat takes an unbiased decision based on rules.
- Career: it was a life, like joining the priesthood.
- Expertise: that is, administration based on knowledge.

Such an organisation would provide the state what Weber called 'rational-legal legitimacy.' When the servants of the state act with reason and law--'rational-legal'--the structure of domination, the state, acquires 'legitimacy' in the eyes of the subject populace. At the outset, let us realise that there are some problems with this organisational structure that Weber did not think of. For example, flat organisations are increasingly preferred over hierarchy in management. Strict hierarchies with promotion based on seniority lead to the 'rule of the aged,' such organisations are graveyards for talented youth. As Ludwig von Mises put it:

It is evident that youth is the first victim of the trend toward bureaucratisation. The young men are deprived of any opportunity to shape their own fate. For them there is no chance left. They are, in fact, 'lost generations' for they lack the most precious right of every rising generation, the right to contribute something new to the old inventory of civilisation... What are young people to whom nothing is left to change and to improve? Whose only prospect is to start at the lowest rung of the bureaucratic ladder and to climb slowly in strict observance of the rules formulated by older superiors? Seen from their viewpoint bureaucratisation means subjection of the young to the domination of the old.¹

Similarly, a lifelong career is no longer the best option for the youth. It is essential today to switch jobs, move up the value chain, and acquire new skills. Lifelong careers and 'job security' are preferred only by the incompetent. As far as the Indian bureaucracy is concerned, they fall flat on the counts of impersonality and expertise. A recent survey by *The Economist* found impartiality the most important work ethic of European civil servants. In India, they are known for their bias. Even the police are biased. Further, they completely lack knowledge: from traffic management to garbage management, everything they do is marked by ignorance. Thus:

- The Weberian ideal has its limitations in today's context.
- Indian civil servants fall far below Weber's ideals.

Von Mises on Bureaucracy

¹ Mises, L (1983) *Bureaucracy* (Cedar Falls: Center for Futures Education), p 97, First published 1944.

Ludwig von Mises pointed out that there are serious limitations to bureaucracy and he made the specific plea that, while it was the best way for organising *some* services, like tax collection and policing, it was wholly unfit for the rest of the economy, which should be organised on the principles of *management for profit*. The key difference between these two modes of organisation, Mises pointed out, was the profit and loss account, which was absent in bureaucratic management. Although Mises wrote this in 1944, in 1947 we in India did not follow this sane advice and, with the 'commanding heights' doctrine, went on extending bureaucratic modes of organisation to all fields, from banking and insurance to hotels and steel plants. This led to three horrible fallouts:

- Rule of the aged: the youth had no opportunity other than at the bottom of the bureaucratic ladder.
- Over-extension of bureaucracy
- Loss of legitimacy for civil services

The rule of the aged is a horrible phenomenon in India, where political parties like the Congress are also hierarchical. No doubt the command and control model was borrowed from the Soviet Union, with the Congress party president obtaining 'dual subordination' through control of both party and state via hierarchical apparatuses. It may be noted that when Madhav Rao Scindia died, he was 56, and a grandfather to boot, and the Congress called him a young leader! It is said that the average age of the Indian parliament is higher than the average life expectancy! In Britain, they are proud to say that the average age of the British cabinet is lower than the average age of the Rolling Stones, and no one is asking Mick Jagger to retire! In India, we are ruled by the aged in a democracy despite the fact that over 70 per cent of the population is below the age of 35! It is vital that today we understand the importance of the profit and loss account and leave maximum room to management for profit and circumscribe bureaucracy to the bare essentials. This will be the best that can happen to resource allocation. It will also be in the best interests of the youth, who will have great careers opening up for them in business management. It will later be shown how New Public Management (NPM) leads to maximum space for management for profit.

The Story of the Indian Civil Service

The antecedents of the ICS lie in the covenanted services of the East India Company. This was a private sector bureaucracy, like ITC or HLL today. You joined at the rank of a Writer² and rose to the rank of Governor strictly on the basis of seniority. Of course, they were businessmen first and foremost. The Company allowed them the freedom to trade within India, the Mughal Emperor foolishly exempted them from his duties, and these gentlemen made fortunes putting their names on trade carried out by Indian merchants with Indian money! The question I pose is: What was the rationale of the Company's administration? Answers emerge from a letter dated 1717 addressed to the Governor of Fort St George (which later became Madras) from the Directors of the Company in London. They ordered, "Make your settlement *a mart for all nations*, for that is how God Almighty of old promised to make Jerusalem great."

They went on to add:

² Thus, Writers' Building in Calcutta was the headquarters of the East India Company. Today, there sits the Communist government!

We shall always be glad when trade flourishes in India as well as the opportunity it gives our servants to earn their estates *honestly*, and that *our own settlements are bettered* thereby.

Although this was 60 years before *The Wealth of Nations* was published, the focus of the East India Company's administrators was free trade and urban development--making their little forts, their 'settlements,' into mighty cities. Let us now move on to the ICS. The late Professor Ambirajan, whose column 'View From the Periphery' I always enjoyed reading in *The Economic Times*, has produced an exhaustive study of the intellectual inputs that went into the training of bureaucrats in the days of the Raj.³ To wit:

Most of the important administrators in India, including the Governors-General and Viceroys, had a knowledge of at least Adam Smith and, in the latter part of the nineteenth century, of John Stuart Mill as well. In their letters (both official and private) and in their memoranda, minutes and despatches, the names of economists appeared frequently. Statesmen and rulers like Bentinck, Elphinstone, Ellenborough, Northbrook, Lytton, Ripon and many others gave evidence in their correspondence of their having read Smith, Mill or Ricardo.... Not only did the future civil servants receive sound coaching in political economy, but they were also able, while in India, to keep themselves informed of the latest developments in the discipline. In the capital cities such as Calcutta, Bombay and Madras, literary associations were formed, libraries were established and journals were run by enthusiastic civil servants. In the interior, they were well served by the regimental book clubs...

Looking into decisions actually taken in the fields of usury regulation, rural indebtedness, tenancy legislation, famine relief, land revenue, taxation and public works, Ambirajan concludes that every sincere attempt was made to do what classical political economy demanded. The officials encouraged individual initiative, free trade and intervened in the setting up of public works like canals and railways. Ambirajan draws up a table illustrating the 'ideals' of the administrators.⁴

POLICY	IDEALS
Colonial policy	Free flow of resources. India to form part of the international division of labour.
Famine policy	Market left free to allocate scarce food resources.
Economic relations	Free trade. Individuals free to buy and sell services. No labour market rigidities.
Taxation	Minimum interference with resource allocation through fiscal measures affecting relative prices.
Land revenue	Absorption of rent defined in Malthusian or Ricardian terms, for the maintenance of the public sector without 'real cost' to society.
Economic development	Progress through individual enterprise. Provision of appropriate institutional structure, including public goods, currency system, a legal system, and a police system.

³ Ambirajan, S (1978) *Classical Political Economy and British Policy in India* (London: Cambridge University Press) pp 11-14.

⁴ Ibid. p 269.

Thus, under the ICS, the same tradition continued, free trade and urban development, the building of mighty cities and countless hill-stations. It appears obvious that the decline in India's bureaucratic system coincides with the end of its liberal underpinnings. These have to be restored. An idea of the *laissez faire* mentality of British colonial bureaucrats emerges from the career of John Cowptherwaite, who was sent to Hong Kong in 1945, when the colony was desperately poor. When he arrived, he said he found the colony doing quite well without him and, taking the lesson to heart, strictly limited bureaucratic interference in the economy. He did not even allow bureaucrats to keep statistics on the rate of growth or the size of the GDP, because he wanted to ensure that these figures would not be available to policy fools after he was gone! On his role in Hong Kong's tremendous growth during his tenure, Cowptherwaite said, "I did very little. All I did was try to prevent some of the things that might undo it." In the debate over the 1961 budget, Cowptherwaite addressed the legislative assembly of Hong Kong thus:

... in the long run, the aggregate of decisions of individual businessmen, exercising individual judgement in a free economy, even if often mistaken, is less likely to do harm than the centralised decisions of the government; and certainly the harm is likely to be counteracted faster.

Free India needs administrators who think like John Cowptherwaite. Then, India will be a nation of hundreds and hundreds of Hong Kongs, mighty cities.

Liberal Public Administration Today

Modern public administration arrived after the collapse of Keynesianism in the West. Till then, bloated budgets were the order of the day; now the economists stressed the need to tackle deficits and balance government budgets. Keynes, who was instrumental in setting up the IMF and World Bank, was an economist whose ideas on monetary policy ruled the developed world till the mid-70s. Keynes invented a new role for the state: that of ensuring 'full employment' (of human beings). The method Keynes advocated, and which was used by almost every central bank worldwide (interestingly, Hong Kong stayed out of all this. In Hong Kong, there has never been a central bank!), was to 'trade off' inflation with unemployment. The Keynesian central planner, with his statistics, and his control over money supply, would stoke a little inflation to bring unemployment down. Similarly, if inflation went too high he would bring down money supply and suffer a small amount of unemployment. Friedrich Hayek was one economist who told Keynes he was dead wrong, inflation causes unemployment; it does not cure it, Hayek said. He went on to add that the cure to inflation was currency competition. Hayek's words came true in the mid '70s, with the onset of 'stagflation,' that is, inflation and unemployment going together. Of course, Keynes was by then long dead. He will go down in history as an economist who said a very foolish thing: he said, when confronted with the fact that the policies he advocated would backfire in the long run, "in the long run we are all dead." Very foolish words indeed, since we leave the world behind to our children and theirs. Real economics is about the long term. Today, with global capital mobility, the world has entered a 'post-Keynesian' age. In Keynesian times, government budget deficits were routine. Now, they are seen as harmful for the economy and bad for society, if the state is too big and swallows up too much of the citizens' wealth. With the death of Keynesianism, there has been great emphasis, backed by political will in the West, to balance government budgets. (Again, Hong Kong always ran a surplus budget!) At about this time, economists like James Buchanan and Gordon Tullock

entered political science and public choice theory was born. Politicians and bureaucrats were assumed to be 'rationally self-interested' and predictions on behaviour were drawn. The bomb dropped when William Niskanen came out with an elegant proof that, just as consumers maximise utility and businessmen maximise profits, bureaucrats maximise budgets! With the need to cut budgets, bureaucracy was identified as Public Enemy No 1. It shook the field of public administration which, till then, had laid all its faith in Max Weber. Public choice theory borrowed the tools of Economics for Political Science, thus creating the New Political Economy. The essential assumption in free-market economics is that every human being is 'rational' in a self-interested way. That is, we prefer gains to losses. Implication: incentives matter. Incentives create society. Public choice theory applied this assumption to political science: what if the personnel of the state--politicians and bureaucrats--are examined under the assumption that they too are all looking for their own gain? What are the deductions that follow from such an assumption? And do these resemble reality? So far, especially in socialist countries like India, the assumption has always been that the state and its personnel dedicatedly work for public benefit. They are powerful and they hold on to these powers because it is assumed that the state is benevolent. What if this crucial assumption is dropped?

William Niskanen placed before the world an elegant proof⁵ that bureaucrats would be primarily interested in maximising the budgets of their bureaus: bureaucrats are budget maximisers. Just as consumers maximise utility and businessmen maximise profits, bureaucrats maximise budgets.

Tackling Mounting Budgets

This came at a time when attention was being paid to the size of government budgets, which had been exploding to meet the demands of the post-war welfare state. Much of welfare was supplied through bureaucratic organisation. There was a lot of academic literature looking into the phenomenon of government expansion, something worrying for any liberal. Niskanen's theory proved to be a key weapon in the armoury of those who wanted budget deficits curtailed. Public choice theory had arrived. In India most people are aware of public choice theory without knowing it. Anthony Jay's television series, *Yes, Minister* was a great hit in India. It was a serial inspired by public choice theory and showed the self-interested nature of bureaucrats and politicians. The Minister for Administrative Reforms could not succeed in cutting down the size of his bureaucracy thanks to the roadblocks put in his way by that arch bureaucrat, Sir Humphrey. Of course, Sir Humphrey's transgressions were mild, and vastly amusing. Self-interested behaviour on the part of bureaucrats and politicians in statist economies in Third World countries is much uglier. Public choice theory began to make waves about the time that monetarism rose above Keynesianism. This was when budget deficits began to be taken seriously and political will was exerted, backed by academic as well as public opinion, to cut down wasteful expenditure in government. For this purpose a new public administration was invented: New Public Management, better known as NPM. Public Administration takes a very close look at what is happening in its sister subject: Management. Change was in the air in the world of business, and this served to inspire NPM. Giant corporations were slowly becoming 'hollow.' Major toy, athletic footwear and various other kinds of corporations were no longer vertically integrated. Design and marketing were centralised in a small office in New York, while manufacturing was being contracted out to various parties all over the developing world,

⁵ Niskanen, W (1973) *Bureaucracy: Servant or Master* (London: Institute for Economic Affairs).

especially East Asia. Publishing firms were following suit. They would do proofreading and editing at home, leaving labour-intensive typesetting and printing to contracted parties in Singapore. The question therefore arose: like the hollow corporation, can we not get a hollow state? Just as corporations were contracting out their work, could not bureaucracies be replaced by public service managers whose task would be to invite bids, make out contracts, enforce these contracts, ensure that the service has been delivered according to the terms of the contract, and that is all. The state should not produce services on its own. It must get things done through the market. There are certain advantages to this approach. Let us take, for instance, garbage collection. Today a municipal bureaucracy does it. The head of this bureau has an entire retinue of staff and equipment to deliver this service. As demand for these services rise, his budget rises; but service delivery remains abysmal. This is an important area, because public health is directly affected. There is a certain deficiency in this bureaucratic approach which becomes clear when we examine the work done by the bureau chief. He spends most of his time processing 'inputs' to his bureau: recruitment, leave, disciplinary matters, purchase of equipment. He will therefore have little time to spend on the 'output' of his bureau: to see that the town is actually getting cleaned up. It is not very intelligent to spend public money in such a way that there is no relation between costs and benefits—since the output is not 'sold.' Things are much worse when, over and above the fact that there is no relationship between cost and benefit, the actual performance of the task is not monitored effectively by the bureau chief.

This bureau does not sell its output—cleanliness. In this method of bureaucratic delivery, there cannot be any relation derived between cost and benefits. There is no answer to the question: Is this expenditure worth it? If there has to be an answer to this question, there must be some way of monitoring output: to quantify cleanliness. This cannot happen where the head of the bureau is burdened with bureau inputs. When he cannot and does not monitor output, the question, Is this worth it?, is totally unanswerable.

The New Public Management

Enter the New Public Management. It would prescribe 'contracting out.' The public manager's work would now consist of identifying the work to be done; stating how it should be carried out; advertising for bids; drawing up contracts; and supervising the work to ensure that it is being performed as per contract. This approach brings in the market. There would emerge firms who would compete to perform the task, making them cost-conscious. The firms would use management for profit. Not only would expenditure lessen; service delivery would improve remarkably.

The literature on NPM is vast and varied. There are government documents, like *Government Management* by the New Zealand Treasury, the first country to take to NPM. There is also *Reinventing Government* by Osborne and Gaebler,⁶ to which Bill Clinton has pinned a laudatory note: "this is the blueprint." Clinton being a Democrat, NPM easily crosses the left-right divide. New Zealand is one country where NPM is 'the system': there is not other system. New Zealand decided to take to market-based reforms in 1984, at which time it had become one of the poorest countries in the OECD. There was a huge amount of waste in government, trade controls, massive welfare, labour market rigidities, and a

⁶ Osborne, D and Gaebler, T (1992) *Reinventing Government: How the Entrepreneurial Spirit is Transforming the Public Sector, from Schoolhouse to Statehouse, City Hall to the Pentagon* (New Delhi: Prentice-Hall of India).

spiralling deficit. Power politics had made its effect to such an extent that the dairy lobby had got laws passed such that if you wanted to buy margarine, you needed a doctor's prescription! Today, the past is just a bad memory, and the nation is doing exceedingly well. There are problems that keep cropping up with NPM, like the enforcement of contracts, like transparency and accountability, but things are going ever forward. No one is serious about returning to the bad old days. Apart from New Zealand, NPM has made its effects felt in most parts of the developed world. It has found a happy home in Britain, a land where bureaucrats like Sir Humphrey were once highly respected. There are stories of NPM experiments from the New Zealand, USA, Scandinavia and Western Europe. I attended a seminar on NPM in Germany where many Third World nations participated: Ghana, Egypt, Tanzania, Indonesia, the Philippines. There were former Eastern Bloc countries like Croatia and Estonia where reforms are speeding ahead. Today, it can be said that NPM is a 'movement' among liberal administrators worldwide. Over the years it has become possible to identify the basic thrust areas of NPM and thereby list its essential principles. According to one study,⁷ these are:

1. **Separating Provision from Production:** This is the logic of 'contracting-out.' The state provides, but it does not produce anything: that is the task of the private sector. It has various advantages, chief among them being the fact that it separates 'steerers' from 'rowers.' The state steers; the private sector rows.

Apart from garbage collection, other areas where this approach can be used are:

- Primary education: Vouchers can be issued by the state to poor children who use them to get education in private schools. The school gets the voucher redeemed from the treasury. So, no educracy!
- Food aid: Similarly, food stamps can be given to the poor who can use them in any private shop. The stamps are redeemed by the treasury. So no ration shops and civil supplies department!
- Urban roads: The entire task of building and maintaining urban roads can be contracted out. So, no PWD!

There are three ways of separating provision from production:

- Privatisation: which is complete separation
- Contractorisation: which is partial separation, and
- Hiving-off to an agency: which is voodoo separation.

2. **Serving consumers:** The idea is that public services are in demand. So it is in the interest of the bureau to serve its customers. In India, this approach does not inform the IAS, who do not even sell maps of our cities. They have a monopoly over the information; it is in demand; but a private company like Eicher has had to produce the maps. In the India International Centre, a club run by retired bureaucrats, there is a sign saying that no one can buy more than four pastries! These guys cannot run a pastry shop well enough to keep the customer happy, and they want to run the whole country!
3. **Market pricing rather than taxes:** This makes bureaus serve customers better. It also enables former departments to be run as 'independent profit centres.'

⁷ Foster, C D and Plowden, F J (1996) *The State Under Stress* (Buckingham: Open University Press).

4. **Clean subsidies:** Subsidies, if any, should be clearly worked out and should reach targeted groups directly, without affecting other prices. In the case of food stamps and educational vouchers, market prices are not affected.
5. **Extending competition and choice:** When work is to be bid for between competing firms, the most cost-effective outcome is most likely to emerge. In the case of both vouchers and food stamps, the recipient has all the choices of a consumer.
6. **Decentralising provision:** This is in line with the principle of 'subsidiarity' which says that provisioning should be left to the lowest rung of government that can effectively look after it. If a municipality can do it, let it. If not, it goes to the higher level; and if they cannot handle it, only then does the work devolve upon the national government. The European Union recognises this principle. A good example of what happens if this principle is put into practice comes from Switzerland, where citizens are proud to say they do not know the name of their President!
7. **Empowering communities:** So that citizens are capable of responding to the need for public services in innovative and cost-effective ways.
8. **Deregulation:** This will end the domination of the rule-bound red tapism of bureaucracy, a major hindrance to progress.

The literature on the spread of NPM ideas is extensive. A volume entitled *New Public Managers in Europe: Public Servants in Transition*⁸ talks of how a 'professional synthesis' can take place between public and private managers. It looks at the core competencies of the new public managers and tries to show how they are indeed in 'transition.' There are reports of NPM work in Belgium, Britain, Finland, France, Germany, Ireland, Italy, Holland, and Spain. NPM is a worldwide movement, and we should join it. The bureaucratic system with which we continue is wholly incapable of coping with today's stresses, let alone delivering in the next century, when India should once again be called a 'developed' country, and not considered among the deformed, poor, misgoverned and handicapped nations of the world—the kind in need of 'aid.' It is necessary to warn the reader that there is nothing 'correct' about NPM. In Public Administration, as in Management, there are innumerable ways of organising the same thing and there are various ways of justifying each of them. For example: recruitment. Some would say pay recruits very well, so that they remain honest. Others would say pay them low wages, so only those who are not interested in the money—but believe in the cause—will turn up. The first doctrine may prove useful to Lee Kwan Yew when recruiting bureaucrats for Singapore; the second may prove useful to Mother Teresa recruiting nuns for the Missionaries of Charity. Christopher Hood and Michael Jackson have produced a remarkable study⁹ of 'administrative doctrines' which shows how a 'correct' or 'scientific' administration can never arise; and that the better approach is to 'map' all the doctrines we have today. In Public Administration, for many decades the approach had been 'positivist,' to make it 'scientific,' in tune with the ideas advocated in the '50s by the Nobel laureate, Herbert Simon. Hood and Jackson, in this book, show an alternative and

⁸ Farnham, D et al (eds) *New Public Managers in Europe: Public Servants in Transition* (London: Macmillan Business, 1996)

⁹ Hood, C and Jackson, M (1991) *Administrative Argument* (Aldershot: Dartmouth).

extremely useful approach: creating a 'map' of all the doctrines, thereby laying out a set of 'keys' to unlock any administrative riddle. They also look at a German movement in public administration called 'Camerarism,' and show how it has many features in common with NPM. Camerarism took its name from the chamber in which taxes were pooled, and referred to proper management of this money as the key to good state government. It spoke of an 'administrative technology' quite like NPM does today. NPM is very different from camerarism of course, but Hood and Jackson point out that where they really appear alike is in their 'packaging.' Both NPM and camerarism appeal to an 'acceptance factor'. It could well be that NPM is just a passing fad. But when one is governed by predatory, kleptocratic states that do not perform a single function satisfactorily, hollowing out seems the only viable option. When we map administrative doctrines, we obtain a set of keys to any administrative riddle. Our problem is a huge kleptocratic state that is not delivering public services satisfactorily. NPM provides us the specific set of keys needed to unlock this administrative riddle and deliver unto us the public services we so badly need.

Running our Urban Areas with NPM

The basic advantage is that, with a few good people, every town and city in India could enjoy the best public services at low cost. The budget would not be strained and there would be no huge bureaucracies to support at public expense. The aim is to give urban areas the governments they sorely need, since it is here that population is dense and wealth is generated. Here, every problem is more acute, and hence cities and towns require the most attention. Since time immemorial, cities and towns have been the basic locus of government. In our country, this is not so.

The IAS are primarily 'district' administrators. Every district contains a dozen odd towns, the largest being the district headquarters. Each of these towns is on the verge of collapse while our administrators are busy looking after the 'development' of villages! These administrators, being 'generalists,' happily flit into urban governance and attempt to manage bustling metropolises with the same village mentality. This is completely unlike Britain, where 'generalists' are restricted to the departments of Whitehall and local governments freely hire expertise. Further, British 'generalists' stay at least three years in each department and do not go through more than four or five in an entire career. This cannot be said about Indian generalism. One defence of generalism goes: We are actually specialists in administration. However, when one probes deep into the precise meaning of 'administration,' it surfaces that by it, generalists wish to convey that they are specialists in the *art* of 'handling' ministers and helping ministers handle parliament. They are specialists in the art of 'delicate handling!' Indeed, I was surprised to discover that Britain's senior bureaucracy, by constitutional law, exists solely to 'serve' ministers--not the people, nor the law! A frightening thought in a predatory state.

Re-training the IAS

If India decides that NPM practices should be implemented, all that is required is to re-train the bureaucracy. This should not be difficult at all. They are selected through a process that tests their ability to absorb new subjects. They have passed a stiff test of intellectual competence and they must be forced to prove that they possess this competence. This then is the challenge. There is hope in that herein lies the state's intellect. If this intellect is challenged, it is bound to deliver. When it is proved that the entire ideological apparatus of the state is false, the intellect of the state will have no choice but to re-educate itself. A

healthy dose of liberal economics and political science, followed by lectures on free-market public administration, should get the new show on the road. This involves a harking back to old times: the ICS days.

The Vision Statement

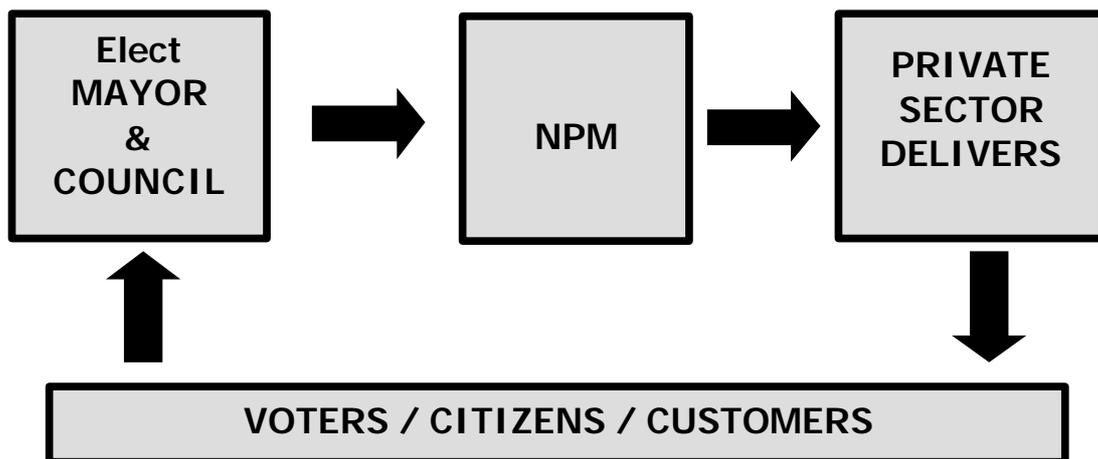
With this, India's libertarians have a powerful 'vision' to sell to the people: a nation of 600 free trading cities and towns, well connected to each other so a maximum amount of trade can take place with the least expenditure of time and money, a hugely prosperous region, and all the cities and towns very well run with minimal government. This completes the rest of the prescription: free trade, sound money, property rights and the rule of law. This is all that is required to transform India from a Third World nightmare into a Paradise on Earth.

How NPM Works

If we apply the principle of 'subsidiarity,' by which all powers and responsibilities devolve upon the lowest level, the city or town, then the application of NPM will require that, in each city and town, there be installed an elected Mayor with Council. Again, there is no 'correct' model: we could have weak mayor-strong council or the other way around. Smaller towns need just appoint a town manager and nothing more. In India, we do have mayors, but they are all ceremonial. In the above scheme, they will have to be hugely empowered to deal with issues that affect the city. Now, the Mayor and Council get into office with their team of public managers, who are part of their party: that is, they are political civil servants as in the USA. The advantage is that, if they do a bad job, the citizenry can get rid of the entire lot: there is no permanent bureaucracy in the employ of the town.

These public managers get their orders and funds from the Mayor, and then they award contracts to the private sector. The private sector delivers the public goods and services to the people.

How NPM Works



Concluding Remarks

I have demonstrated that the good administration that India enjoyed once was based on liberal principles. I have shown that its modern avatar, NPM, is designed to cope with budget deficits, our precise problem. If there are some sincere administrators who see reason in my arguments, I am confident that we will soon see experimentation in some cities and towns. Let the experimentation begin and let us learn from the experience. That is how the subject of public administration will blossom in India and a healthy academic-practitioner interface will be developed.