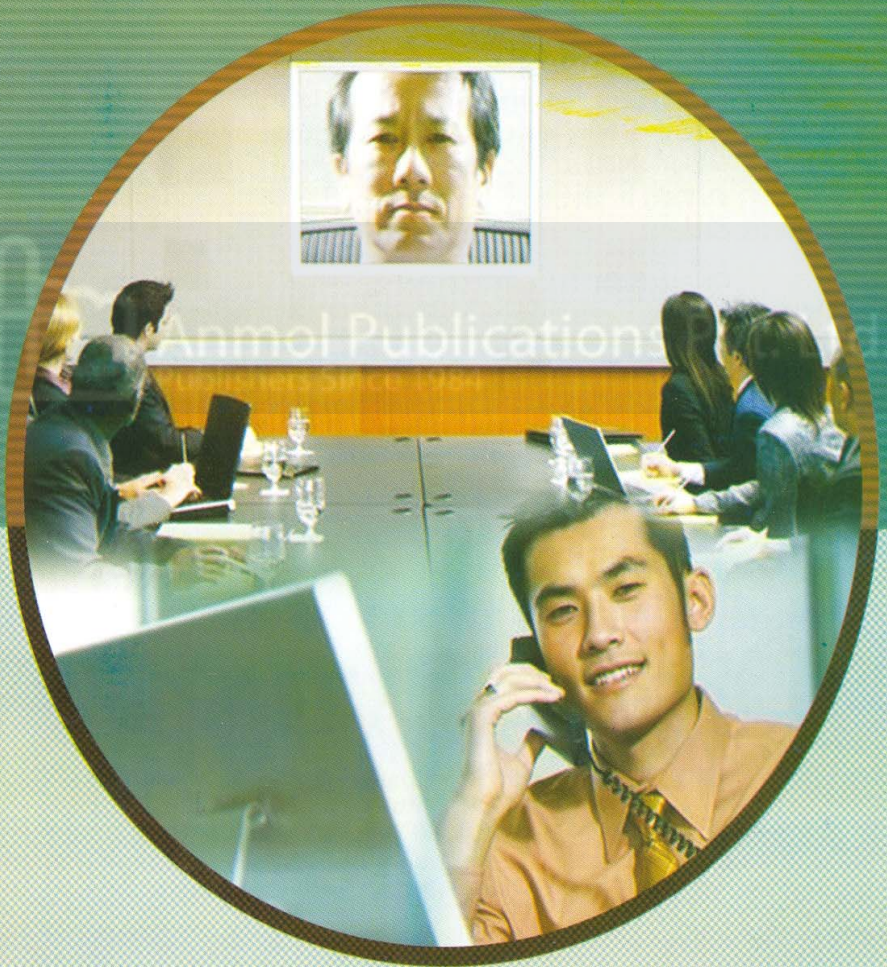


# **ADVANCED** **PUBLIC** **ADMINISTRATION**



**B.K. PANDEY**

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# **Advanced Public Administration**

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# Preface

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Public administration is the process and study of policy implementation in the federal, state, and local governments. Governments are made of all levels of bureaucracies and within these bureaucracies administrators manage workers so to carry out the policies. Administrators are specialised in different areas such as budgeting, finance, policy analysis, management, and technology. The growth and development of public administration is to be seen in terms of the changing nature of organisations from small to big, simple to complex, local to national and international. The organisation is the key to public administration. Therefore, the need to understand the organisation dynamics and various concepts regarding organisation. This book is about those parts of government that most directly affect us—public administration. It describes how government is structured to carry out its daily responsibilities, Who works for government, what they do and how they do it, and how the working of public agencies affects each citizen. It is a humble effort to provide basic knowledge in concise form of the vast and extremely important subject in the modern world.

Thus, this book aims at examining these issues. This will enable the reader a proper understanding of the growth and development of public administration. Public administration is being identified with bureaucracy. The working of public administration is therefore to be understood in terms of working of the bureaucracy. Bureaucracy in some form or other has been known to the human society for a long time. Its role and function and its nature in modern society has been explained by thinkers like Max Weber and Karl Marx. The working of civil services in modern times has given rise to variety of problems and issues. What kind of personnel are needed, what is their relationship and what should remain anonymous and natural. This book aims an understanding the nature of civil services and its place in public administration

*Dr. Balwan Gautam*



# Administration in Public Sector

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The public sector is the part of economic and administrative life that deals with the delivery of goods and services by and for the government, whether national, regional or local/municipal. Examples of public sector activity range from delivering social security, administering urban planning and organising national defences.

The organization of the public sector (public ownership) can take several forms, including:

- Direct administration funded through taxation; the delivering organisation generally has no specific requirement to meet commercial success criteria, and production decisions are determined by government.
- Publicly owned corporations (in some contexts, especially manufacturing, “State-owned enterprises”); which differ from direct administration in that they have greater commercial freedoms and are expected to operate according to commercial criteria, and production decisions are not generally taken by government (although goals may be set for them by government).
- Partial outsourcing (of the scale many businesses do, e.g. for IT services), is considered a public sector model.

A borderline form is:

- Complete outsourcing or contracting out, with a privately owned corporation delivering the entire service on behalf of government. This may be considered a mixture of private sector operations with public ownership of assets,

although in some forms the private sector's control and/or risk is so great that the service may no longer be considered part of the public sector. (See Britain's Private Finance Initiative.)

The decision about what are proper matters for the public sector as opposed to the private sector is probably the single most important dividing line among socialist, liberal, conservative, and libertarian political philosophy, with (broadly) socialists preferring greater state involvement, libertarians favouring minimal state involvement, and conservatives and liberals favouring state involvement in some aspects of the society but not others.

### **Public Services**

Public services is a term usually used to mean services provided by government to its citizens, either directly (through the public sector) or by financing private provision of services. The term is associated with a social consensus (usually expressed through democratic elections) that certain services should be available to all, regardless of income. Even where public services are neither publicly provided nor publicly financed, for social and political reasons they are usually subject to regulation going beyond that applying to most economic sectors. Public services is also a course that can be studied at college and/or university. These courses can lead entry in to the: police, ambulance and fire services.

It is also an alternative term for civil service.

**Sectors:** Public services tend to be those considered so essential to modern life that for moral reasons their universal provision should be guaranteed, and they may be associated with fundamental human rights (such as the right to water). An example of a service which is not generally considered an essential public service is hairdressing.

In modern, developed countries the term public services often includes

- education
- public transportation

- broadcasting and communications
- electricity and gas
- fire service
- healthcare
- police service
- waste management
- water services

**Characteristics:** A public service may sometimes have the characteristics of a public good (being non-rivalrous and non-excludable), but most are merit goods, that is, services which may (according to prevailing social norms) be underprovided by the market. In most cases public services are services, i.e. they do not involve manufacturing of goods such as nuts and bolts. They may be provided by local or national monopolies, especially in sectors which are natural monopolies.

They may involve outputs that are hard to attribute to specific individual effort and/or hard to measure in terms of key characteristics such as quality. They often require high levels of training and education. They may attract people with a public service ethos who wish to give something to the wider public or community through their work and are prepared to work harder for less pay as a result. (John Kenneth Galbraith has looked at the role of such “public virtue” in economic growth.)

**History:** Historically, the widespread provision of public services in developed countries usually began in the late nineteenth century, often with the municipal development of gas and water services. Later, other services such as electricity and healthcare began to be provided by governments. In most developed countries such services are still provided by local or national government, the biggest exceptions being the U.S. and the UK, where private provision is more significant. Nonetheless, such privately-provided public services are often strongly regulated, for example (in the US) by Public Utility Commissions. In developing countries public services tend to be much less well developed. Water services, for example, may only be available to the wealthy middle class. For political



reasons the service is often subsidised, which reduces the finance available for expansion to poorer communities.

### **Public Ownership**

Public ownership (also called government ownership, state ownership or state property) refers to government ownership of any asset, industry, or corporation at any level, national, regional or local (municipal); or, it may refer to common (full-community) non-state ownership. The process of bringing an asset into public ownership is called Nationalization or Municipalization. A government owned corporation (sometimes state-owned enterprise, SOE) may resemble a not-for-profit corporation as it may not be required to generate a profit; although governments may also use profitable entities they own to support the general budget. SOE's may or may not be expected to operate in a broadly commercial manner and may or may not have to face competitive tendering. The creation of a government-owned corporation (corporatization) from other forms of government ownership may be a precursor to privatization.

### **Arguments for and Against**

For:

- *Public Services*: Some services, such as defence, cannot be provided by the private sector directly-only a government system of taxation can finance them. Others (*merit goods*), such as education, can be under-provided by the private sector (according to social standards concerning access to them).
- *Essential Services*: In the case of an essential service-particularly one on which lives may depend-Nationalization may ensure the continuation of this service regardless of commercial or environmental pressure (saving lives is not always profitable). Furthermore, there may be externalities which mean it is in the interests of all to ensure a good service is available to everyone, even beyond moral concerns.
- *Efficiency*: In natural monopolies, competition is wasteful,

and will tend to be eliminated by competitive forces (leading to a private monopoly or oligopoly). A public sector monopoly can be held to account via democratically-elected governments, in a way in which a private monopoly cannot. (A private monopoly may be subject to regulation, but this may be an inefficient way of securing the public interest.)

- *Accountability*: As mentioned above, while a governmental monopoly is nonetheless still a monopoly, it is answerable to the electorate rather than a small group of shareholders. (e.g. if the telephone service is nationalised, voters can bring pressure onto the government to provide better services, and parliament may have the power to sack anyone responsible for a reduction in the quality of service).
- *Consumer Interests*: Public ownership can protect consumer interests in sectors where competition is low, where choices are important but made infrequently, and/or where consumers do not have the expertise to make good decisions (such as in health care).
- *Common Good*: A profitable nationalised industry contributes with its profits directly to the common wealth of the whole country, rather than to the wealth of a subset of its population.
- *Financial Security*: Public sector institutions have access to finance at government interest rates, which are (almost) always lower than even the most financially secure private sector firms, because the government cannot go bankrupt, which means less risk to the lender.
- *Work Ethic*: Employees may be more inclined to view their work positively if it is directed by a management appointed by a government that they have a say in electing, rather than a management representing a shareholding minority. Also, they may gain intrinsic satisfaction knowing their work is important and essential for society as a whole. There has been discussion of a *public service ethos* which makes public sector workers work harder than they would for a private employer.

- *Equity*: Public ownership can help prevent extreme imbalances of wealth.

Against:

- *Waste*: Government ownership may lead to waste (x-inefficiency) if it proves unable to motivate management and personnel through appropriate incentives, including appropriate pay and threat of redundancy.
- *Consumer Choice*: Public ownership in an industry which could be competitive in private hands may stifle innovation if proper incentives are not provided by the government. Consumer choice may be reduced and there may be no alternative sources-and no catalysts for alternative sources-of goods or services that better meet consumer preferences.
- *Mis-investment/over-investment*: Public ownership of profitable services may lead to “gold-plating” (over-investment in assets) if decisions are driven by engineering ideals and not efficiency concerns.
- *Unprofitable Companies Survive*: Public ownership of a loss-making service or industry (such as flu vaccines) may inhibit the changes needed to ensure long-term profitability (or permit bankruptcy). This may mean subsidising unnecessary losses indefinitely.
- *Misallocations of Labour and Money*: The government may be inefficient in running production, trading, or service operations, in the sense of causing misallocations of labour and capital, with consequent reductions in the standard of living and economic growth.
- *Accountability*: Accountability to the market may be eliminated, and accountability through government may be an insufficient replacement, particularly if an industry or service does not have a high public profile or if the government is not democratic.
- *Influenced by Politics*: Decision-making in the public sector may be prone to interference from politicians for political or populist reasons. The industry may be over-staffed in order to reduce unemployment; it may be forced to conduct

transactions or actions in certain areas in order to win local votes; it may be forced to manipulate its prices in order to control inflation. Of course, some of these measures may be considered positive rather than negative, but if they are not taken properly, in the long run they are likely to be an inefficient way to meet the desired goals.

- **Source of Income** Sometimes governments are accused for overcharging for products where they hold a monopoly, thus utilising them as an additional source of income, or hidden tax.

## Government

A government is a body that has the authority to make and the power to enforce laws within a civil, corporate, religious, academic, or other organization or group. In its broadest sense, “to govern” means to administer or supervise, whether over a state, a set group of people, or a collection of assets.

The word *government* is ultimately derived from the Greek (*kybernan*), which means “to steer” or “to control”.

Typically, “the government” refers to the executive function of the state. In many countries (particularly those having parliamentary systems), the government refers to the executive branch of government or a specifically named executive, such as the Blair government (compare to the administration as in the Bush administration in U.S. usage). In countries using the Westminster system, the party in government will also usually control the legislature.

**Forms of Government:** Governments are often classified according to the number of people who hold political power.

- In Autocracies one individual holds all the power.
- In Oligarchies political power is held by a small group of individuals who share interests. For example a plutocracy is composed of the wealthiest members of society.
- Democracies are governments where the people as a whole hold political power. It may be exercised by them

(direct democracy), or through representatives chosen by them (representative democracy).

The lines between some of the above forms of government can sometimes be ambiguous. For example, during the 19th century, most self-proclaimed “democracies” restricted voting rights to a minority of the population (e.g. property-owning males). This could qualify them as oligarchies rather than democracies. On the other hand, the voting minority was often quite large (20-30% of the population) and its members did not form the compact group with common interests that is the hallmark of most oligarchies. Thus, this form of government occupied a space between democracy and oligarchy as they are understood today.

***Ideas about the Origin of Government:*** There are a wide range of theories about the reasons for establishing governments. The four major ones are briefly described below. Note that they do not always fully oppose each other-it is possible for a person to subscribe to a combination of ideas from two or more of these theories.

***Force Theory:*** Many political philosophies that are opposed to the existence of a government (such as Anarchism, Nihilism, and to a lesser extent Marxism), as well as others, emphasize the historical roots of governments-the fact that governments, along with private property, originated from the authority of warlords and petty despots who took, by force, certain patches of land as their own (and began exercising authority over the people living on that land). Thus, it is argued that governments exist to enforce the will of the strong and oppress the weak, maintaining and protecting the privilege of a ruling class. It states that the government emerged when all the people of an area were brought under the authority of one person or group.

***Order and Tradition:*** The various forms of conservatism, by contrast, generally see the government as a positive force that brings order out of chaos, establishes laws to end the “war of all against all”, encourages moral virtue while punishing vice, and respects tradition. Sometimes, in this view, the government is seen as something ordained by a higher power,

as in the divine right of kings, which human beings have a duty to obey.

**Natural Rights:** Natural rights are the basis for the theory of government shared by most branches of liberalism (including libertarianism). In this view, human beings are born with certain *natural rights*, and governments are established strictly for the purpose of protecting those rights. What the *natural rights* actually are is a matter of dispute among liberals; indeed, each branch of liberalism has its own set of rights that it considers to be *natural*, and these rights are sometimes mutually exclusive with the rights supported by other liberals. As a result, there is some debate between natural rights theorists, ranging from modern writers such as Tibor Machan to Enlightenment thinkers such as Locke, Kant, or Jefferson.

**Social Contract:** One of the most influential theories of government in the past two hundred years has been the social contract, on which modern democracy and most forms of socialism are founded. The social contract theory holds that governments are created by the people in order to provide for collective needs (such as safety from crime, poverty, illiteracy) that cannot be properly satisfied using purely individual means. Governments thus exist for the purpose of serving the needs and wishes of the people, and their relationship with the people is clearly stipulated in a “social contract” (a constitution and a set of laws) which both the government and the people must abide by.

If a majority is unhappy, it may change the social contract. If a minority is unhappy, it may persuade the majority to change the contract, or it may opt out of it by emigration or secession. This theory is based on the idea that all men live in a state of nature which is not ideal to perfect harmony. It is also an agreement among the members of an organized society or between the governed and the government defining and limiting the rights and duties of each. Thomas Hobbes, John Locke, Jean-Jacques Rousseau are three of the most famous philosophers of contractarianism. Today, natural rights are the basis for many issues involving the constitution and ones right to privacy under the government.



**Governmental Operations:** Governments concern themselves with regulating and administering many areas of human activity, such as trade, education, or medicine. Governments also employ different methods to maintain the established order, such as secrecy, police and military forces (particularly under despotism, see also police state), making agreements with other states, and maintaining support within the state. Typical methods of maintaining support and legitimacy include providing the infrastructure for administration, justice, transport, communication, social welfare, etc.; claiming support from deities; providing benefits to elites; providing shops for important posts within the state; limiting the power of the state through laws and constitutions; and appealing to nationalism. Different political ideologies hold different ideas on what the government should or should not do. The modern standard unit of territory is a country. In addition to the meaning used above, the word state can refer either to a government or to its territory. Within a territory, subnational entities may have local governments which do not have the full power of a national government (for example, they will generally lack the authority to declare war or carry out diplomacy).

**Size of Government:** The scale to which government should exist and operate in the world is a matter of debate. Government spending in developed countries varies considerably but generally makes up between about 30% and 70% of their GDP. One major exception is the United States, where central government spending takes up less than 20% of GDP.

**World Government:** Some speculate that technological changes such as the Internet and the global English language would bring a World Government into existence. Some consider some governments such as the European Commission as trends towards such a system; however, others do not see this as possible.

## **Ownership**

Ownership is the state or fact of exclusive possession or control of property, which may be an object, land/real estate, intellectual property or some other kind of property.

Ownership is the key building block in the development of the capitalist socioeconomic system. The concept of ownership has existed for thousands of years and in all cultures. Over the millennia, however, and across cultures what is considered eligible to be property and how that property is regarded culturally is very different. Ownership is the basis for many other concepts that form the foundations of ancient and modern societies such as money, trade, debt, bankruptcy, the criminality of theft and private vs. public property.

The process and mechanics of ownership are fairly complex since one can gain, transfer and lose ownership of property in a number of ways. To acquire property one can purchase it with money, trade it for other property, receive it as a gift, steal it, find it, make it or homestead it. One can transfer or lose ownership of property by selling it for money, exchanging it for other property, giving it as a gift, being robbed of it, misplacing it, or having it stripped from one's ownership through legal means such as eviction, foreclosure and seizure.

Ownership is self-propagating in that if an object is owned by someone, any additional goods produced by using that object will also be owned by the same person. If one finds an object, one can legitimately take ownership of that object as long as no one claims to have previously lost that object. Some jurisdictions place time restraints on finding lost property before that property becomes fair game for anyone to claim ownership of once found. Such is the case of the gold found in the sunken SS *Republic*. The SS Republic steamship sank off the coast of Georgia in 1865 and lost thousands of gold coins and bars to the ocean. In 2003 Odyssey Marine Exploration, Inc. discovered the ship and was awarded possession of the gold after the insurance company that had paid off damages to the original owners claimed they were the rightful owners of the gold.

### **What can You Own?**

**Personal Property (Objects):** Personal property is a type of property. In the common law systems personal property may also be called chattels. Under the common law, the only way to gain title to chattels was by writing one's name on them with a permanent marker. It is distinguished from real property, or

real estate. In the civil law systems personal property is often called movable property or movables-any property that can be moved from one location or another. This term is in distinction with immovable property or immovables, such as land and buildings.

Personal property may be classified in a variety of ways, such as goods, money, negotiable instruments, securities, and intangible assets including choses in action.

**Land Ownership:** Real estate or immovable property is a legal term (in some jurisdictions) that encompasses land along with anything permanently affixed to the land, such as buildings. Real estate (immovable property) is often considered synonymous with real property (also sometimes called *realty*), in contrast with personal property (also sometimes called *chattel* or *personalty*). However, for technical purposes, some people prefer to distinguish real estate, referring to the land and fixtures themselves, from real property, referring to ownership rights over real estate. The terms *real estate* and *real property* are used primarily in common law, while civil law jurisdictions refer instead to immovable property.

In law, the word real means relating to a thing (from Latin *res*, matter or thing), as distinguished from a person. Thus the law broadly distinguishes between [real property] (land and anything affixed to it) and [personal property] (everything else, e.g., clothing, furniture, money). The conceptual difference was between immovable property, which would transfer title along with the land, and movable property, which a person would retain title to. (The word is not derived from the notion of land having historically been “royal” property. The word royal — and its Spanish cognate *real* — come from the unrelated Latin word *rex*, meaning king.)

With the development of private property ownership, real estate has become a major area of business.

**Corporations and Legal Entities:** An individual or group of individuals can own corporations and other legal entities. A legal entity is a legal construct through which the law allows a group of natural persons to act as if it were an individual for certain purposes. Some companies and entities are owned

privately by the individuals who registered them with the government while other companies are owned publicly.

A public company is a company owned by any member of the public who wishes to purchase stock in that company rather than by a relatively few individuals. A company that is owned by stockholders who are members of the general public and trade shares publicly, often through a listing on a stock exchange. Ownership is open to anyone who has the money and inclination to buy shares in the company. It is differentiated from privately held companies where the shares are held by a small group of individuals often members of one or a small group of families or otherwise related individuals (or other companies). For a discussion of the British and Irish variant of this type of company, see public limited company.

***Intellectual Property:*** Intellectual (IP) property refers to a legal entitlement which sometimes attaches to the expressed form of an idea, or to some other intangible subject matter. This legal entitlement generally enables its holder to exercise exclusive rights of use in relation to the subject matter of the IP. The term *intellectual property* reflects the idea that this subject matter is the product of the mind or the intellect, and that IP rights may be protected at law in the same way as any other form of property.

Intellectual property laws confer a bundle of exclusive rights in relation to the particular form or manner in which ideas or information are expressed or manifested, and not in relation to the ideas or concepts themselves. It is therefore important to note that the term “intellectual property” denotes the specific legal rights which authors, inventors and other IP holders may hold and exercise, and not the intellectual work itself.

Intellectual property laws are designed to protect different forms of intangible subject matter, although in some cases there is a degree of overlap.

- copyright may subsist in creative and artistic works (e.g. books, movies, music, paintings, photographs and software), giving a copyright holder the exclusive right to control reproduction or adaptation of such works for a certain period of time.

- A patent may be granted in relation to an invention that is new, useful and not simply an obvious advancement over what existed when the application was filed. A patent gives the holder an exclusive right to commercially exploit the invention for a certain period of time (typically 20 years from the filing date of a patent application).
- A trademark is a distinctive sign which is used to distinguish the products or services of one business from those of another business.
- An industrial design right protects the form of appearance, style or design of an industrial object (e.g. spare parts, furniture or textiles).
- A trade secret (also known as “confidential information”) is an item of confidential information concerning the commercial practices or proprietary knowledge of a business.

Patents, trademarks and designs fall into a particular subset of intellectual property known as industrial property.

Like other forms of property, intellectual property (or rather the exclusive rights which subsist in the IP) can be transferred (with or without consideration) or licensed to third parties. In some jurisdictions it may also be possible to use intellectual property as security for a loan.

The basic public policy rationale for the protection of intellectual property is that IP laws facilitate and encourage disclosure of innovation into the public domain for the common good, by granting authors and inventors exclusive rights to exploit their works and invention for a limited period.

However, various schools of thought are critical of the very concept of intellectual property, and some characterise IP as *intellectual protectionism*. There is ongoing debate as to whether IP laws truly operate to confer the stated public benefits, and whether the protection they are said to provide is appropriate in the context of innovation derived from such things as traditional knowledge and folklore, and patents for software and business methods. Manifestations of this controversy can be seen in the way different jurisdictions decide whether to grant intellectual property protection in relation to subject

matter of this kind, and the North-South divide on issues of the role and scope of intellectual property laws.

**Chattel Slavery:** The living human body is, in most modern societies, considered something which cannot be the property of anyone but the person whose body it is. This is in contradistinction to chattel slavery. Chattel slavery is a type of slavery defined as the absolute legal ownership of a person or persons, including the legal right to buy and sell them. The slaves do not have the freedom to live life as they choose, but as they are instructed by their owners. In most countries, chattel slaves are considered as movable property. Slavery almost always occurs for the purpose of securing the labour of the slave.

Slavery is currently illegal in every country around the world, however, up until the 19th century slavery and ownership of people had existed in one form or another in nearly every society on earth.

### ***Who Can Own Property?***

**Personal Ownership:** In Western societies both men and women can own property, however, in some societies only adult men may own property. In other societies (such as the Haudenosaunee), property is matrilinear and passed on from mother to daughter.

**Ownership by Corporations and Legal Entities:** Legal entities, such as corporations, trusts, partnerships, religions, and nations (or governments) can own property in various societies past and present. Although corporations and other legal entities are owned or controlled by individuals or groups of individuals they are allowed to own their own property just as natural people are able to. The advantage in placing the ownership of an asset in the name of an entity is that the asset is protected from law suits against the owner of the entity. If the owner of the entity is personally sued the asset cannot be taken in the law suit.

When there is risk involved in the ownership of an asset as in the case of investment real estate the ownership of that asset is often made in the name of a corporate entity. Real



estate property investors often form a corporation or other entity for the sole purpose of purchasing a single building. Rather than buying the building in the investor's personal name the investor will place the corporations' name on the deed. Since the corporation is a separate entity in the eyes of the law if a tenant is hurt on the premises and sues the owner of the building they are suing the corporation and not the investor. This protects the investor from losing many properties from one law suit.

**Communal Ownership:** Communal ownership of property occurs when a group of people share the ownership of property amongst each other. Any and every member of the group is free to use the property when they want but also those individuals agree to allow all others in the group to use the property when that person wants.

Although communal ownership of property is not as widespread as individual ownership of property both forms of ownership exist in most societies. In America, for example, national parks and publicly owned buildings such as libraries are communally owned by all Americans. In New York City a common form of real estate ownership is a cooperative (also cooperative or co-op). A co-op is a group of persons who join together, or cooperate, to own a building for mutual benefit. In an ideal communist nation the means of production of goods would be owned communally by all people of that nation.

One criticism of the concept of communal ownership is the Tragedy of the Commons where unrestricted access to a resource such as a pasture ultimately dooms the resource because of over-exploitation. This occurs because the benefits of exploitation accrue to individuals, while the costs of exploitation are distributed between all those exploiting the resource. This criticism has merit if the resource is permitted, by the community, to be exploited by the individual.

**Social Stigmas:** In modern Western popular culture some people (principally among the political left) believe that exclusive ownership of property underlies much social injustice, and facilitates tyranny and oppression on an individual and societal scale. Others consider the striving to achieve greater ownership

of wealth as the driving factor behind human technological advancement and increasing standards of living.

**Societies Without Ownership:** A modern myth is that some societies, notably Native American ones, appeared to exist without the concept of personal ownership. Members of a society would feel free to take any objects they had need of, and expect them to be taken by others. Recently, however, researchers have started to question just how collectivist Native American societies really were. Citing earlier studies done by anthropologists and historians “who were able to interview tribal members who had lived in pre-reservation Indian society,” they argue that in fact, “most if not all North American indigenous peoples had a strong belief in individual property rights and ownership.” These researchers further assert that Native American collectivism is a myth originating from the first encounters with tribes who, because of their hunting-orientation “did not view land as an important asset”, and indeed, did not have a private property system with regards to land. The collectivist myth was initially propagated by reporters and politicians who never actually had contact with Native Americans and then made into a reality by the collectivist property rights system forced on Indians by the 1934 Indian Reorganization Act.

## Ownership Society

Ownership society is a slogan for a model of society promoted by United States President George W. Bush. It takes as lead values personal responsibility, economic liberty, and the owning of property. The *ownership society* discussed by Bush also extends to certain proposals of specific models of health care and social security.

**History:** The term appears to have been used originally by President Bush (for example in a speech February 20, 2003 in Kennesaw, Georgia) as a phrase to rally support for his tax-cut proposals (*Pittsburgh Post-Gazette*, *Bush OKs Funding Bill for Fiscal '03*, Feb 21, 2003 Scott Lindlaw). From 2004 Bush supporters described the ownership society in much broader and more ambitious terms, including specific policy proposals

concerning medicine, education and savings. The idea that the welfare of individuals is directly related to their ability to control their own lives and wealth, rather than relying on government transfer payments, is a long-standing one, particularly in British conservatism.

In a modern form its implementation was developed as a main plank of Thatcherism, and is traced back to David Howell, before 1970, with help from the phrase-maker Peter Drucker.

In political practice under Margaret Thatcher's administration, it was implemented by measures such as the sale at affordable prices of public housing to tenants, and privatization.

***Ownership and Control:*** As formulated by the Cato Institute, the desiderata are that

- patients have *control* of [decisions on] their personal health care,
- parents *control* [i.e. have power over] their children's education, and
- workers *control* [i.e. have some responsibility for the investment of, or explicit property rights in] their retirement savings.

Here the comments in brackets are an interpretation or paraphrase, consistent with a generalised idea of *ownership*. The conceptual link here is by means of the idea that private property, the most familiar and everyday form of ownership, is being extended. *Control* is closely associated with ownership in that sense.

This Cato Institute formulation is not, however, in terms of positive policies. It is more accurately a definition of *ownership* by taking the state out of the loop. So, for example, in health care ownership is *not* being defined just on the basis of informed consent.

There is no real originality, politically speaking, in the connection made between individual ownership of property and political stake-holding. This was an idea discussed in Europe and America in the eighteenth century. The novelty of the Cato Institute formulation would lie in the extrapolation. In the case

of savings, for example, the extension would be an assertion of property rights in money held in savings or collected tax revenues.

***Political Consequences and Unexpected Consequences:***

Consistently with the basic tenet, proponents of an *ownership society* usually support inherited wealth, and oppose inheritance taxes and wealth taxes. They are also likely to favour a pattern of property ownership based on the purchase, rather than rental, of accommodation.

The consequences for health and education are heavily dependent on details of implementation. For example, ownership in one's child's education, for a parent, might be in the form of an education voucher, a vote in the running of a school, influence on the school curriculum, or a generalised 'right' to have a child educated in line with one's own values.

One example from the UK of an unexpected or unintended consequence of government policy favouring direct share ownership, through some oversubscribed privatisation issues, was the holding of small parcels of shares by individuals numbered in millions. This broad-based ownership created an administrative overhead, for example in relation to every shareholder vote.

***Quotations:*** *We Conservatives have always passed our values from generation to generation. I believe that personal prosperity should follow the same course. I want to see wealth cascading down the generations. We do not see each generation starting out anew, with the past cut off and the future ignored.-John Major conference speech 1991.*

*...if you own something, you have a vital stake in the future of our country. The more ownership there is in America, the more vitality there is in America, and the more people have a vital stake in the future of this country.-President George W. Bush, June 17, 2004*

*Individuals are empowered by freeing them from dependence on government handouts and making them owners instead, in control of their own lives and destinies. In the ownership society, patients control their own health care, parents control their own*

children's education, and workers control their retirement savings. *Cato Institute*

*"Many people don't have the time, inclination, or expertise necessary to take full responsibility for their own well-being in areas that are so complex as assuring they have sufficient income for retirement or choosing a health plan appropriate for their circumstances," says Robert Reischauer, president of the Urban Institute, a Washington think tank.*

### **Government-owned Corporation**

A government corporation or government-owned corporation is a legal entity created by a government to exercise some of the powers of the government. It may resemble a not-for-profit corporation as it has no need or goal of satisfying the shareholders with return on their investment through price increase or dividends.

In the United States, businesses that are government owned include Amtrak, Tennessee Valley Authority, Corporation for Public Broadcasting and the United States Postal Service. Many states have government owned businesses for operations as well. Generally speaking, a statute passed by a legislature specifically sets up a government owned company in order to undertake a specific public purpose with public funds or public property.

In the People's Republic of China, there are a number of different corporate forms which result in a mixture of public and private capital. In PRC terminology, a state owned enterprise refers to a particular corporate form, which is increasingly being replaced by the listed company.

In monarchical Commonwealth countries, particularly Canada, country-wide government corporations often use the style "Crown corporation". Equivalent terms include State-Owned Enterprises and the Crown entities in New Zealand. Examples of Crown corporations include the CBC in Canada and Air Canada before it underwent privatisation. Cabinet ministers (Ministers of the Crown) often control the shares in such public corporations. At the level of local government, territorial or other authorities may set up government

corporations such as “Local Authority Trading Enterprises” (LATEs).

In Japan, Japan Post is currently partially owned by the government, but will soon be sold to the public. JR, NTT and Japan Tobacco were formerly owned by the government.

In most OPEC countries, the governments prefer to own the oil companies operating on their soil. A notable example is the Saudi national oil company, Saudi Aramco, which the Saudi government bought in 1988 and changed its name from Arabian American Oil Company to Saudi Arabian Oil Company. Saudi government also owns and operates Saudi Arabian Airlines, and owns 70% of SABIC, as well as many other companies. They are, however, being publicized gradually.

### **Government-linked Companies**

A Government Linked Company (GLC) is a corporate entity that may private or public (listed on a stock exchange) where an existing government owns a stake using a holding company. There are two main definitions of GLCs are dependent on the proportion of the corporate entity a government owns. One definition purports that a company is classified as a GLC if a government owns an effective controlling interest (>50%), while the second definition suggests that any corporate entity that has a government as a shareholder is a GLC.

### **Public Company**

A public company is a company owned by the public rather than by relatively few individuals. There are two different meanings for this term.

The first is a company that is owned by stockholders who are members of the general public and trade shares publicly, often through a listing on a stock exchange. The first company to issue shares is thought to be the Dutch East India Company in 1602. Ownership is open to anyone that has the money and inclination to buy shares in the company. It is differentiated from privately held companies where the shares are held by a small group of individuals, who are often members of one or a small group of families or otherwise related individuals, or



other companies. The variant of this type of company in the United Kingdom and Ireland is known as a public limited company.

The second is a government-owned corporation. This meaning of a “public company” comes from the tradition of public ownership of assets and interests by and for the people as a whole, and is the less-common meaning in the United States.

“Publicly owned company” can also have either meaning, although in the United Kingdom it will usually refer to ownership by national, regional or local government.

***Public versus Private Companies:*** A public company has several advantages. It is able to raise funds and capital through the sale of stock and convertible bonds. This is the reason why public corporations are so important, historically; prior to their existence, it was very difficult to obtain large amounts of capital for private enterprises. It has the ability to offer stock and stock options to directors, executives, and employees as part of compensation. This is much less advantageous if the company is required to treat stock options as an expense. Large stockholders, typically founders of the company, are able to sell off shares and get cash which they can put to other uses. In contrast, while ownership in a private corporation can also be sold, in part, determining a “fair value” that is acceptable to all parties can be difficult.

The goal of a public company is to enrich the owners of the company (the shareholders). The two ways that it does this is to distribute cash from the companies profits (known as dividends) and/or to reinvest the profits into the company to increase the intrinsic and share value of the company. In particular, since most investors are concerned about “buying low and selling high” the managers must in fact be constantly search for ways to make *more money*, in other words, constantly increasing profits. Besides simply increasing profits, another way to increase the stock price is to attempt to induce investors to pay more for a company’s shares relative to the company’s profits. Many have theorized that people will pay a higher premium for companies which have more stable profits, this

theory has caused companies to diversify and form conglomerates.

A private company has several advantages. It has no requirement to publicly disclose much, if any financial information; such information could be useful to competitors. For example, Form 10-K is an annual report required by the SEC each year that is a comprehensive summary of a company's performance. Private companies do not file form 10-Ks. It is less pressured to "make the numbers"-to meet quarterly projections for sales and profits, and thus in theory able to make decisions that are best in the long-run. It spends less for certified public accountants and other bureaucratic paperwork required of public companies by government regulations. For example, the Sarbanes-Oxley Act in the United States does not apply to private companies. The wealth and income of the owners remains relatively unknown by the public.

The norm is for new companies, which are typically small, to be privately owned. After a number of years, if a company has grown significantly and is profitable, or has promising prospects, there is often an initial public offering and the company becomes public. Less common, but not unknown, is for a public company to pay cash to its shareholders and become private. This is typically done through a leverage buyout. Public companies can also become private when purchased by a larger company that is private.

**Trading and Valuation:** The shares of a public company are traded on a stock exchange. The value or "size" of a public company is called its market capitalization, a term which is often shortened to "market cap". This is calculated as the number of shares outstanding (as opposed to authorized but not necessarily issued) times the price per share. For example, a company with two million shares outstanding and a price per share of \$40 would have a market capitalization of \$80 million.

## **Primary Market**

The primary market is that part of the capital markets that deals with the issuance of new securities. Companies, governments or public sector institutions can obtain funding

through the sale of a new stock or bond issue. This is typically done through a syndicate of securities dealers. The process of selling new issues to investors is called underwriting. In the case of a new stock issue, this sale is called an initial public offering (IPO). Dealers earn a commission that is built into the price of the security offering, though it can be found in the prospectus.

### **Public benefit Corporation**

A public benefit corporation is a public corporation chartered by a state designed to perform some public service. A public authority is a type of public benefit corporation that takes on a more bureaucratic role, such as the maintenance of public infrastructure, that often has broad powers to regulate or maintain public property.

Authorities borrow from both municipal corporations law (that is, the laws responsible for the creation of cities, towns, and other forms of local government) and private corporations law. Other public benefit corporations resemble private non-profit organizations, and take on roles that private corporations might otherwise perform. These corporations often operate in heavily regulated industries, such as broadcasting and transportation.

Corporations such as these are often found in common law jurisdictions such as Commonwealth countries, including Canadian provinces and U.S. states.

**Origins:** Although many associate corporations, sometimes negatively, with private business, corporations in theory began as means to serve public purposes. Corporate theory has its roots in primarily government and religious institutions, where the institution itself is identifiable independently of its membership's mortality. For example, if the Pope dies, the Catholic Church continues to exist, just as it continues to exist as generations pass on and get replaced by new members.

Public benefit corporations likely have their direct roots in mercantile capitalism. In the early days of European exploration and colonization, a government or monarch would sometimes grant a charter to an entity allowing it to incorporate and make

potentially risky investments. While certainly not public benefit corporations by today's standards, entities such as the Massachusetts Bay Company, Hudson Bay Company, and the Dutch East India Company arguably are early prototypes of publicly-chartered (in this case, crown-chartered) corporations successfully making risky investments.

**History:** The first public authority on record is the Port of London Authority, established 1908. According to the Port of London Acts The Authority is a public trust established to “administer, preserve and improve the Port of London.” The goal was to create an entity that would be run self-sufficiently like a private company yet remain under the control of the government. The name *Authority* is derived from the founding act of Parliament which repeatedly stated that “*Authority is hereby given...*”

**Incorporation and Powers:** Public benefit corporations are generally governed by boards of directors, which are appointed, rather than elected, and, internally, reflect bureaucratic forms. The corporation is government-owned and performs a specific, narrow function for the public good.

Public benefit corporations are most often created by statute. In many Commonwealth countries, public benefit corporations continue to receive charters from the British monarchy. In the United States, they receive their charters usually from states, but possibly from the federal government.

Public authorities are usually created with a specific mandate, such as the construction of bridges, mass transit, etc. Unlike departments or ministries of the state, these corporations usually are enabled by statute to raise revenues through bond issues.

## Non-governmental Organization

The term non-governmental organization (NGO) is used in a variety of ways all over the world and, depending on the context in which it is used, can refer to many different types of organizations. In its broadest sense, a non-governmental organization is one that is not directly part of the structure of government. Anheier places the number of internationally

operating NGOs at 40,000 (Anheier et al, “Global Civil Society 2001”, 2001). National numbers are even higher: The United States has an estimated 2 million NGOs, most of them formed in the past 30 years. Russia has 4,000 NGOs. India is estimated to have between 1 and 2 million NGOs. In Kenya alone, some 240 NGOs come into existence every year.

**History:** International Red Cross and Red Crescent Movement is the world’s largest group of humanitarian NGOs. Though voluntary associations of citizens have existed throughout history, NGOs along the lines seen today, especially on the international level, have developed in the past two centuries. One of the first such organizations, the International Committee of the Red Cross, was founded in 1863.

The phrase “non-governmental organization” came into use with the establishment of the United Nations Organization in 1945 with provisions in Article 71 of Chapter 10 of the United Nations Charter for a consultative role for organizations that are neither governments nor member states – see Consultative Status. The definition of “international NGO” (INGO) is first given in resolution 288 (X) of ECOSOC on February 27, 1950: it is defined as “any international organisation that is not founded by an international treaty”.

The vital role of NGOs and other “major groups” in sustainable development was recognized in Chapter 27 of Agenda 21, leading to revised arrangements for consultative relationship between the United Nations and non-governmental organizations.

Globalization during the 20th century gave rise to the importance of NGOs. Many problems could not be solved within a nation. International treaties and international organizations such as the World Trade Organization were perceived as being too centred on the interests of capitalist enterprises. In an attempt to counterbalance this trend, NGOs have developed to emphasize humanitarian issues, developmental aid and sustainable development. A prominent example of this is the World Social Forum which is a rival convention to the World Economic Forum held annually in January in Davos, Switzerland. The fifth World Social Forum in Porto Alegre,

Brazil, in January 2005 was attended by representatives from more than 1,000 NGOs.

**Evolutionary Stages of Development NGOs:** Three stages or generations of NGO evolution have been identified by Korten's (1990) *Three Generations of Voluntary Development Action*. First, the typical development NGO focuses on relief and welfare, and delivers relief services directly to beneficiaries. Examples are the distribution of food, shelter or health services. The NGO notices immediate needs and responds to them. NGOs in the second generation are oriented towards small-scale, self-reliant local development. At this evolutionary stage, NGOs build the capacities of local communities to meet their needs through 'self reliant local action'. Korten calls the third generation 'sustainable systems development'. At this stage, NGOs try to advance changes in policies and institutions at a local, national and international level; they move away from their operational service providing role towards a catalytic role. The NGO is starting to develop from a relief NGO to a development NGO.

**Types of NGOs:** Apart from 'NGO' oftentimes alternative terms are used as for example independent sector, volunteer sector, civic society, grassroots organizations, transnational social movement organizations, private voluntary organizations, self-help organizations and non-state actors (NSAs). Non-governmental organizations are an heterogeneous group. A long list of acronyms has developed around the term 'NGO'.

These include:

- INGO stands for international NGO, such as CARE, Helvetas (Swiss Association for International Cooperation), RESPECT Refugiados, International Alert, ADFA-India ZOA Refugee Care, Medair and Mercy Corps;
- BINGO is short for business-oriented international NGO;
- RINGO is an abbreviation of religious international NGO such as Catholic Relief Services or stands for Research and Independent Non-governmental organization;
- ENGO, short for environmental NGO, such as Global 2000;

- GONGOs are government-operated NGOs, which may have been set up by governments to look like NGOs in order to qualify for outside aid or promote the interests of the government in question;
- QUANGOs are quasi-autonomous non-governmental organisations, such as the W3C and the International Organization for Standardization (ISO), which is actually not purely an NGO, since its membership is by nation, and each nation is represented by what the ISO Council determines to be the ‘most broadly representative’ standardization body of a nation. Now, such a body might in fact be a non-governmental organization—for example, the United States is represented in ISO by the American National Standards Institute, which is independent of the federal government. However, other countries can be represented by national governmental agencies—this is the trend in Europe.

There are also numerous classifications of NGOs. The typology the World Bank uses divides them into Operational and Advocacy : The primary purpose of an operational NGO is the design and implementation of development-related projects. One categorization that is frequently used is the division into ‘relief-oriented’ or ‘development-oriented’ organizations; they can also be classified according to whether they stress service delivery or participation; or whether they are religious and secular; and whether they are more public or private-oriented. Operational NGOs can be community-based, national or international.

The primary purpose of an Advocacy NGO is to defend or promote a specific cause. As opposed to operational project management, these organizations typically try to raise awareness, acceptance and knowledge by lobbying, press work and activist events.

USAID refers to NGOs as *private voluntary organizations*. However many scholars have argued that this definition is highly problematic as many NGOs are in fact state and corporate funded and managed projects with professional staff.



**Purposes:** NGOs exist for a variety of purposes, usually to further the political or social goals of their members or funders. Examples include improving the state of the natural environment, encouraging the observance of human rights, improving the welfare of the disadvantaged, or representing a corporate agenda. However, there are a huge number of such organizations and their goals cover a broad range of political and philosophical positions. This can also easily be applied to private schools and athletic organizations.

**Methods:** NGOs vary in their methods. Some act primarily as lobbyists, while others conduct programs and activities primarily. For instance, such an NGO as Oxfam, concerned with poverty alleviation, might provide needy people with the equipment and skills they need to find food and clean drinking water. Another example of a NGO is Amnesty International, the largest Human rights organization in the world. It forms a global community of human rights defenders with more than 1.8 million members, supporters and subscribers in over 150 countries and territories.

**Public Relations:** Non-governmental organizations need healthy relationships with the public to meet their goals. Foundations and charities use sophisticated public relations campaigns to raise funds and employ standard lobbying techniques with governments. Interest groups may be of political importance because of their ability to influence social and political outcomes. At times NGOs seek to mobilize public support.

**Consulting:** Many international NGOs have a consultative status with United Nations agencies relevant to their area of work. As an example, the Third World Network has a consultative status with the UN Conference on Trade and Development (UNCTAD) and the UN Economic and Social Council (ECOSOC). While in 1946, only 41 NGOs had consultative status with the ECOSOC, by 2003 this number had risen to 2,350.

**Project Management:** There is an increasing awareness that management techniques are crucial to project success in non-governmental organizations. Generally, non-governmental

organisations, which are private, have a community or environmental focus. They address varieties of issues such as religion, emergency aid, and humanitarian affairs. They mobilize public support and voluntary contributions for aid; they often have strong links with community groups in developing countries and they often work in areas where government-to-government aid is not possible. NGO's are accepted as a part of the international relations landscape, and while they influence national and multilateral policy-making, they are, increasingly, more directly involved in local action.

**Management of NGOs:** Two management trends are particularly relevant to NGOs: diversity management and participatory management. Diversity management deals with different cultures in an organization. Intercultural problems are prevalent in Northern NGOs that are engaged in developmental activities in the South. Personnel coming from a rich country are faced with a completely different approach of doing things in the target country. A participatory management style is said to be typical of NGOs. It is intricately tied to the concept of a learning organization: all people within the organization are perceived as sources for knowledge and skills. To develop the organization, individuals have to be able to contribute in the decision making process and they need to learn.

**Staffing:** Not all people working for non-governmental organizations are volunteers. Paid staff members typically receive lower pay than in the commercial private sector. Employees are highly committed to the aims and principles of the organization. The reasons why people volunteer are not necessarily purely altruistic, and can provide immediate benefits for themselves as well as those they serve, including skills, experience and contacts. There is some dispute as to whether expatriates should be sent to developing countries. Frequently this type of personnel is employed to satisfy a donor, who wants to see the supported project managed by someone from an industrialized country. However, the expertise these employees or volunteers may have can be counterbalanced by a number of factors: the cost of foreigners is typically higher, they have

no grass-root connections in the country they are sent to and local expertise is often undervalued.

The NGO-sector is an important employer in terms of numbers. For example, by the end of 1995, CONCERN worldwide, an international Northern NGO working against poverty, employed 174 expatriates and just over 5,000 national staff working in ten developing countries in Africa and Asia, and in Haiti.

**Funding:** Large NGOs may have annual budgets in the millions of dollars. For instance, the budget of the American Association of Retired Persons (AARP) was over \$540 million dollars in 1999. Human Rights Watch spent and received US\$21.7 million in 2003. Funding such large budgets demands significant fundraising efforts on the part of most NGOs. Major sources of NGO funding include membership dues, the sale of goods and services, grants from international institutions or national governments, and private donations. Several EU-grants provide funds accessible to NGOs.

Even though the term 'non-governmental organization' implies independence of governments, some NGOs depend heavily on governments for their funding. A quarter of the US\$162 million income in 1998 of the famine-relief organization Oxfam was donated by the British government and the EU. The Christian relief and development organization World Vision US collected US\$55 million worth of goods in 1998 from the American government. Nobel Prize winner Medecins Sans Frontieres (MSF) (known in English as 'Doctors Without Borders') gets 46 percent of its income from government sources.

**Monitoring and Controlling NGOs:** In March 2000 report on United Nations Reform priorities, U.N. Secretary General Kofi Annan wrote in favour of international humanitarian intervention, arguing that the international community has a 'right to protect' citizens of the world against ethnic cleansing, genocide and crimes against humanity. On the heels of the report, the Canadian government launched the Responsibility to Protect R2P project, outlining the issue of humanitarian intervention. While the R2P doctrine has wide applications, among the more controversial has been the Canadian

government's use of R2P to justify its intervention and support of the coup in Haiti.

Years after R2P, the World Federalist Movement, an organization that supports “the creation of democratic global structures accountable to the citizens of the world and call for the division of international authority among separate agencies” has launched Responsibility to Protect-Engaging Civil Society R2PCS. The project, which is a collaboration of the WFM and Canadian government, aims to bring NGOs into lockstep with the principles outlined under the original R2P project.

NGO Monitor is a conservative pro-Israel site that aims to promote “critical debate and accountability of human rights NGOs in the Arab-Israeli conflict.” The organization has successfully conducted campaigns against Oxfam and the Ford Foundation-leading to formal apologies and changes in practice-on the grounds that these organizations are too anti-Israeli. NGOWatch is a project of the American Enterprise Institute that monitors NGOs. The project is primarily a negative analysis of NGOs that are generally considered to be on the progressive side of the political spectrum.

Indian NGOs is a portal of over 20,000 NGOs who work with the corporate sector in India. This portal offers insights into how the corporate sector is using NGOs to benefit their program. In recent years, many large corporations have beefed up their Corporate Social Responsibility departments in an attempt to preempt NGO campaigns against certain corporate practices. As the logic goes, if corporations work *with* NGOs, NGOs will not work *against* corporations.

**Legal Status:** NGOs are not legal entities under international law, like states are. An exception is the International Committee of the Red Cross which is considered a legal entity under international law, because it is based on the Geneva Convention.

It has been argued by various critics that NGOs are subversive in outcomes but well intentioned. It is suggested that imperialism and NGOs share a fine line. One of the first modern NGOs, for example, was the American Colonization Society. Another famous example includes various Christian

missionaries throughout the Americas, Asia, and Africa during colonial times.

**Criticism:** In general, there is an overall positive view of NGOs across various literature sources in the North. However Southern scholars often take a more critical position. Some direct complaints target operational problems, inconsistencies, misuses of funds (some high-profile), dogmatic commitments to certain assumption about economic policy etc. Some have argued that power relations between NGOs and their 'target countries' are often highly racialised. Conceptually, there is a slowly growing body of work looking at the underside of the 'Aid Industry'. Although most complaint literature is against multilateral or bilateral agencies, there are occasional criticisms of NGO operational strategies and inadvertent adverse impacts. For example it is often argued that in poorer countries Northern funded and managed NGOs tend to substitute themselves for popular movements in fora like the World Social Forum with negative consequences for the development of local civil society. Critics like Issa Shivji and James Petras have argued that NGOs are often part of contemporary imperialism. In many Southern countries, e.g. South Africa, relations between popular movements of the poor and some NGOs have become very strained.

In many developing countries with dysfunctional economies, entry into the aid-industry is the most profitable professional career path for young college-graduates. As NGOs provide services in the community for free or at subsidized rates (such as training), the private-sector is unable to evolve and compete effectively as sustainable levels. Once an NGO begins offering products or services for a fee (handicrafts, evaluations, digging wells, counselling, etc.), they will over time inevitably compete with private-sector providers of these same services. But with their donation-funding support or access to voluntary labour, they have a significant competitive advantage. Co-option (by political or other forces), mission-drift, changing core services based on an ever changing funding landscape, transparency, accountability, moving beyond a charismatic founding leader, and donor-driven rather than self-defined strategies are some

additional areas for concern. New NGOs occasionally receive 'do-gooder' complaints of engaging in action to help, without understanding the full complexity and interplay of issues, resulting in doing more harm than good. But again, in general, NGOs are viewed as a beneficial complementary source filling gaps in society not provided by the public or for-profit sectors. NGOs have also played a crucial role in upholding International Law, especially United Nations treaties. Their work continues to be the leading factor in social, and political change.

### **Public Good**

In economics, a public good is a good that is *non-rival*. This means: consumption of the good by one individual does not reduce the amount of the good available for consumption by others. Thus, if one individual eats a cake, there is no cake left for anyone else; but breathing air or drinking water from a stream does not significantly reduce the amount of air or water available to others. The term *public good* is often used to refer to goods that are *non-excludable* as well as *non-rival*. This means it is not possible to exclude individuals from the good's consumption. Fresh air may be considered a public good as it is not generally possible to prevent people from breathing it. However, technically speaking such goods should be called pure public goods. These are highly theoretical definitions: in the real world there may be no such thing as an absolutely non-rival or non-excludable good; but economists think that some goods in the real world approximate closely enough for these concepts to be meaningful.

Non-rivalness and non-excludability may cause problems for the production of such goods. Specifically, some economists have argued that they may lead to instances of market failure, where uncoordinated markets are unable to provide these goods in desired quantities. These issues are known as *public goods problems*, and there is a good deal of debate and literature on how significant they are, and on what their solutions might be. These debates can become important to political arguments about the role of markets in the economy. More technically, public goods problems are related to the broader issue of externalities.

**Terminology, and Types of Public Goods:** Paul A. Samuelson is usually credited as the first economist to develop the theory of public goods. In his classic 1954 paper *The Pure Theory of Public Expenditure* he defined a public good, or as he called it in the paper a “collective consumption good”, as follows:

*...[goods] which all enjoy in common in the sense that each individual's consumption of such a good leads to no subtractions from any other individual's consumption of that good...*

This is the property that has become known as *Non-rivalness*. In addition a *pure public good* exhibits a second property called *Non-excludability*: that is, it is impossible to exclude any individuals from consuming the good.

The opposite of a public good is a *private good*, which does not possess these properties. A loaf of bread, for example, is a private good: its owner can exclude others from using it, and once it has been consumed, it cannot be used again.

A good which is rival but *non-excludable* is sometimes called a *common pool resource*. Such goods raise similar issues to public goods: the mirror to the *public goods problem* for this case is sometimes called the *tragedy of the commons*. For example, it is so difficult to police deep sea fishing that the world's fish stocks can be seen as a non-excludable resource, but one which is finite and diminishing.

It should be emphasised that these concepts are highly theoretical. For example, the definition of non-excludability states that it is impossible to exclude individuals from consumption. In reality, perhaps any good can become excludable: for example, radio or television broadcasts have in the past been used as a classic example of non-excludable goods. But as technology has developed, it is now possible to incrypt these signals so that anyone without a special decoder is excluded from the broadcast.

Many forms of creative works have characteristics of public goods. For example, a poem can be read by many people without reducing the consumption of that good by others; in this sense,



it is non-rival. Similarly, the information in most patents can be used by any party without reducing consumption of that good by others. Creative works may be excludable in some circumstances, however: the individual who wrote the poem may decline to share it with others by not publishing it. Copyrights and patents function to encourage the creation of such non-rival goods by providing temporary monopolies, or, in the terminology of public goods, providing a legal mechanism to enforce excludability for a limited period of time. Note that for public goods, the “lost revenue” of the producer of the good is not part of the definition: a public good is a good whose consumption does not reduce any other’s consumption of that good.

	<i>Excludable</i>	<i>Non-excludable</i>
<i>Rivalrous</i>	<i>Private goods</i> food, clothing, toys, furniture, cars	<i>Common pool resources</i> water, fish, hunting game
<i>Non-rivalrous</i>	<i>Club goods</i> cable television	<i>Public goods</i> national defense, terrestrial television

#### *Private and public goods*

As well as public goods there can be public *bad*s that have negative externality effects instead of positive ones. For example, pollution or political corruption may be *bad*s that show some of the same non-excludability and non-rivalness properties. The economic concept of public goods should not be confused with the expression “the public good”, which is usually an application of a collective ethical notion of “the good” in political decision-making. Another common confusion is that public goods are goods provided by the public sector. Although it is often the case that Government is involved in producing public goods, this is not necessarily the case. Public goods may be *naturally* available, they may be produced by private individuals and firms, by non-state collective action, or they may not be produced at all. The theoretical concept of public goods does not distinguish

with regards to the geographical region in which a good may be produced or consumed. However some theorists use the term global public good to mean a public good which is non-rival and non-excludable throughout the whole world, as opposed to a public good which exists in just one national area. Knowledge is held to be an example of a global public good.

**Collective Good:** Collective goods (or social goods) are defined as public goods that could be delivered as private goods, but are usually delivered by the government for various reasons, including social policy, and financed from public funds like taxes.

**Note:** Some writers have used the term public good to refer only to non-excludable pure public goods. They may then call excludable public goods club goods.

**Examples of Public Goods:** Common examples of public goods include: defense and law enforcement (including the system of property rights), public fireworks, lighthouses, clean air and other environmental goods, and information goods, such as software development, authorship, and invention. Some goods-such as orphan drugs-require special governmental incentives to be produced, but can't be classified as public goods since they don't fulfil the above requirements (Non-excludable and non-rivalrous.)

The provision of a lighthouse has often been used as the standard example of a public good, since it is difficult to exclude ships from using its services and no ship's use detracts from that of others. However, since most of the benefit of a lighthouse accrues to ships using particular ports, lighthouse maintenance fees can often profitably be bundled with port fees (Ronald Coase, *The Lighthouse in Economics* 1974). This has been sufficient to fund actual lighthouses as club goods. A public good's status may change over time. Technological progress can significantly impact excludability of traditional public goods: encryption allows broadcasters to sell individual access to their programming. The costs for electronic road pricing have fallen dramatically, paving the way for detailed billing based on actual use. On the other hand, technological progress can also create new public goods. The simplest examples are street lights: they

are relatively recent inventions (by historical standards), one person's enjoyment of them does not detract from other persons' enjoyment, and it is impossible to charge individuals separately for the amount of light they presumably use.

**The Free Rider Problem:** Public goods provide a very important example of market failure, in which market-like behaviour of individual gain-seeking does not produce efficient results. The production of public goods results in positive externalities which are not remunerated. Because no private organisation can reap all the benefits of a public good which they have produced, there will be insufficient incentives to produce it voluntarily. Consumers can take advantage of public goods without contributing sufficiently to their creation. This is called the free rider problem, or occasionally, the "easy rider problem" (because consumer's contributions will be small but non-zero).

For example, consider national defense, a standard example of a pure public good. A purely rational person (also known as *homo economicus*) is an individual who is extremely individualistic, considering only those benefits and costs that directly affect him or her. Public goods give such a person incentive to be a free rider.

Suppose this purely rational person thinks about exerting some extra effort to defend the nation. The benefits to the individual of this effort would be very low, since the benefits would be distributed among all of the millions of other people in the country. Further, there is a very high possibility that he could get injured or killed during the course of his or her military service.

On the other hand, the free rider knows that he or she cannot be excluded from the benefits of national defense, regardless of whether he or she contributes to it. There is also no way that these benefits can be split up and distributed as individual parcels to people. So the free rider would not voluntarily exert any extra effort, unless there is some inherent pleasure or material reward for doing so (such as, for example, money paid by the government, as with an all-volunteer army or mercenaries).

### **Possible Solutions to the Free Rider Problem**

**Dominant Assurance Contracts:** Assurance contracts are contracts in which participants make a binding pledge to contribute to a contract for building a public good, contingent on a quorum of a predetermined size being reached. Otherwise their money is refunded. A dominant assurance contract is a variation in which an entrepreneur creates the contract and refunds the initial pledge plus an additional sum of money if the quorum is not reached. In game theory terms this makes pledging to build the public good a dominant strategy: the best move is to pledge to the contract regardless of the actions of others.

**Coasian Solution:** The *coasian solution*, named for the economist Ronald Coase and unrelated to the Coase theorem, proposes a mechanism by which potential beneficiaries of a public good band together and pool their resources based on their willingness to pay to create the public good. Coase (1960) argued that if the transaction costs between potential beneficiaries of a public good are sufficiently low, and it is therefore easy for beneficiaries to find each other and pool their money based on the public good's value to them, then an adequate level of public goods production can occur even under competitive free market conditions. However, Coase (1988) famously wrote: "The world of zero transaction costs has often been described as a Coasian world. Nothing could be further from the truth. It is the world of modern economic theory, one which I was hoping to persuade economists to leave."

A similar alternative for arranging funders of public goods production is to produce the public good but refuse to release it into the public until some form of payment to cover costs is met. Author Stephen King, for instance, authored chapters of a new novel downloadable for free on his website while threatening not to release subsequent chapters unless a certain amount of money was raised. Sometimes dubbed *holding for ransom*, this method of public goods production is a modern application of the street performer protocol for public goods production.

In some ways, the formation of governments and

government-like communities such as homeowners associations can be thought of as applied instances of practicing the coasian solution by creating institutions to reduce the transaction costs.

Libertarians claim that these types of solutions are preferable to government provision in almost every case. Some even list defense, roads, law enforcement, and other areas traditionally reserved for the state as good candidates for market systems.

**Government Provision:** If voluntary provision of public goods will not work, then the obvious solution is making their provision involuntary. (Each of us is saved from our own individualistic short-sightedness, our tendency to be a free rider, while also being assured that no one else will be allowed to free ride.) One general solution to the problem is for governments or states to impose taxation to fund the production of public goods. The difficulty is to determine how much funding should be allocated to different public goods, and how the costs should be split.

Sometimes the government provides public goods using “unfunded mandates”. An example is the requirement that every car be fit with a catalytic converter. This may be executed in the private sector, but the end result is predetermined by the state: the individually involuntary provision of the public good clean air. Unfunded mandates have also been imposed by the U.S. federal government on the state and local governments, as with the Americans with Disabilities Act, for example.

**Subsidies:** A government may subsidize production of a public good in the private sector. Unlike government provision, subsidies may result in some form of competitive market. The potential for cronyism (for example, an alliance between political insiders and the businesses receiving subsidies) can be limited with secret bidding for the subsidies or application of the subsidies following clear general principles. Depending on the nature of a public good and a related subsidy, principal agent problems can arise between the citizens and the government or between the government and the subsidized producers; this effect and counter-measures taken to address it can diminish the benefits of the subsidy.

Subsidies can also be used in areas with a potential for non-individualism: For instance, a state may subsidize devices to reduce air pollution and appeal to citizens to cover the remaining costs..

**Privileged Group:** The study of collective action shows that public goods are still produced when one individual benefits more from the public good than it costs him to produce it; examples include benefits from individual use, intrinsic motivation to produce, and business models based on selling complement goods. A group that contains such individuals is called a privileged group. A historical example could be a downtown entrepreneur who erects a street light in front of his shop to attract customers; even though there are positive external benefits to neighbouring businesses that aren't paying from the street light, the added customers to the paying shop provide enough revenue to cover the costs of the street light.

The existence of privileged groups is not a complete solution to the free rider problem, however, as underproduction of the public good can still result. The street light builder, for instance, would not consider the added benefit to neighbouring businesses when determining whether to erect his street light, making it possible that the street light isn't built when the cost of building is too high for the single entrepreneur even when the total benefit to all the businesses combined exceeds the cost.

An example of the privileged group solution could be the Linux community, assuming that users derive more benefit from contributing than it costs them to do it. For more discussion on this topic see also Coase's Penguin.

**Merging of Free Riders:** Another method of overcoming the free rider problem is to simply eliminate the profit incentive for free riding by buying out all the potential free riders. A property developer that owned an entire city street, for instance, would not need to worry about free riders when erecting street lights since he owns every business that could benefit from the street light without paying. Implicitly, then, the property developer would erect street lights until the marginal social benefit met the marginal social cost, since in this case they are equivalent to the private marginal benefits and costs.

While the purchase of all potential free riders may solve the problem of underproduction due to free riders in smaller markets, it may simultaneously introduce the problem of underproduction due to monopoly. Additionally, some markets are simply too large to make a buyout of all beneficiaries feasible-this is particularly visible with public goods that affect everyone in a country.

***Legislated Exclusion:*** Another solution, which has evolved for information goods, is to create intellectual property laws, such as copyright or patents, covering the public goods. These laws attempt to remove the natural non-excludability by prohibiting reproduction of the good. Although they can solve the free rider problem, the downside of these laws is that they imply private monopoly power and thus are not Pareto-optimal. For example, in the United States, the patent rights given to pharmaceutical companies encourage them to charge high prices (above marginal cost), to advertise to convince patients to nag their doctors to prescribe the drugs, to sue even mild imitators in court, and to lobby for the extension of patent rights in a form of rent seeking.

This near-ubiquitous problem arises because the underlying marginal cost of giving the good to more people is low or zero, but, because of the limits of price discrimination (including both arbitrage and a lack of incentives to provide cheap, high quality copies to those with little ability to pay), those who are unwilling or unable to pay a profit-maximising price, do not get access to the good.

Joseph Schumpeter claimed that the “excess profits,” or profits over normal profit, generated by the copyright or patent monopoly will attract competitors that will make technological innovations and thereby end the monopoly. This is a continual process referred to as “Schumpeterian creative destruction”, and its applicability to different types of public goods is a source of some controversy. The supporters of the theory point to the case of Microsoft, for example, which has been increasing its prices (or lowering its products’ quality), and predict that these practices will make increased market shares for Linux and Apple largely inevitable.



**Public Spirit:** If enough people do not think like free-riders, the private and voluntary provision of public goods may be successful. A free rider might litter in a public park, but a more public-spirited individual would not do so, getting an inherent pleasure from helping the community. In fact, a public-spirited person might voluntarily pick up some of the existing litter. If enough people do so, the role of the state in using taxes to hire professional maintenance crews is reduced. This might imply that even someone typically inclined to free-riding would not litter, since their action would have such an obvious cost.

Public spirit may be encouraged by non-market solutions to the economic problem, such as tradition and social norms. For example, this kind of public spirit involving concepts such as nationalism and patriotism has been part of most successful war efforts, complementing the roles of taxation and conscription. To some extent, public spiritedness of a more limited type is the basis for voluntary contributions that support public radio and television.

### **Government Debt**

Government debt (also known as public debt or national debt) is money (or credit) owed by any level of government; either central government, federal government, municipal government or local government. As the government represents the people, government debt can be seen as an indirect debt of the taxpayers.

Government debt can be categorized as internal debt, owed to lenders within the country, and external debt, owed to foreign lenders. Governments usually borrow by issuing securities such as government bonds and bills. Less credit worthy countries sometimes borrow directly from commercial banks or supranational institutions. Some people consider all government liabilities, including future pension payments and payments for goods and services the government has contracted for but not yet paid, as government debt.

Another common division of government debt is by duration. Short term debt is generally considered to be one year or less, long term is more than ten years. Medium term debt falls in the middle.

**Government and Sovereign Bonds:** A government bond is a bond issued by a national government denominated in the country's domestic currency. Bonds issued by national governments in foreign currencies are normally referred to as sovereign bonds. Government bonds are usually considered risk-free bonds, because the government can raise taxes, reduce spending, or simply print more money to redeem the bond at maturity. Investors in sovereign bonds have the additional risk that the issuer is unable to obtain foreign currency to redeem the bonds.

**Municipal, Provincial or State Bonds:** Municipal bonds or "munis" in the United States are debt securities issued by local governments (municipalities).

**Denominated in Reserve Currencies:** Governments borrow money in a currency for which the demand is strongest. The advantage of issuing bonds in a currency such as the euro or the US dollar, is that the universe of investors for the bonds is very large. Countries such as the United States, France and Germany have only issued in their domestic currency. Relatively few investors are willing to invest in currencies that do not have a long track-record of stability. The disadvantage for a government issuing bonds in a foreign currency, is that there is a risk that they will not be able to obtain the foreign currency to pay the interest or redeem the bonds. In 1997/1998, during the Asian financial crisis this became a serious problem when many countries were unable to keep their exchange rate fixed due to speculative attacks.

**Risk:** Lendings to a national government in the country's own sovereign currency are often considered "risk free" and are made at a so-called "risk-free interest rate". This is because the debt and interest can be repaid by raising taxes, a reduction in spending, or failing that by simply printing more money. Some economists argue that, in an economy near the full employment, this would increase inflation and reduce the value of the invested capital. An extreme example of this is provided by Weimar Germany of 1920s which suffered from hyperinflation due to its government's inability to pay the national debt.

A politically unstable state is anything but risk-free as it may, being sovereign, cease its payments with impunity. Famous examples of this phenomenon are the Spain of eighteenth century which nullified its government debt seven times during a century and revolutionary Russia of 1917 which refused to accept the responsibility for Imperial Russian debt. Another political risk is caused by external threats. It is most uncommon for invaders to accept responsibility for the national debt of the annexed state or that of an organization it considered a rebellion. For example, all debts taken by Confederate States of America were left unpaid after the American Civil War.

U.S. Treasury bonds denominated in U.S. dollars are often considered “risk free” in the U.S. but this ignores the risk to foreign purchasers of currency exchange rate movements. In addition, this implicitly accepts the stability of the US government and its ability to continue repayments in a difficult financial crisis.

Lendings to a national government in a currency other than its own does not allow for the same confidence in the ability to repay but this is offset somewhat by reducing the exchange rate risk to foreign lenders. On the other hand, national debt in foreign currency cannot be disposed of by starting a hyperinflation, which increases the credibility of the debtor. Usually small states with volatile economies have most of their national debt in foreign currency. For countries in the Eurozone, the euro is the local currency, although no single state can trigger inflation by printing more money.

Lendings to a local or municipal government can be just as risky as a loan to a private company, unless the local or municipal government has the power to tax. In this case, the local government can escape its debts by increasing the taxes, or reduce spending, just as a national one. Local government loans are sometimes guaranteed by the national government and this reduces the risk. In some jurisdictions, interest earned on local or municipal bonds is tax-exempt income, which can be an important consideration for the wealthy.

***Clearing and Defaults:*** Public debt clearing standards are set by the Bank for International Settlements, but defaults

are governed by extremely complex laws which vary from jurisdiction to jurisdiction. Globally, the International Monetary Fund has the power to intervene to prevent anticipated defaults. It has been very heavily criticized for the measures it advises nations to take, which often involve cutting back essential services as part of an economic austerity regime. In triple bottom line analysis, this can be seen as degrading capital on which the nation's economy ultimately depends.

Private debt, by contrast, has a relatively simple and far less controversial model: credit risk (or the consumer credit rating) determines interest rate, more or less, and entities go bankrupt if they fail to repay. Governments cannot really go bankrupt (and suddenly stop providing services to citizens), thus a far more complex way of managing defaults is required.

Smaller jurisdictions, such as cities, are usually guaranteed by their regional or national levels of government. When New York City over the 1960s declined into what would have been a bankrupt status (had it been a private entity) by the early 1970s, a "bailout" was required from New York State and the United States. In general such measures amount to merging the smaller entity's debt into that of the larger entity and thereby gaining it access to the lower interest rates the large one enjoys. The larger entity may then assume some agreed-upon oversight in order to prevent recurrence of the problem.

**Structure:** In the dominant economic policy generally ascribed to theories of John Maynard Keynes, sometimes called Keynesian economics, there is tolerance for fairly high levels of public debt to pay for public investment in lean times, which can be paid back with tax revenues that rise in the boom times.

As this theory gained popularity in the 1930s globally, many nations took on public debt to finance large infrastructural capital projects — such as highways or large hydroelectric dams. It was thought that this could start a virtuous cycle and a rising business confidence since there would be more workers with money to spend. However, it was only the military spending of World War II that really ended the Great Depression. (There is however, much debate as to what exactly ended the Great Depression, in particular from Austrian Economics.)

Nonetheless, the Keynesian scheme remained dominant, thanks in part to Keynes' own pamphlet *How to Pay for the War*, published in his native United Kingdom in 1940. Since the war was being paid for, and being won, Keynes and Harry D. White, Assistant Secretary of the United States Department of the Treasury, were, according to John Kenneth Galbraith, the dominating influences on the Bretton Woods agreements. These agreements set the policies for the BIS, IMF, and World Bank, the so-called *Bretton Woods Institutions*, launched in the late 1940s.

These are the dominant economic entities setting policies regarding public debt. Due to their role in setting policies for trade disputes, the GATT and World Trade Organization also have immense power to affect foreign exchange relations, as many nations are dependent on specific commodity markets for the balance of payments they require to repay debt.

Understanding the structure of public debt and analysing its risk requires one to:

- Assess the expected value of any public asset being constructed, at least in future tax terms if not in direct revenues. A choice must be made about its status as a public good — some public “assets” end up as public bads, such as nuclear power plants which are extremely expensive to decommission — these costs must also be worked in to asset values.
- Determine whether any public debt is being used to finance consumption, which includes all social assistance and all military spending.
- Determine whether triple bottom line issues are likely to lead to failure or defaults of governments — say due to being overthrown
- Determine whether any of the debt being undertaken may be held to be odious debt, which permits it to be disavowed without any effect to a country's credit status. This includes any loans to purchase “assets” such as leaders' palaces, or the people's suppression or extermination. International law does not permit people to be held responsible for such debts — as they did not

benefit in any way from the spending and had no control over it.

- Determine if any future entitlements are being created by expenditures — financing a public swimming pool for instance may create some right to recreation where it did not previously exist, by precedent and expectations.

**Scale:** Global debt is of great concern since, very often, social capital is depleted (such as cases of pestilence or welfare services on families or friends), and natural capital is ravaged for “natural resources” to make interest payments.

This has led to calls for universal debt relief for poorer countries. A less extreme measure is to permit civil society groups in every nation to buy the debt in exchange for minority equity positions in community organizations. Even in dictatorships, the combination of banks and civil society power could force land reform and overthrow unaccountable governments, since the people and banks would be aligned against the oppressive government.

Creditary economics and Islamic economics argue that *any* level of debt by any party simply represents a violent and coercive relationship that must end. As the existing system of public debt finance based on Bretton Woods is critical to the financial architecture, significant monetary reform would be required to realize this.

Most analysts consider the current U.S. budget deficit of over US\$500 billion per year to represent a problem that must be addressed quickly. Recently, the U.S. public debt has grown to over US\$8 trillion. Meanwhile, Canada’s national debt has begun to shrink (as of 2005, Canada’s net debt as a fraction of GDP was half its peak, and was the lowest among the G8 nations).

Japan’s national debt has increased rapidly since 1993 to more than 170% of GDP, sometimes the world’s largest, depending on exchange rate, over \$700 billion is added yearly to the total of over US\$8 trillion, testing the world financial system. However, almost all of it is financed domestically, but still manages to severely cripple the national government.

Using a debt to GDP ratio is one of the most accepted measures of assessing a nation's debt. For example, one of the criteria of admission to the European Union's Euro currency is that a country's debt does not exceed 60% of that country's GDP. In contrast, per capita measures are often inappropriate, particularly in developing nations, which have far more people than capital. One billion people live on under US\$1/day; two billion more on under US\$5/day. This totals almost one half of the world's population.

**Problems:** Sovereign debt problems have been a major public policy issue since World War II, including the treatment of debt related to that war, the developing country "debt crisis" in the 1980s, and the shocks of the Russian financial crisis in 1998 and Argentina's default in 2001. For a comprehensive discussion of the procedures that have evolved for resolving the problems of governments that have defaulted on their contractual debt obligations, see: *Restructuring Sovereign Debt: the Case for Ad Hoc Machinery*, by Lex Rieffel, Brookings Institution Press, 2003.

**Implicit Debt:** Government "implicit" debt is the "promise" by a government of future payments from the state. Usually long term promises of social payments such as pensions and health expenditure are what is referred to by this term; not promises of other expenditure such as education or defence (which are largely paid on a "quid pro quo" basis to government employees and contractors, rather than as "social welfare", including welfare per se, to the general population).

The problem with the implicit government insurance liabilities is that it's very hard to make any accurate assumptions about these liabilities, since the scale of future payments depends on so many factors. First of all, the social security claims are not any "open" bonds or debt papers with a stated time frame, "time to maturity", "nominal value", or "net present value". In the United States there is no money in the governments coffers for social insurance payments, or for any payments, more than what's required to run day-to-day business. This insurance system is called PAYGO (pay-as-you-go) as opposed to save and invest.



The fear is that when the “baby boomers” start to retire the working population in the United States will be a smaller percentage of the population than it is now, for a perhaps incalculable time into the future. This will make the government expenditures a “burden” on the country-larger than the 35% of GDP that it is now. Remember that the “burden” of the government is what it spends, since it can only pay its bills through taxes, debt, and inflation of the currency (government spending = tax revenues + change in government debt held by public + change in monetary base held by the public). “Government social benefits” paid by the United States government during 2003 totalled \$1.3 trillion.

## **Public Finance**

Public finance (government finance) is the field of economics that deals with budgeting the revenues and expenditures of a public sector entity, usually government. Governments, like any other legal entity, can take out loans, issue bonds and invest. Based on the taxing authority of the entity, they issue bonds such as tax increment bonds or revenue bonds. A bond issued by a public sector entity may give tax advantages to its owners.

### ***The Economic Basis of Government Activity***

Efficiency:

- A model of efficient resource use
- Equity vs efficiency
- Market efficiency conditions
- Market failures
- Pareto efficiency
- Government efficiency-how efficient are governments at obtaining their objectives? How much of their expenditure actually goes to where it is intended? What types of waste exist?
- Scope of government activities-what do governments spend money on? What should governments spend money on? what can be left to markets? Why governments should be concerned with externalities, public goods.

Externalities and government policy:

- Internalization of externalities
- The Coase Theorem. The Coase theorem is the idea that government, with the power to establish the rights to use resources, can internalize externalities when transaction costs of bargaining are zero.

Public goods:

- The characteristics of
- The demand for pure public goods
- Efficient output of a pure public good
- The free rider problem

Public choice and the political process:

- Arrow's impossibility theorem

### **Government Expenditures**

Income distribution:

- Income distribution-How will these government expenditures influence the incomes of one group relative to another group? Government programs like disaster relief? Transfer wealth to people that have suffered a loss due to natural disaster. Social security transfers wealth from the young to the old. Engaging in a war transfers wealth to certain sectors of society. Public education transfers wealth to families with children in these schools. Public road construction transfers wealth from people that do not use the roads to those people that do (and to those that build the roads).
- Income Security
- Employment insurance
- Health Care

Financing:

- Income redistribution effects of the various types of taxes and types of borrowing
- Taxation, Prices and Efficiency
  - o Impact of taxes on market prices and efficiency

**Taxes:**

- The various types of taxes
- Taxation efficiency
- Taxation fairness
- User fees

**Debt:**

- Government debt-the effect of previous years borrowing-the cost of servicing the debt-intergenerational consequences
  - o Types of government bonds
  - o Effects on the bond market

**Private Sector**

The private sector of a nation's economy consists of all that is outside the state. It includes a variety of entities such as for-profit and non-profit enterprises, corporations, banks (other than central banks), any other non-governmental organizations, as well as individuals not employed by the state.

Capitalism revolves primarily around the private sector controlling industry.

**Social Sector**

Social sector is one of several terms created as alternatives to non-profit sector and non-governmental sector. The latter are seen as putting an emphasis on what this sector is not, rather than calling attention to its focus on a social mission.

Other terms that have been proposed are voluntary sector, third sector, independent sector and mission-based sector.

**Consumer Debt**

Consumer debt is consumer credit which is outstanding. In macroeconomic terms, it is debt which is used to fund consumption rather than investment.

Some consider all debt incurred for anything else other than investments unwise, while others believe that consumer credit is beneficial in growing the economy. The difference between perspectives is often a matter of personal values,

which can be attributed to widespread social biases. Historically, across many cultures, being in personal debt was considered almost immoral. More recently, an alternative analysis might view consumer debt as a way to increase domestic production. If credit is easily available, the increased demand for consumer goods should cause an increase of overall domestic production. Both domestic and international economists have supported a recent upsurge in South Korean consumer debt, which has helped fuel economic expansion. On the other hand, credit card debt is almost unknown just across the sea in Japan and China, one because of long standing historical biases against personal debt, the other because the economy is still underdeveloped. Theoretical underpinnings aside, personal debt is on the rise, particularly in the United States.

The most common form of consumer debt is credit card debt, payday loans, and other consumer finance, which are often at higher interest rates than long term secured loans, such as mortgages. Interest rates vary, of course, depending on current economic situation and the financial status of the individual, but 12-15% per annum is not unusual.

Long-term consumer debt is often considered fiscally suboptimal. While some consumer items may be useful investments that justify debt (such as automobiles, which are usually but not always exempted in discussions of *consumer debt*, and business suits), most consumer goods are not. For example, incurring high-interest consumer debt through buying a big-screen television “now”, rather than saving for it, can not usually be financially justified by the subjective benefits of having the television early. On the other hand, personal finance advisors like Robert Kiyosaki encourage a more liberal attitude towards taking on debt if it can be leverage into a small business or real estate. This higher-risk, possibly high-outcome, “personal-finances-as-a-game” attitude runs counter to the traditional mores of rising slowly through the ranks of a company through discipline and hard work, but may have increasingly validity in an age of globalization.

In many countries, the ease with which individuals can accumulate consumer debt beyond their means to repay has

paradoxically precipitated a growth industry in debt consolidation and credit counselling.

## Cooperative

A cooperative (also cooperative or cooperative or co-op) has been defined in the International Cooperative Alliance (ICA) Statement on the Cooperative Identity as “an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise.” They “are based on the values of self-help, self-responsibility, democracy, equality, equity and solidarity. In the tradition of their founders, cooperative members believe in the ethical values of honesty, openness, social responsibility and caring for others.” Such enterprises are the focus of study in the field of Cooperative economics.

**Cooperative Identity:** Such legal entities have a range of unique social characteristics. Membership is open, meaning that anyone who satisfies certain non-discriminatory conditions may join. Unlike a union, in some jurisdictions a cooperative may assign different numbers of votes to different members. However most cooperatives are governed on a strict “one member, one vote” basis, to avoid the concentration of control in an elite. Economic benefits are distributed proportionally according to each member’s level of economic interest in the cooperative, for instance by a dividend on sales or purchases. Cooperatives may be generally classified as either consumer or producer cooperatives, depending largely on the mutual interest that their membership shares. Classification is also often based on their function.

## Types of Cooperatives

**Housing Cooperative:** A housing cooperative is a legal mechanism for ownership of housing where residents either own shares (share capital co-op) reflecting their equity in the cooperative’s real estate, or have membership and occupancy rights in a not-for-profit cooperative (non-share capital co-op), and they underwrite their housing through paying subscriptions or rent.

Housing cooperatives come in three basic equity structures. In market-rate housing co-ops, members can sell their shares in the co-op whenever they like for whatever price the market will bear, much like any other residential property. Market-rate co-ops are very common in New York City. Limited Equity co-ops, which are often used by affordable housing developers, allow members to own some equity in their home, but limit the sale price of their membership share to that which they bought in for. Provisions are often made for inflation, or improvements made on the building.

The purpose of this is to prevent co-op members from using their share in the co-op to speculate on rising real estate prices, and to keep the price of a membership share affordable to future members. In the third structure, called zero-equity or "Group Equity" by the North American Students of Cooperation (NASCO), one of the proponents of this model, individual members do not build up equity in the co-op—the co-op is not owned by its members, but by itself.

Housing cooperatives may occupy various types of physical structure. Co-ops can be structured as individual housing units grouped together, such as in an apartment building, or they can be groups of people living together in one housing unit, as an alternative to the traditional family structure.

**Building Cooperative:** Members of a building cooperative—in Britain known as a self-build housing co-operative—pool resources to build housing, normally using a high proportion of their own labour. When the building is finished, each member is the sole owner of a homestead, and the cooperative may be dissolved.

This collective effort was at the origin of many of Britain's building societies, which however developed into "permanent" mutual savings and loan organisations, a term which persisted in some of their names (such as the former *Leeds Permanent*). Nowadays such self-building may be financed using a step-by-step mortgage which is released in stages as the building is completed.

The term also refers to workers' co-operatives in the building trade.

**Retailers' Cooperative:** A retailers' cooperative (often known as a secondary or marketing cooperative in the UK) is an organization which employs economies of scale on behalf of its members to get discounts from manufacturers and to pool marketing. It is common for locally-owned grocery stores, hardware stores and pharmacies. In this case the members of the cooperative are businesses rather than individuals. The well-known Best Western hotel chain is actually a giant cooperative, although it now prefers to call itself a "non-profit membership association." It gave up on the "cooperative" label after the courts kept insisting on calling it a franchis or despite its non-profit status.

**Utility Cooperative:** A utility cooperative is a public utility that is owned by its customers. It is a type of consumer cooperative. In the US, many such cooperatives were formed to provide rural electrical and telephone service as part of the New Deal.

**Worker Cooperative:** A worker cooperative or producer cooperative is a cooperative that is wholly owned and democratically controlled by its "worker-owners". There are no outside, or consumer owners, in a worker's cooperative-only the workers own shares of the business. Membership is not compulsory for employees, and only employees can become members.

**Social Cooperative:** A particularly successful form of multi-stakeholder cooperative is the Italian "social cooperative", of which some 7,000 exist. A "type A" social cooperative brings together providers and beneficiaries of a social service as members. A "type B" social cooperative brings together permanent workers and previously unemployed people who wish to integrate into the labour market.

Social co-operatives are legally defined as follows:

- the objective is the general benefit of the community and the social integration of citizens
- type A co-operatives provide health, social or educational services
- those of type B integrate disadvantaged people into the



labour market. The categories of disadvantage they target may include physical and mental disability, drug and alcohol addiction, developmental disorders and problems with the law. They do not include other factors of disadvantage such as race, sexual orientation or abuse

- various categories of stakeholder may become members, including paid employees, beneficiaries, volunteers (up to 50% of members), financial investors and public institutions. In type B co-operatives at least 30% of the members must be from the disadvantaged target groups
- the cooperative has legal personality and limited liability
- voting is one person one vote
- no more than 80% of profits may be distributed, interest is limited to the bond rate and dissolution is altruistic (assets may not be distributed)

A good estimate of the current size of the social cooperative sector in Italy is given by updating the official ISTAT figures from the end of 2001 by an annual growth rate of 10% (assumed by the *Direzione Generale per gli Ente Cooperativi*). This gives totals of 7,100 social cooperatives, with 267,000 members, 223,000 paid employees, 31,000 volunteers and 24,000 disadvantaged people undergoing integration. Combined turnover is around 5 billion euro. The cooperatives break into three types: 59% type A (social and health services), 33% type B (work integration) and 8% mixed. The average size is 30 workers.

**Consumers' Cooperative:** The term *cooperative* also applies to businesses owned by their customers: a Consumers' Cooperative. Employees can also generally become members. Members vote on major decisions, and elect the board of directors from amongst their own number. A well known example in the US is the REI (Recreational Equipment Incorporated) co-op. The world's largest consumer cooperative is the Cooperative Group in the United Kingdom, which has a variety of retail and financial services. There are also a number of other, independent consumer cooperative societies in the UK, such as the East of England Cooperative Society and Midcounties Cooperative. In fact the Cooperative Group is actually something of a hybrid, having both corporate (other consumer cooperatives) and

individual members. Japan has a very large and well developed consumer cooperative movement with over 14 million members; retail co-ops alone had a combined turnover of 2.519 trillion Yen (21.184 billion U.S. Dollars [market exchange rates as of 11/15/2005]) in 2003/4. (Japanese Consumers' Cooperative Union., 2003). As well as retail co-ops there are medical, housing, insurance co-ops alongside institutional (workplace based) co-ops, co-ops for school teachers and university based co-ops.

Around 1 in 5 of all Japanese households belongs to a local retail co-op and 90% of all co-op members are women. (Takamura, 1995). Nearly 6 million households belong to one of the 1,788,000 Han groups (Japanese Consumers' Cooperative Union., 2003). These consist of a group of five to ten members in a neighbourhood who place a combined weekly order which is then delivered by truck the following week. A particular strength of Japanese consumer co-ops in recent years has been the growth of community supported agriculture where fresh produce is sent direct to consumers from producers without going through the market.

***Agricultural Cooperative:*** Agricultural cooperatives are widespread in rural areas.

In the United States, there are both marketing and supply cooperatives. Agricultural marketing cooperatives, some of which are government-sponsored, promote and may actually distribute specific commodities. There are also agricultural supply cooperatives, which provide inputs into the agricultural process.

In Europe, there are strong agricultural / agribusiness cooperatives, and agricultural cooperative banks. Most emerging countries are developing agricultural cooperatives. Where it is legal, medical marijuana is generally produced by cooperatives.

***Cooperative Banking (Credit Unions and Cooperative Savings Banks):*** The Cooperative Bank's head office, 1 Balloon Street, Manchester. The statue in front is of Robert Owen, a pioneer in the Cooperative movement.

Credit Unions provide a form of cooperative banking.

In North America, the *caisse populaire* movement started by Alphonse Desjardins in Quebec, Canada pioneered credit unions. Desjardins wanted to bring desperately needed financial protection to working people. In 1900, from his home in Levis, Quebec, he opened North America's first credit union, marking the beginning of the Movement Desjardins.

While they have not taken root so deeply as in Ireland or the USA, credit unions are also established in the UK. The largest are work-based, but many are now offering services in the wider community. The Association of British Credit Unions Ltd-ABCUL-represents the majority of British Credit Unions. British Building Societies developed into general-purpose savings & banking institutions with "one member, one vote" ownership and can be seen as a form of financial cooperative (although many 'de-mutualised' into conventionally-owned banks in the 1980s & 1990s). The UK Cooperative Group includes both an insurance provider CIS and the Cooperative Bank, both noted for promoting ethical investment.

Other important European banking cooperatives include the Credit Agricole in France, Migros and Coop Bank in Switzerland and the Raiffeisen system in many Central and Eastern European countries. The Netherlands, Spain, Italy and various European countries also have strong cooperative banks. They play an important part in mortgage credit and professional (i.e. farming) credit.

Cooperative banking networks, which were nationalized in Eastern Europe, work now as real cooperative institutions. A remarkable development has taken place in Poland, where the SKOK network has grown to serve over 1 million members via 13,000 branches, and is larger than the country's largest conventional bank. In Scandinavia, there is a clear distinction between mutual savings banks (Sparbank) and true credit unions (Andelsbank).

**Car-Sharing:** Car-sharing is an arrangement by which individuals and groups share vehicles, which are stored in convenient common locations. It may be thought of as a very short-term, locally-based car hire, run on a members-only basis. It is most prevalent in Switzerland (where the Mobility

Car-Sharing cooperative has more than 50,000 clients), but is also common in Germany, Austria, and the Netherlands, and is fast growing in popularity in other European countries, Asia and North America. Car sharing operations may be for-profit or non-profit organizations. Zipcar and Flexcar are examples.

In Britain, where the term 'car sharing' has also been used for carpools or ride-sharing, some people prefer the term 'car clubs'.

**Federal or Secondary Cooperatives:** In some cases, Cooperative societies find it advantageous to form Federal or Secondary Cooperatives in which all members are themselves Cooperatives. Historically, these have predominantly come in the form of Cooperative Wholesale Societies, and Cooperative Unions. Cooperative Federations are a means through which Cooperative Societies can fulfil the sixth Rochdale Principle, Cooperation amongst Cooperatives, with the ICA noting that "Co-operatives serve their members most effectively and strengthen the cooperative movement by working together through local, national, regional and international structures."

**Cooperative Wholesale Society:** According to Cooperative economist Charles Gide, the aim of a Cooperative wholesale society is to arrange "bulk purchases, and, if possible, organise production." The best historical example of this were the English CWS and the Scottish CWS, which were the forerunners to the modern Cooperative Group.

**Cooperative Union:** A second common form of Cooperative Federation is a Cooperative Union, whose objective (according to Gide) is "to develop the spirit of solidarity among societies and... in a word, to exercise the functions of a government whose authority, it is needless to say, is purely moral." Cooperatives UK and the International Cooperative Alliance are examples of such arrangements.

**Cooperative Party:** In some countries with a strong Cooperative sector, such as the UK, Cooperatives may find it advantageous to form a Parliamentary Political party to represent their interests. The British Cooperative Party is a prime example of such an arrangement.

## **Housing Cooperative**

A housing cooperative is a legal entity, usually a corporation, that owns real estate, one or more residential buildings. Each shareholder in the legal entity is granted the right to occupy one housing unit, sometimes subject to an Occupancy Agreement, which is similar to a lease. The Occupancy agreement specifies the co-op's rules.

**Legal Status:** As a legal entity, a co-op can contract with other companies or hire individuals to provide it with services, such as a maintenance contractor or a building manager. It can also hire employees, such as a manager or a caretaker, to deal with specific things that volunteers may prefer not to do or may not be good at doing, such as electrical maintenance. However, as many housing cooperatives strive to run self-sufficiently (and recognize the economical efficiency of doing so), as much work as possible is completed by its members.

A shareholder in a co-op does not own real estate, but a share of the legal entity that does own real estate. Cooperative ownership is quite distinct from condominiums where people "own" individual units and have little say in who moves into the other units. Because of this, most jurisdictions have developed separate legislation, similar to laws that regulate companies, to regulate how co-ops are operated and the rights and obligations of shareholders.

**Ownership:** Each resident or resident household has membership in the cooperative association. Members have occupancy rights to a specific suite within the housing cooperative as outlined in their "occupancy agreement", or "proprietary lease" which is essentially a lease.

In some cases, the co-op follows Rochdale rules where each shareholder has only one vote. Most cooperatives are incorporated as limited stock companies where the number of votes an owner has is tied to the number of shares owned by the person. Whichever form of voting is employed it is necessary to conduct an election among shareholders to determine who will represent them on the board of directors (if one exists), the governing body of the cooperative. The board of directors is generally responsible for the business decisions including the

financial requirements and sustainability of the cooperative. Although politics vary from co-op to co-op and depend largely on the wishes of its members, it is a general rule that a majority vote of the board is necessary to make business decisions.

**Management:** In larger co-ops, members of a co-op typically elect a board of directors from amongst the shareholders at a general meeting, usually the annual general meeting. In smaller co-ops, all members sit on the board.

The board typically elects its own officers, such as a president, vice-president and so on. Usually, the directors are volunteers, or are paid an honorarium. The board may then establish standing committees from among the shareholders, who usually also volunteer their time, to either handle the business affairs of the co-op or make recommendations to the full board on such issues as its finance, membership and maintenance of its housing units.

**Finance:** A housing co-op is normally *de facto* non-profit, since usually most of its income comes from the rents paid by its residents, who are invariably its members. There is no point in creating a deliberate surplus—except for operational requirements such as setting aside funds for replacement of assets—since that simply means that the rents paid by members are set higher than the expenses. (Note, however, that it's quite possible for a housing co-op to own other revenue-generating assets, such as a subsidiary business which could produce surplus income to offset the cost of the housing, but in those cases the housing rents are usually reduced to compensate for the additional revenue.)

It is relatively difficult to start a housing co-op because if the idea is, for instance, to build a building or group of buildings to house the members, this usually takes a significant mortgage for which a financial institution will want assurances of responsibility. It may also take a year or more for the members to organize the design and construction, as well as time and foresight to establish even basic organizational policies. It is rare that these kinds of skills of organization are available in a random group of people who often have pressures on their existing housing. It may be somewhat easier to organize a

group of closely related housing units. This opportunity may arise, for example, if an existing apartment building's owner is thinking about selling it.

There are housing co-ops of the rich and famous—John Lennon, for instance, lived in a housing cooperative, and most apartments in New York City that are owned rather than rented are held through a cooperative rather than via a condominium arrangement.

There are two main types of housing cooperative financing methods, market rate and limited equity. With market rate, the share price is allowed to rise on the open market and shareholders may sell at whatever price the market will bear when they want to move out. In many ways market rate is thus similar financially to owning a condominium, with the difference being that often the co-op carries a mortgage, resulting in a much higher monthly fee paid to the co-op than would be so in a condominium. The purchase price of a comparable unit in the co-op is typically much lower, however.

With limited equity, the co-op has rules regarding pricing of shares when sold. The idea behind limited equity is to maintain affordable housing. A sub-set of the limited equity model is the no-equity model, which looks very much like renting, with a very low purchase price (comparable to a rental security deposit) and a monthly fee in lieu of rent. When selling, all that is recouped is that very low purchase price.

## **Building Cooperatives**

Building cooperatives are cooperative housing corporations where individuals or families work together to directly construct their own homes on a co-op basis.

Members of this type of cooperative purchase building materials in bulk and cooperate with other members of the co-op during the construction phase of the cooperative. When the housing has been completed the members usually own their own homes directly. In some cases, roads, parkland and community facilities continue to be owned by the cooperative.

Building co-ops were extremely popular in many parts of Canada from the 1930s to the 1960s. Father James (Jimmy)



Tompkins and Dr. Moses Coady were key organizers in Nova Scotia of the first building co-ops. Through active local study groups they began research on cooperatives and developed a concept of how a building co-op could work.

Father Tompkins helped the start-up in 1936 of the first self-help, building co-op in North America near Glace Bay (Reserve Mines), Nova Scotia, Canada. A group of coal miners formed the Housing cooperative with a housing loan of CAN \$22,000. The housing loan was used to pay for building materials. Each miner's personal contribution was his labour—"sweat equity". They worked together to build eleven homes. The miners moved into the first houses in 1938. These homes continue to be occupied today at Tompkinsville.

**Retailers' Cooperative:** A retailers' cooperative is a business entity which employs economies of scale on behalf of its retailer-members to get discounts from manufacturers and to pool marketing. It is common for locally-owned grocery stores, hardware stores and pharmacies. It should be distinguished from a consumers' cooperative, in which the consumers own and manage the store itself. It is a form of purchasing cooperative for retailers.

**Worker Cooperative:** A worker cooperative is a cooperative owned and operated by its "worker-owners". There are no outside or consumer owners in a worker cooperative—only the workers own shares of the business. Only one membership share may be issued to a member. One membership share is the equivalent of one vote. Membership is not compulsory for employees, but only employees can become members.

One of the world's best known example of worker cooperation is the Mondragon Cooperative Corporation (MCC) in the Basque Country.

**History of Worker Cooperatives:** Since there is no coherent legislation across the United States, much less Federal laws, most worker cooperatives make use of traditional consumer cooperative law and try to fine-tune it for their purposes. In some cases the members (workers) of the cooperative in fact "own" the enterprise by buying a share that represents a fraction of the market value of the cooperative. But this is seldom the

case in most modern day worker cooperatives. This system of “buying-in” has proven unworkable because as the value of the cooperative increases, new members cannot afford to buy a share and are reduced to purchasing over a long-term, which means going into debt to the cooperative, maybe for years. Worker cooperatives organized this way mostly became traditional businesses with the original coop members hiring employees.

When the current cooperative movement resurfaced in the 1960s it developed mostly on a new system of “collective ownership” where par value shares were issued as symbolic of egalitarian voting rights. Once brought in as a member, after a period of time on probation usually so the new candidate can be evaluated, he or she was given power to manage the coop, without “ownership” in the traditional sense. In the UK this system is known as common ownership.

Some of these early cooperatives still exist and most new worker cooperatives follow their lead and develop a relationship to capital that is more radical than the previous system of equity share ownership.

In Britain this type of cooperative was traditionally known as a *producer cooperative*, and, while it was overshadowed by the consumer and agricultural types, made up a small section of its own within the national apex body, the Cooperative Union. The ‘new wave’ of worker cooperatives that took off in Britain in the mid-1970s created the Industrial Common Ownership Movement (ICOM) as a separate federation. Buoyed up by the alternative and ecological movements and by the political drive to create jobs, the sector peaked at around 2,000 enterprises. However the growth rate slowed, the sector contracted, and in 2001 ICOM merged with the Cooperative Union (which was the federal body for consumer cooperatives) to create Cooperatives UK, thus reunifying the cooperative sector.

**Trade Unions:** Unions are often unnecessary in worker cooperatives because the workers have direct control over the management and ownership of the business—they are negotiating with themselves. Some worker cooperatives still choose to

become members of local unions to demonstrate their support for the labour movement and to working conditions that have resulted from years of struggle. While an unusual situation, there is no contradiction in doing so. Worker cooperatives that join unions often benefit from the trade that comes their way from the community of union members and those who support unions for political reasons. The labour contract negotiated becomes the baseline of benefits due to the membership and guarantees to the community that the working conditions are not those of a “sweatshop”. Union membership also guarantees that the worker cooperative will not operate on the basis of typical small business sacrifice, where the owner(s) sometimes work day and night to keep their business afloat and expect similar sacrifices of their workers. Union membership for worker cooperatives gives the enterprise a legitimate standard of operations.

**Internal Structure:** Worker cooperatives can have a wide variety of internal structures. Probably the majority of co-ops use a hierarchical structure based on that of a conventional business, with the exception that the board of directors is elected. Some co-ops, however, use a structure based on left-wing activist collectives, with all members allowed and expected to play a managerial role-and sometimes using consensus decision-making. Such unconventional structures tend to be associated with more radical political aims such as anarchism and parecon.

### **Social Cooperative**

An Italian social cooperative is a particularly successful form of multi-stakeholder cooperative, of which some 7,000 exist. A “type A” social cooperative brings together providers and beneficiaries of a social service as members. A “type B” social cooperative brings together permanent workers and previously unemployed people who wish to integrate into the labour market.

Social cooperatives are legally defined as follows:

- the objective is the general benefit of the community and the social integration of citizens

- type A cooperatives provide health, social or educational services
- those of type B integrate disadvantaged people into the labour market. The categories of disadvantage they target may include physical and mental disability, drug and alcohol addiction, developmental disorders and problems with the law. They do not include other factors of disadvantage such as race, sexual orientation or abuse
- various categories of stakeholder may become members, including paid employees, beneficiaries, volunteers (up to 50% of members), financial investors and public institutions. In type B cooperatives at least 30% of the members must be from the disadvantaged target groups
- the cooperative has legal personality and limited liability
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A good estimate of the current size of the social cooperative sector in Italy is given by updating the official ISTAT figures from the end of 2001 by an annual growth rate of 10% (assumed by the *Direzione Generale per gli Ente Cooperativi*). This gives totals of 7,100 social cooperatives, with 267,000 members, 223,000 paid employees, 31,000 volunteers and 24,000 disadvantaged people undergoing integration. Combined turnover is around 5 billion euro. The cooperatives break into three types: 59% type A (social and health services), 33% type B (work integration) and 8% mixed. The average size is 30 workers.

### Consumers' Cooperative

A consumers' cooperative is a business owned by its customers for their mutual gain. It is a form of free enterprise that is oriented toward service rather than pecuniary profit. The customers or consumers of the goods and/or services the business provides are also the individuals who have provided the capital required to launch or purchase that enterprise. (Although a consumers' co-op is sometimes called a retail

cooperative, it should be distinguished from a retailers' cooperative, whose members are the stores or chains themselves, rather than the individual consumers.)

A consumers' cooperative may comprise supermarkets, convenience stores, and other businesses owned by independently-owned, and run Cooperative societies, which benefit from joint coordination and cooperation in managing their businesses. As mutually-owned businesses, each member of a society has a shareholding equal to the sum they paid in when they joined.

Consumers Cooperatives may, in turn, form Cooperative Federations. These may come in the form of cooperative wholesale societies, through which Consumers' Cooperatives collectively purchase goods at wholesale prices and, in some cases, own factories. Alternatively, they may be members of Cooperative Unions.

## Privatization

Privatization (alternately "denationalization" or "disinvestment") is the transfer of property or responsibility from the public sector (government) to the private sector (business). The term can refer to partial or complete transfer of any property or responsibility held by government. A similar transfer in the opposite direction could be referred to the nationalization or municipalization of some property or responsibility.

The term also has been used to describe an unrelated, non-governmental interaction involving the buyout, by the majority owner, of all shares of a holding company's stock-privatizing a publicly traded stock.

**Types of Privatization:** There are three main methods of privatization:

- Share Issue privatization (SIP)-selling shares on the stock market
- Asset Sale privatization-selling the entire firm or part of it to a strategic investor, usually by auction or using *Treuhand* model

- Voucher privatization-shares of ownership are distributed to all citizens, usually for free or at a very low price.

Share issue privatization is the most common type.

Share issue can broaden and deepen domestic capital markets, boosting liquidity and potentially economic growth, but if the capital markets are insufficiently developed it may be difficult to find enough buyers, and transaction costs (e.g. underpricing required) may be higher. For this reason, many some governments elect for listings in the more developed and liquid markets such as Euronext, the London, New York or Hong Kong Stock Exchanges are popular because they are highly developed and sophisticated.

As a result of higher political and currency risk deterring foreign investors, asset sales are more common in developing countries.

Voucher privatization has mainly been used in the transition economies of Central and Eastern Europe-countries such as Russia, Poland and Czechoslovakia (Czech Republic and Slovakia)

### ***Pro-Privatization and Anti-Privatization Arguments***

***Pro-Privatization:*** Proponents of privatization believe that private market actors can more efficiently deliver many goods or service than government due to free market competition. In general, over time this will lead to lower prices, improved quality, more choices, less corruption, less red tape, and quicker delivery. Many proponents do not argue that everything should be privatized; the existence of problems such as market failures and natural monopolies may limit this. However, a small minority thinks that everything can be privatized, including the state itself.

The basic economic argument given for privatization is that governments have few incentives to ensure that the enterprises they own are well run. Governments have the *de facto* monopoly to raise money by taxation should revenues be insufficient. As Governments may borrow money more cheaply from the debt markets than private enterprises, they will squeeze out more efficient private companies through this misallocation of

resources. Where governments lack it, it is said that private owners *do* have profit motive. The theory holds that, not only will the enterprise's clients see benefits, but as the privatized enterprise becomes more efficient, the whole economy will benefit. Ideally, privatization propels the establishment of social, organizational and legal infrastructures and institutions that are essential for an effective market economy.

Privatizing a non-profitable company which was state-owned may force the company to raise prices in order to become profitable. However, this would remove the need for the state to provide tax money in order to cover the losses.

A very substantial benefit to share or asset sale privatizations is that bidders compete to offer the state the highest price, creating revenues for the state to redistribute in addition to new tax revenue. Voucher privatisations, on the other hand, would be a genuine return of the assets into the hands of the general population, and create a real sense of participation and inclusion. Vouchers, like all other private property, could then be sold on if preferred.

- *Performance*: State-run industries tend to be bureaucratic. A political government may only be motivated to improve a function when its poor performance becomes politically sensitive, and such an improvement is easily reversed by another regime.
- *Improvements*: Conversely, the government may put off improvements due to political sensitivity and special interests — even in cases of companies that are run well and better serve their customers' needs.
- *Corruption*: A monopolized function is prone to corruption; decisions are made primarily for political reasons, personal gain of the decision-maker (i.e. "graft"), rather than economic ones.
- *Accountability*: Managers of privately owned companies are accountable to their owners/shareholders and to the consumer, and can only exist and thrive where needs are met.
- *Civil Liberty Concerns*: A company controlled by the State may have access to information or assets which may be



used against dissidents or any individuals who disagree with their policies.

- *Goals*: A political government tends to run an industry or company for political goals rather than economic ones.
- *Capital*: Privately held companies can more easily raise investment capital in the financial markets, investment decisions are governed by market interest rates. State-owned industries have to compete with demands from other government departments and special interests.
- *Security*: Governments have had the tendency to “bail out” poorly run businesses when, economically, it may be better to let the business fold, often due to the sensitivity of job losses.
- *Lack of Market Discipline*: Poorly managed state companies are insulated from the same discipline as private companies, which could go bankrupt, have their management removed, or be taken over by competitors.
- *Natural Monopolies*: The existence of natural monopolies do not mean that these sectors must be state owned. Governments can enact or are armed with anti-trust legislation and bodies to deal with anti-competitive behaviour of all companies public or private.
- *Concentration of Wealth*: Ownership of and profits from successful enterprises tend to be dispersed and diversified. The availability of more investment vehicles stimulates to capital markets and promotes job creation.
- *Political Influence*: Nationalized industries are prone to interference from politicians for political or populist reasons. Examples include making an industry buy supplies from local producers (when that may be more expensive than buying from abroad), forcing an industry to freeze its prices/fares to satisfy the electorate or control inflation, increasing its staffing to reduce unemployment, or moving its operations to marginal constituencies.
- *Profits*: Private companies make a profit by enticing consumers to buy their products in preference to their competitors’. Private corporations exist to serve exactly the needs of their clients; their clients’ propensity to pay

is usually correlated with how well they serve the needs. Corporations of different sizes may target different market niches in order to focus on marginal groups and satisfy their demand.

**Anti-Privatization:** Opponents of privatization dispute the claims concerning the alleged lack of incentive for governments to ensure that the enterprises they own are well run, on the basis of the idea that governments are proxy owners answerable to the people. It is argued that a government which runs nationalized enterprises poorly will lose public support and votes, while a government which runs those enterprises well will gain public support and votes. Thus, democratic governments do have an incentive to maximize efficiency in nationalized companies, due to the pressure of future elections.

Opponents of certain privatizations believe certain parts of the social terrain should remain closed to market forces in order to protect them from the unpredictability and ruthlessness of the market (such as private prisons, basic health care, and basic education). Another view is that some of the utilities which government provides benefit society at large and are indirect and difficult to measure or unable to produce a profit, such as defense. Still another is that natural monopolies are by definition not subject to competition and better administrated by the state.

The controlling ethical issue in the anti-privatization perspective is the need for responsible stewardship of social support missions. Market interactions are all guided by self-interest, and successful actors in a healthy market must be committed to charging the maximum price that the market will bear. Privatization opponents believe that this model is not compatible with government missions for social support, whose primary aim is delivering affordability and quality of service to society.

Many privatization opponents also warn against the practice's inherent tendency toward corruption. As many areas which the government could provide are essentially profitless, the only way private companies could, to any degree, operate them would be through contracts or block payments. In these

cases, the private firm's performance in a particular project would be removed from their performance, and embezzlement and dangerous cost cutting measures might be taken to maximize profits.

Some would also point out that privatizing certain functions of government might hamper coordination, and charge firms with specialized and limited capabilities to perform functions which they are not suited for. In rebuilding a war torn nation's infrastructure, for example, a private firm would, in order to provide security, either have to hire security, which would be both necessarily limited and complicate their functions, or coordinate with government, which, due to a lack of command structure shared between firm and government, might be difficult. A government agency, on the other hand, would have the entire military of a nation to draw upon for security, whose chain of command is clearly defined. Opponents would say that this is a false assertion: numerous books refer to poor organisation between government departments (for example the Hurricane Katrina incident).

Furthermore, opponents of privatization argue that it is undesirable to transfer state-owned assets into private hands for the following reasons:

- *Performance*: A democratically elected government is accountable to the people through a legislature, Congress or Parliament, and is motivated to safeguarding the assets of the nation. The profit motive may be subordinated to social objectives.
- *Improvements*: the government is motivated to performance improvements as well run businesses contribute to the State's revenues.
- *Corruption*: Government ministers and Civil servants are bound to uphold the highest ethical standards, and standards of probity are guaranteed through codes of conduct and declarations of interest. However, the selling process could lack transparency, allowing the purchaser and civil servants controlling the sale to gain personally.
- *Accountability*: The public does not have any control or oversight of private companies.

- *Civil Liberty Concerns*: A democratically elected government is accountable to the people through Parliament, and can intervene when civil liberties are threatened.
- *Goals*: The government may seek use state companies as instruments to further social goals for the benefit of the nation as a whole.
- *Capital*: Governments can raise money in the financial markets most cheaply to re-lend to State-owned enterprises.
- *Lack of Market Discipline*: Governments have chosen to keep certain companies/industries under public ownership because of their strategic importance or sensitive nature.
- *Cuts in Essential Services*: If a government-owned company providing an essential service (such as water supply) to all citizens is privatized, its new owner(s) could lead to the abandoning of the social obligation to those who are less able to pay, or to regions where this service is unprofitable.
- *Natural Monopolies*: Privatization will not result in true competition if a natural monopoly exists.
- *Concentration of Wealth*: Profits from successful enterprises end up in private, often foreign, hands instead of being available for the common good.
- *Political Influence*: Governments may more easily exert pressure on state-owned firms to help implementing Government policy.
- *Downsizing*: Private companies often face a conflict between profitability and service levels, and could over-react to short-term events. A state-owned company might have a longer-term view, and thus be less likely to cut back on maintenance or staff costs, training etc., to stem short term losses.
- *Profiteering*: Private companies do not have any goal other than to maximize profits. A private company will serve the needs of those who are most willing (and able) to pay, as opposed to the needs of the majority, and are thus anti-democratic.

**Outcomes:** Nellis and Kikeri have shown that in competitive industries with well-informed consumers, privatization consistently improves efficiency. Such efficiency gains mean a one-off increase in GDP, but through improved incentives to innovate and reduce costs also tend to raise the rate of economic growth. The type of industries to which this generally applies include manufacturing and retailing. Although typically there are social costs associated with these efficiency gains, many economists argue that these can be dealt with by appropriate government support through redistribution and perhaps retraining.

In sectors that are natural monopolies or public services, the results of privatization are much more mixed, as a private monopoly behaves much the same as a public one in liberal economic theory. In general, if the performance of an existing public sector operation is sufficiently bad, privatization (or threat thereof) has been known to improve matters. Indeed, Megginson & Netter showed that the greatest gains from privatization are achieved in the pre-privatization period as reforms are made to prepare for the transfer to private hands. Changes may include, inter alia, the imposition of related reforms such as greater transparency and accountability of management, improved internal controls, regulatory systems, and better financing, rather than privatization itself.

Regarding political corruption, it is a controversial issue whether the size of the public sector per se results in corruption. The Nordic countries have low corruption but large public sectors. However, these countries score high on the Ease of Doing Business Index, due to good and often simple regulations, and for political rights and civil liberties, showing high government accountability and transparency.

Also regarding corruption, the sales themselves give a large opportunity for grand corruption. Privatizations in Russia and Latin America were accompanied by large scale corruption during the sale of the state owned companies. Those with political connections unfairly gained large wealth, which has discredited privatization in these regions. While media have reported widely the grand corruption that accompanied the

sales, studies have argued that in addition to increased operating efficiency, daily petty corruption is, or would be, larger without privatization, and that corruption is more prevalent in non-privatized sectors. Furthermore, there is evidence to suggest that extralegal and unofficial activities are more prevalent in countries that privatized less.

### **Alternatives to Privatization**

**Municipalization:** Transferring control of a nationalized business to municipal government is an alternative sometimes proposed to privatization.

**Sub-contracting:** It is possible that national services may sub-contract or out-source functions to private enterprises. A notable example of this is in the United Kingdom, where many municipalities have contracted out their garbage collection or administration of parking fines by tender to private companies.

In addition, the British government is debating the possibility of involving the private sector more in the workings of the NHS, principally by referring patients to private surgeries to ease the load on existing NHS human resources, and covering the cost of this.

**Part Ownership:** An enterprise may be privatized, with a number of shares in the company being retained by the state. This is a particularly notable phenomenon in Germany, where the state owns around a third of Deutsche Telekom. As of 2005, the state of North Rhine-Westphalia is also planning to buy shares in the energy company EON in an attempt to control spiralling costs.

Whilst partial privatization could be an alternative, it is more often a stepping stone to full privatization. It can offer the business a smoother transition period during which it can gradually adjust to market competition. Some state-owned companies are so large that there is the risk of sucking liquidity from the rest of the market, even in the most liquid marketplaces, and thus must be sold off bit by bit. The first *tranche* of a multi-step privatization would also in the first instance establish a valuation for the enterprise to mitigate complaints of under-pricing.

**Notable Privatizations:** Privatization programmes have been undertaken in many countries across the world, falling into three major groups. The first is privatization programmes conducted by transition economies in Central and Eastern Europe after 1989 in the process of instituting a market economy. The second is privatization programmes carried out in developing countries under the influence of international financial institutions such as the World Bank and IMF. The third is privatization programmes carried out by developed country governments, the most comprehensive probably being those of New Zealand and the United Kingdom in the 1980s and 1990s.

Privatization *has* been notably successful in telecommunications in Europe because genuine competition has arisen: the former state-owned enterprises lost their monopolies due to legislation and technological change, competitors entered the market, and prices for broadband access and telephone calls fell dramatically.

Some examples of failed privatizations of natural monopolies may be the rail privatization in the UK and in telecommunications in Mexico; in both countries, public disaffection has led to government intervention. Another notable example of this is Thames Water.

British Rail is an example of privatization program that has been deemed a failure. The track-owning company has been effectively repossessed by the British government, and many of the train-running companies are at risk of having their concession removed on the grounds that they fail to provide adequate services. One of them, Connex, actually had its franchise cut short in June 2003 by the government for what the Strategic Rail Authority called “poor financial management.” In this case Stephen Byers (then Secretary of State for Transport) decided to call in administrators with regard to Railtrack (the infrastructure company created in 1993 and privatised in 1996) and transferring the infrastructure to the new Private Company Limited by Guarantee, Network Rail (a not for profit private company with no shareholders), Train Operation remains in the hands of private operators with



franchises awarded by the Department for Transport (except for Merseyrail the franchise of which is awarded by Merseyside Passenger Transport Executive).

There are various precedents in history which some would claim as examples in which improper privatization, or the failure of government to conduct certain functions, caused various complications.

1. In the 18th Century, military functions such as maintaining forts and garrisons along the African coast were, in effect, privatized to the East India Company, with parliament obliged to pay 13,000 pounds a year to support the East India Company in this end. However, this being somewhat of a government monopoly itself, it cannot said to be a perfect counter to privatization. The East India Company proceeded to shirk various expenses, most notably in the maintenance of fortifications. In one case, a shipment of inferior bricks sent to repair the walls of one fortification were of such low quality that it became necessary to rebuild the entire wall from its foundation.
2. Prior to the great depression, various state governments and the Hoover administration attempted to provide relief through private firms like the Red Cross. However, due to their limited capabilities, the firms were often unable to provide for the various functions that people required, and could only provide them in specific areas besides. Also, because they depended on limited resources (even with occasional payments from the government) they would usually be unable to provide them for very long.
3. During World War Two, the Truman Commission uncovered various instances in which contracts given out to various private firms to provide various military materials fostered considerable profiteering which often resulted in inadequate weapons and equipment being sent to the front.
4. In the reconstruction of Iraq, the government decided to contract out many different reconstruction functions to private firms. Shortly thereafter, those firms have been accused of cutting corners and being generally ineffective

- in reconstructing the country. Halliburton, in particular, was accused of, among other things, skimping on the cost of providing meals to soldiers. Various other complaints include the lagging reconstruction of water and electricity utilities, and providing defective equipment to soldiers.
5. Many, such as Dick Polman of *The Philadelphia Inquirer*, noted that prior to Hurricane Katrina, the government had “privatized many of FEMA’s basic functions”. The uncoordinated action between private emergency relief agencies, as well as the military (which would often turn back relief trucks) resulting in the poor response to the storm that many would claim was a result of this privatization.

## Nationalization

Nationalization is the act of transferring assets into public ownership. It usually refers to the transfer of private assets, but may also mean assets owned by other levels of government, such as municipalities. The opposite of nationalization is usually privatization, but may also be municipalization. A renationalization occurs when assets are nationalized after a previous privatization. Nationalizations are distinguished from property redistributions in that in the former case, the government retains control of the property after acquisition.

Some nationalizations take place when a government seizes criminal property. For example, the French government seized Renault because its owners had collaborated with Nazi Germany.

**Compensation:** A key issue in nationalization is whether the private owner is properly compensated for the value of the institution. The most controversial nationalizations are those where no compensation or an amount unreasonably below the likely market value of the nationalized assets is paid, and are known as expropriations. Many nationalizations through expropriation have come after revolutions.

The traditional Western stance on compensation was expressed by United States Secretary of State Cordell Hull, during the 1938 Mexican nationalization of the petroleum

industry, that compensation should be “prompt, effective and adequate.” According to this view, the nationalizing state is obligated under international law to pay the deprived party the full value of the property taken. The opposing position has been taken mainly by developing countries, claiming that the question of compensation should be left entirely up to the sovereign state, in line with the Calvo Doctrine. Communist states have held that no compensation is due, based on communist notions of private property.

In 1962, the United Nations General Assembly adopted Resolution 1803, “Permanent Sovereignty over National Resources,” which states that in the event of nationalization, the owner “shall be paid appropriate compensation in accordance with international law.” In doing so, the UN rejected both the traditional Calvo-doctrinist view and the Communist view. The term “appropriate compensation” represents a compromise between the traditional views, taking into account the need of developing countries to pursue reform even without the ability to pay full compensation, and the Western concern for protection of private property.

When nationalizing a large business, the cost of compensation is so great that many legal nationalizations have happened when firms of national importance run close to bankruptcy and can be acquired by the government for little or no money. A classic example is the UK nationalization of the British Leyland Motor Corporation. At other times, governments have considered it important to gain control of institutions of strategic economic importance, such as banks or railways, or of important industries struggling economically. The case of Rolls-Royce plc, nationalized in 1971, is an interesting blend of these two arguments. This policy was sometimes known as ensuring government control of the “commanding heights” of the economy, to enable it to manage the economy better in terms of long-term development and medium-term stability. The extent of this policy declined in the 1980s and 1990s as governments increasingly privatized industries that had been nationalized, replacing their strategic economic influence with use of the tax system and of interest rates.

Nonetheless, national and local governments have seen the advantage of keeping key strategic assets in institutions that are not strongly profit-driven and can raise funds outside the public-sector constraints, but still retain some public accountability. Examples from the last five years in the United Kingdom include the vesting of the British railway infrastructure firm Railtrack in the not-for-profit company Network Rail, and the divestment of much council housing stock to “arms-length management companies,” often with mutual status.

### **Municipalization**

Municipalization is the transfer of corporations or other assets to municipal ownership. The transfer may be from private ownership (usually by purchase) or from other levels of government. It is the opposite of privatization and is different from nationalization.

**Services:** There have been two main waves of municipalization in developed countries. The first took place in the late nineteenth and early twentieth century, when municipalities in many developed countries acquired local private providers of a range of public services. The driving reason in most cases was the failure of private providers to sufficiently expand service provision outside wealthy parts of urban areas.

The second wave took place in the early 1990s, when after the end of the communist states in eastern Europe state-owned companies in many public service sectors were broken up and transferred to municipal control. This was typical in sectors such as water, waste management and public transport, although not in electricity and natural gas.

Such regional companies either remained under municipal control, or were privatized. Privatization was done variously: by selling them to investors, by giving a concession or a management contract. Examples include the water sector in the Czech Republic, over half of which has been privatized.

**Governments:** In the U.S., municipalization often refers to incorporation of an entire county into its municipalities,

leaving no unincorporated areas. This generally ends *de facto* the county's own home rule, which in most states allows it to act as the municipal service provider in those unincorporated areas. The county is left offering only those services mandated of it by the state constitution, which are generally only extensions of state government like courts and sheriff departments. As with utilities, the county's assets usually end up being distributed among the cities, though this is less likely if the process is gradual rather than all at once.

One example of municipalization is the Sacramento Municipal Utilities District, or SMUD, of Sacramento, California. In another, larger example, Fulton County, Georgia, which includes the city of Atlanta, is currently undergoing full municipalization. For a more complete discussion of this process in the Fulton County context, see the "Politics" section of the Fulton County article.

## Regulation

A regulation is a legal restriction promulgated by government administrative agencies through rulemaking supported by a threat of sanction or a fine. This administrative law or regulatory law is in contrast to statutory or case law. Regulation mandated by the government or state attempts to produce outcomes which might not otherwise occur, produce or prevent outcomes in different places to what might otherwise occur, or produce or prevent outcomes in different timescales than would otherwise occur. Common examples of regulation include attempts to control market entries, prices, wages, pollution effects, employment for certain people in certain industries, standards of production for certain goods and services. The economics of imposing or removing regulations relating to markets is analysed in regulatory economics.

**Regulation as a Legal Term:** A *regulation* as a legal term is a rule created by an administration or administrative agency or body that interprets the statutes setting out the agency's purpose and powers, or the circumstances of applying the statute.

A *regulation* is a form of secondary legislation which is

used to implement a primary piece of legislation appropriately, or to take account of particular circumstances or factors emerging during the gradual implementation of, or during the period of, a primary piece of legislation.

Other forms of secondary legislation are *statutory instruments, statutory orders, by-laws and rules*. Some of these (but not all of them) need to be referred back before being implemented, to the primary legislative process.

**Types of Regulation:** Regulations, like any other coercive action, have costs for some and benefits for others. Efficient regulations may only be said to exist where the total benefits to some people exceed the total costs to others. Regulation are justified using various reasons and therefore can be classified in several broad categories:

- **Market failures-regulation due to inefficiency.** Intervention due to a classical economics argument to market failure.
  - o Risk of monopoly
  - o Collective action, or public good
  - o Inadequate information
  - o Unseen externalities
- **Collective desires-regulation about collective desires or considered judgements on the part of a significant segments of society**
- **Diverse experiences-regulation with a view of eliminating or enhancing opportunities for the formation of diverse preferences and beliefs**
- **Social subordination-regulation aimed to increase or reduce social subordination of various social groups**
- **Endogenous preferences-regulation's purpose is to affect the development of certain preferences on an aggregate level**
- **Irreversibility-regulation that deals with the problem of irreversibility – the problem in which a certain type of conduct from current generations results in outcomes from which future generations may not recover from at all.**

- Interest group transfers-regulation that results from efforts by self-interest groups to redistribute wealth in their favour, which may disguise itself as one or more of the justifications above.

## **Public Broadcasting**

Public broadcasting is a form of public service broadcasting (PSB) intended to serve the diverse needs of the listening public. Except for the United States, it has traditionally been the dominant form of broadcasting in much of the world.

It is a system in which radio, television, and potentially other electronic media outlets receive some or all of their funding from the public. The broadcasters' funds can come directly from individuals through voluntary donations, licence fees, or indirectly as state subsidies that originated as taxes. Many public broadcasters supplement this with contributions from corporations, in return for underwriting spots. While these announcements resemble traditional advertisements on commercial broadcasting stations, there are usually limitations, such as a prohibition of making product claims, stating prices, or providing an incentive to buy.

Commercial broadcasting now occurs in many countries around the world, and the number of countries with only public broadcasting has declined substantially. The mass media marketplace is tremendously competitive, and as such, it can be difficult for a public service broadcaster to survive amongst commercial interests. This may become even more of an issue with the increased number of channels that digital broadcasting provides.

**Defining Public Broadcasting:** There is no standard definition of what public broadcasting is exactly, although a number of official bodies have attempted to pick out the key characteristics. Public service broadcasters generally transmit programming that aims to improve society by informing viewers. In contrast, the aim of commercial outlets is to provide popular shows that attract an audience—therefore leading to higher prices when advertising is sold. For this reason, the ideals of public broadcasting are often incompatible with commercial



goals. Of course, public broadcasters also strive to entertain their viewers, but they can still come across as being overly paternalistic in nature.

The Broadcasting Research Unit lists the following as major goals or characteristics of a public broadcaster: 1 *Geographic universality* — The stations' broadcasts are available nationwide, with no exception. This criterion is failed by Five in the UK, which a substantial minority of the population cannot receive. Generally, the "nationwide" criterion is satisfied by either having member stations across the country (as is the case with PBS in the United States) or, as is the case with most other public broadcasters around the world, the broadcaster owning sufficient transmitters to broadcast nationwide.

Some of these definition points may not be acceptable everywhere. For example in the United States public broadcasting may see part of its mission to bring in foreign shows, e.g. shows from the CBC/Radio-Canada or the BBC.

An alternative model for implementing public service media exists, known as Citizen Media. As it relates to broadcasting, this generally means a radio or television outlet which has some sort of public access, that is, most or much of the programming is created by members of the public which receives the programming. This can be in the form of community radio, campus radio, and public access television, although the latter is not a form of over-the-air broadcasting, as it is only available on cable television systems.

***Advantages and Disadvantages:*** Public broadcasters receive all or a substantial part of their funding from government sources, either from the general tax revenues or from licence fees. Since public broadcasters do not rely on advertising as a source of revenue to the same degree as commercial broadcasters, this allows public broadcasters to air programs that are less saleable to the mass market, such as public affairs shows, documentaries, and educational programs. The fact that public broadcasters do not chase ratings in the same way as commercial broadcasters often leads to the criticism that they are unresponsive to what their viewers want.

Additionally, public broadcasting facilitates the implementation of cultural policy (an industrial policy and investment policy for culture). Some examples include:

- The Canadian government is committed to official bilingualism (English and French). As a result, the public broadcaster, the CBC employs translators and journalists who speak both official languages and it encourages production of cross-cultural material. Quebec separatists argue that this is also a policy of cultural imperialism and assimilation.
- In the UK, the BBC supports multiculturalism and diversity, in part by using on-screen commentators and hosts of different ethnic origins.
- In New Zealand, the public broadcasting system provides support to Aboriginal (Maori) broadcasting, as a way to improve the opportunities and maintain the cultural heritage of these New Zealanders.

Critics of public broadcasting systems argue that this implementation of cultural policy imposes the values of the public broadcaster on the populace. However, it can also be argued that commercial broadcasting has a bias for certain values or cultural forms, such as pop culture, militarism, culture bias, and consumerism.

Public broadcasting, and also some pirate broadcasting, provides a counterweight to the commercial media. Advocates of deliberative democracy, argue that public broadcasting helps to maintain modern technological democracies. At the same time, public broadcasting systems have also been used by dictators and totalitarian governments to spread hatred and incite genocide. However, in theory in “western democracies” public broadcasting is not beholden to political parties, or the government of the day. This is especially true where the broadcaster is funded by television licence fees and so, theoretically, not dependent on the government for any of its funding.

***Implementation of Public Broadcasting around the World:*** The model, established in the 1920s, of the British Broadcasting Corporation – an organization widely trusted,

even by citizens of the Axis Powers during World War II – was widely emulated throughout Europe, the British Empire, and later the Commonwealth. The public broadcasters in a number of countries are basically an application of the model used in Britain.

Modern public broadcasting is often a mixed commercial model. For example, the CBC has always relied on a subsidy from general revenues of the government. However, more recently CBC television has started taking advertising. This means they must compete with commercial broadcasting. Some argue that this dilutes their mandate as truly public broadcasters, who have no commercial bias to distort their presentation.

The rest of this section looks at some specific implementations of public broadcasting around the world.



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# Information Systems for Public Sector Management

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As in many countries, public sector reform in India has consisted of five main components: increased efficiency, decentralisation, increased accountability, improved resource management, and marketisation. 'Information age reform' means delivering these ongoing reform components with a more overt role for information and with greater use of information technology. A review of global experience suggests that information age reform has great potential to improve public administration and other components of the public sector.

However, the Indian reality – like that for many developing countries – has been more problematic, with many failures of such reform; failures that can be described as total, partial or failures of sustainability and replication. The explanation for such failure lies partly in the approach to reform adopted by senior public officials. A 'four Is' model of approaches is described: the pre-information age approach of 'ignore', and the information age approaches of 'isolate', 'idolise' and 'integrate'. Analysis of Indian cases suggests it is the last approach that is most likely to deliver reform objectives; yet it remains the least commonly-adopted. Changes are therefore required in current strategies for public administration training and the management of change. Such findings will hold true for many other developing countries.

## **Reform Agenda**

Public sector reform is, if generally defined, change within public sector organisations that seeks to improve their

performance. As such, reform can be seen as an ongoing process in India since the inception several centuries ago of institutions that we now label 'public sector'. However, reform is typically defined more narrowly. It is often associated with the ideology of the 'New Right' towards the public sector; an ideology that grew up especially from the 1970s and which sought particular types of change in the way the public sector was run. This ideology has, albeit slowly and by 'fits and starts', increasingly begun to shape the agenda for change in the Indian public sector.

What constitutes the public sector reform agenda in India? There has been no consistent menu of elements but typical components – driven by the global agenda of new public management – include those listed below (Bhattacharaya, 1996; Maheshwari, 1996; Sengupta, 1995; Singh, 1996).

- *Increased Efficiency*: Improving the input-output ratio within the public sector. The rationale of such reforms is to address the large size of public sector expenditure and/or the inefficiency of many of its processes.
- *Decentralisation*: The transfer of decision making to lower, more localised levels of the public sector. The rationale of such reforms is to reduce the costs of centralised decision making, and to create more flexible and responsive decision making.
- *Increased Accountability*: Making public sector staff more accountable for their decisions and actions. The rationale of such reforms is to increase the pressure on staff to perform well, to make them more responsive to recipient groups, and to reduce inefficient or corrupt practices.
- *Improved Resource Management*: Increasing the effective use of human, financial and other resources. The rationale of such reforms is clear from their definition. It often includes a refocusing of the way the performance of these resources is planned, measured and managed.
- *Marketisation*: Increasing the use of market forces to cover relationships within the public sector, relationships between citizens ('consumers') and the public sector, and relationships and boundaries between public and private

sector. The rationale of such reforms is that market relations will drive costs down and increase efficiency and/or effectiveness of service delivery.

There has been much criticism of the components listed: of what they seek to achieve in theory, and of what they do and do not achieve in practice. In this paper, we are not going to participate in that particular debate because that is not our purpose. These components will be taken as a given; as initiatives that are being evermore widely undertaken or imposed. For increasing numbers of Indian public servants, the issue is not the rights and wrongs of reform, but how best to implement reform initiatives in which they find themselves involved.

### **Information Age in India**

Almost simultaneous with the development of a reform agenda, there has been a growing sense in India of a real or impending 'information age'. The roots of ideas about a new 'information age' – treated here as synonymous with emergence of an 'information economy', 'information society' or 'post-industrial society' – are invariably traced back to the work of writers such as Daniel Bell, Fritz Machlup, Yuji Masuda and Alvin Toffler (e.g. Bell, 1974; Machlup, 1962; Masuda, 1983; Toffler, 1980). Through analysis of extant trends, they described a vision of a new world paradigm that was already coming into existence and that would increasingly develop. General features of this new paradigm include a domination of services over other economic sectors, niche instead of mass markets, and the emergence of a 'post-bureaucratic' form of organisation. The early, and optimistic, writings about the information age have been much criticised. Critics argue:

- That things have not changed as much as predicted. Peasant farmers – who, with their families, form a major proportion of the world's population – continue to live and work much as they have ever done. They have yet to appreciate the pleasures of surfing the Net or teleworking. Even in the high citadels of the new world, shifts in working patterns and social life may be tangible

and important, but they are not yet revolutionary. A modified criticism is therefore that change has been, and will be, a very uneven process that creates inequalities.

- That, when things do change, there will be problems as well as benefits. The information age may be marked by higher living standards but also by unemployment, insecurity, electronic surveillance and alienation.
- That the technology focus of information age writing distracts us from the human, social and political factors which explain – and therefore ultimately determine – what happens in our world.

There is a great deal of validity in these criticisms, but what they do not deny is that— albeit slowly and unevenly, for better or worse – there are identifiable information age trends. Thus, while the concept of an information age retains a large measure of hyperbole, it does serve to highlight important trends that are shaping the world in which we live.

It is certain that they have begun to shape the economic and political context in India.

Whilst many see the 1970s as something of a ‘lost decade’ for India in computing terms, the country more than made up in the 1980s. The 1984—87 period in office of ‘Rajiv and his computer boys’ marked a defining moment during which India’s image and activity as a global software player really began to take off, and during which a clear link was made between computing and reform of Indian public administration.

Although information technology (IT) has never since been so heavily-championed at such a high level in government, the catalytic actions of the mid-1980s set loose two specific, related and seemingly unstoppable information age trends in India:

- The increasing importance of information, including the increasing visibility and value of information systems.
- The increasing use of information technology.

**Defining IT and IS:** *Information technology* can be defined as computing and telecommunications technologies that provide automatic means of handling information. IT is therefore taken here to represent equipment: both the tangible hardware and



the intangible software. A computer linked to other computers on a local area network represents one example of IT.

*Information systems* (IS) can be defined as systems of human and technical components that accept, store, process, output and transmit information. They may be based on any combination of human endeavours, paper-based methods and IT. A financial information system of staff and computers that gathers data and processes it into reports used for managerial decision making represents one example of an IS.

Thus:

- IT on its own does not do anything useful; in order to do anything, it must become part of an information system.
- Information systems do not necessarily involve computers and telecommunications equipment.
- Even when they do, information systems are much more than just IT because they involve people and their actions.

For the public sector in India, this means that one can therefore see a trend of 'information age reform' that combines the existing reform agenda with the promise of the information age. Indeed, from humble beginnings in the Indian Statistical Institute in 1956, government expenditure on IT has grown to average more than US\$350m per annum by the late 1990s (*Dataquest*, 1998).

Information age reform is therefore a growing reality for India which means two things that are different from traditional reform:

- First, a much greater (i.e. more overt) role for information and information systems in the processes of change in the public sector.
- Second, a much greater (i.e. more widely employed) role for information technology in the processes of change in the public sector.

### **Promise of Information Age**

**Reform:** There is great potential for these trends of information age reform to bring significant benefits to India because government has been, and still remains, the single

largest collector, user, holder and producer of information. Information is a central resource for all staff levels and for all activities: 'In pursuing the democratic/political processes, in managing resources, executing functions, measuring performance and in service delivery, information is the basic ingredient' (Isaac-Henry, 1997, p.132) The work of government is thus very information-intensive, and four main types of formal information are identifiable:

- *Information to Support Internal Management:* This includes information about staff for personnel management, and information about budgets and accounts for financial management. Like the other three types of information, it can be used for everything from day-to-day operational implementation up to long-term policy analysis and planning.
- *Information to Support Public Administration and Regulation:* This includes information that records the details of the main 'entities' in India: people, business enterprises, buildings, land plots, imports/exports, etc. It is used for a variety of purposes such as legal, judicial and fiscal.
- *Information to Support Public Services:* Examples include education (e.g. school staff records), health (e.g. patient records), transport (e.g. passenger reservation information) and public utilities (e.g. customer billing information).
- *Information made Publicly Available:* This includes:
  - Information government wishes to disseminate such as press releases, consultation papers, details of policies, laws and regulations, and details of benefits and entitlements.
  - Information government collects that it may make available, such as demographic or economic statistics.
  - Information government is required to supply such as audited accounts, internal policy documents and correspondence, and responses to requests from politicians or journalists or citizens.

Given this information-intensity, changes in information systems must be an essential part of all reform initiatives in India, and changes in information technology will also have a great potential. In theory, everything that IT can do could be done by some other means. In practice, its ability to increase the speed and/or reduce the cost of information tasks mean it can do things that would not otherwise be contemplated. IT therefore can bring change and has three basic change potentials within reform:

- *Supplant*: Automate existing human-executed processes which involve accepting, storing, processing, outputting or transmitting information. For example, the automation of existing clerical functions.
- *Support*: Assist existing human-executed processes. For example, assisting existing processes of government decision making, communication, and decision implementation. (This can also be seen as a potential to *empower* if IT assists the activity of citizens outside government.)
- *Innovate*: Create new IT-executed processes or support new human-executed processes. For example, creating new methods of public service delivery. IT can bring five main benefits to the reform process. In practice, these are not neatly differentiated but they can be summarised as:
  - *Cheaper*: Producing the same outputs at lower total cost.
  - *More*: Producing more outputs at the same total cost.
  - *Quicker*: Producing the same outputs at the same total cost in less time.
  - *Better*: Producing the same outputs at the same total cost in the same time, but to a higher quality standard.
  - *For the First Time*: Producing new outputs.

The first three represent efficiency gains for the public sector; the last two represent effectiveness gains. Of course, these are the direct and objective benefits. IT can bring many others such as better staff motivation, greater political control, or an improved public image for the organisation (with Indian Railways being a case in point for all three of these indirect benefits).

IT is therefore seen to have a great potential to contribute to reform (Traunmuller and Lenk 1996), with this potential being illustrated by the following examples from around the world:

- *Increased Efficiency:* IT's role in increasing efficiency has been described above, mainly relating to its 'supplant' role. In the US, the Lawrence Livermore National Laboratory developed a World Wide Web-based system to reduce the cost and increase the speed of parts procurement (Gebauer and Schad, 1998).
- *Decentralisation:* IT can provide support for more efficient and effective decision making at decentralised locations and create new information flows that incorporate those locations. In Ireland, the Department of Social Welfare created more than a dozen computerised applications in order to support the decentralisation of responsibilities from Dublin to outlying offices (Cooney and O'Flaherty, 1996).
- *Increased Accountability:* IT can create new accountability information and can deliver accountability information to new recipients, providing for more efficient or effective accountability. In the US, 'collusion detection software' was developed and applied to root out impropriety in bids and contract awards for supply of public school milk (Anthes, 1993).
- *Improved Resource Management:* IT can create new performance information and deliver it to decision makers, providing more effective managerial control over government resources. In Malaysia, government development authorities collaborated to develop a computerised system to facilitate land resource management (Raman and Yap, 1996).
- *Marketisation:* IT can supply the new information necessary for the establishment of market relations, and can also form the conduit for delivery of new forms of public service. 'In Spain and Portugal, smart cards are issued to people to claim unemployment benefit at kiosks, and to check on job vacancies and training opportunities.' (Gosling, 1997, p.69).

## **Indian Realities of Information Age**

**Reform:** Globally, then, new information systems and new information technology are both supporting and driving forward the process of public sector reform. But what of India? Has the country unleashed the power of information age reform, or does the potential still lie mainly dormant?

Objective reporting of information age reform cases in India (and elsewhere) is rare.

Many reports are written from a 'rose-tinted' viewpoint by those with a vested interest in the reform initiative. Their glowing and uncritical claims of success frequently bear little relation to reality. Nonetheless, reliable cases can be found and one can place these into three categories.

**Success:** Computerisation of the Indian Railways' Passenger Reservation System may be branded a success (Heeks, 1996a). Not only did it significantly increase the efficiency of the reservation process, but it also reduced corruption (though did not eliminate it), increased rail staff morale, and improved the quality of customer service. Beyond these reform components, it also gave Indian Railways (and India more widely) a more modern image, and it helped to build information age capabilities within the country.

Sadly, this case remains almost a lone beacon in India which 'seems to stand out as a solitary example of success.' (Bhatnagar, 1997, p.5).

**Open Verdict:** A few ongoing information age reform projects have yet to fall clearly into the categories of either success or failure. Perhaps the best-known of these is CRISP, the Computerised Rural Information Systems Project. When initially analysed, after some five years of operation, this appeared to have made little impact and to be heading for failure (Madon, 1993). Subsequent analysis, however, revealed 'sparks of life' within the project, with some computers being used to support analytical management decision making, thereby enabling decentralisation and improved delivery of assistance (Madon and Sahay, 1996).

**Failure:** By far the largest category of reports – both from

the formal literature and from the dozens of Indian public servants trained each year by the author – is that of failure. There are no cast-iron statistics on this and there are unlikely ever to be. Nonetheless, based on the available evidence, one can state with some degree of certainty that the majority of information age reform initiatives in India end in failure. This may be the *total failure* of an initiative never implemented or in which a new system is implemented but immediately abandoned; the *partial failure* of an initiative in which major goals are unattained or in which there are significant undesirable outcomes; the *sustainability failure* of an initiative that succeeds initially but then fails after a year or so; or the *replication failure* of an initiative that succeeds in one place but cannot be repeated elsewhere.

Formally-reported examples include the following:

- The Director of Adult Education in the National Literacy Mission Authority was smitten by the potential of IT to improve the management of literacy programmes (Jain, 1994). Having seen a software firm's demonstration, and despite glaring technical and data constraints that were obvious to any neutral observer, he commissioned a complex executive information system (EIS) that soon fell squarely into the 'total failure' category.
- Part of the Income Tax Department's tax system was computerised. The project ran into difficulties due to political antagonisms between various groups; notably between regional tax commissioners and the central tax board, and between management and unions. As a result, only parts of the information system and only a sub-set of intended process reforms became operational and even these were resisted by staff. There was therefore only very limited achievement of reform objectives (Singh, 1990).
- A computerised decision support system (DSS) was created for the Narmada Irrigation Project Authority (Rama Rao, 1990). The system was initially used to increase efficiency by helping engineers save time in their cost estimations of canal engineering work. However, the system was

never properly used for its main intended purpose: the production of improved canal design. Upon retirement of the Chief Engineer who had championed use of the DSS, even the estimation use was discontinued.

- A computerised management information system was developed in Surendranagar district, Gujarat state, to demonstrate the feasibility of providing computer support to planning and monitoring tasks at the district level, thereby enabling decentralisation (Bhatnagar, 1992). Although the system proved useful, it was never adopted elsewhere because other district officers had a 'not invented here' mentality that rejected innovations made by anyone other than themselves.

## **Understanding Information Age Reform Failure**

**Context:** One is naturally drawn to analyse why failure should be so prevalent in India. There are almost as many explanations for failure as there are information systems. However, one key factor that emerges again and again from case study analysis is the attitude and actions of senior public officials, both politicians and managers (Gupta, 1996; Bhatnagar, 1997; Peterson, 1998). Based on discussions with such officials and their subordinates, and a review of relevant cases, we can create a 'four Is' model of different approaches to information age reform that appear over time, as described below.

**The 'Ignore' Approach:** In this case, public officials are ignorant about IT and information systems. They therefore do not include consideration of either in their plans for reform. IT expenditure is minimal or non-existent. This approach does not constitute information age reform and will therefore not form a major focus of this paper. Nevertheless, this approach is still found in many – perhaps even most – Indian public sector organisations. This is sometimes even so when computers are present for, in some cases, those computers remain unused and merely act as costly 'executive paperweights'.

**The 'Isolate' Approach:** In this approach, public officials remain computer-illiterate and lack an understanding of information's role. They nevertheless are aware of IT and its



potential. Investment in IT is therefore included in reform plans but is seen as the separate responsibility of 'computer experts'. It is mainly associated with automation and some (often spurious or concocted) idea that efficiency gains will result. For other reform agendas, it is added as an afterthought and is not linked in any systematic way to the process of reform. This, nonetheless, represents the first step on the path of information age reform.

Both the early years of the CRISP project and the Indian Income Tax project cited above are examples of the isolate approach. In these cases, the introduction of computers was seen as the responsibility of technical staff rather than being something in which mainstream managers should become involved. As a result, huge investments made very little, if any, contribution to reform agendas in these Indian public sector organisations.

This approach should not be seen as some historical aberration for it can still be found.

The recent Asian Development Bank-supported project for restructuring of Gujarat's financial sector provides an example:

'Yet when it comes to computerisation, the cart has been put before the horse. There is a separate allocation for computerisation ... The type of hardware and its allocation to various tax collection agencies has already been decided. It was envisaged that the process of computerisation would be completed even before the thinking on financial sector reform made any headway.' (Bhatnagar, 1997, p.8)

***The 'Idolise' Approach:*** In this approach, public officials have become semi-literate. They use computers and are over-aware of IT's potential. They believe that IT can transform the business of government (or at least transform their own career/political prospects if they are seen to initiate a high-profile IT project). They are dimly aware that information is something important. The public sector becomes awash with IT-driven reform projects which place technology at the heart of the change process.

This approach has recently leapt to prominence thanks to

N. Chandrababu Naidu, Chief Minister of Andhra Pradesh state. In 1997, he launched a high-profile project – the LEAP21 (Leadership and Excellence in Andhra Pradesh in the twenty-first century) initiative – that exactly fits the idolise description. This initiative aims to use IT as a main lever in the creation of better government in Andhra Pradesh and, more generally, ‘focuses ... on using Information Technology as a strategic tool for improving the quality of life for the people of Andhra Pradesh.’ (Naidu, 1997, p.1).

The jury currently remains out on LEAP21. Chief Minister Naidu’s intention of using state promotional interventions to support the development of the IT industry and IT technological capabilities is based on sound historical precedent (Heeks, 1996b).

However, his hopes of driving public sector reform with IT are not. There is a long history of failure to deliver reform objectives via technology-driven projects, of which the literacy EIS case cited above is but one example (Kraemer *et al.*, 1981; Davies, 1997).

Even where technology-centred projects initially appear to succeed in delivering reform objectives, Bhatnagar (1997) warns that they may not be sustainable or replicable since they so often depend on a single ‘idolising’ figurehead. When that senior official transfers to a new post, the project often collapses; when other organisations try to copy, failure ensues because the originator’s drive or skills are lacking; and copying rarely takes place because ‘a replication will never attract the same attention as a first time use’ (Bhatnagar, 1997, p.6). In all situations, the cause is the lack of the original IT-focused champion.

Examples of these sustainability and replication failures from India include the canal design and district administration cases cited above, and another DSS used to support improved planning of resource usage in two zonal railways which was never used in other zones (Ramani, 1994). With LEAP21 so focused on Naidu himself, prospects are limited for the sustainability and replication of any successes it may fortuitously achieve.

**The 'Integrate' Approach:** In this approach, public officials have become information-literate. They recognise information as a key organisational resource that is central to all government functions. IT is relegated to a secondary role: it is seen as a valuable means to achieve certain reform ends, not as an end in itself. The reengineering of information systems and the introduction of IT are now fully integrated into the process of organisational change, driven by reform objectives.

The integrated approach therefore places information in the driving seat, relegating technology to an important but enabling role. In very simple terms, we can see four main steps in initiation of this approach:

1. Acceptance by key stakeholders of the need for reform.
2. Identification and communication of an agenda for reform.
3. Identification of the new and/or reengineered information systems requirements of this reform agenda.
4. Identification of the role, if any, that information technology has to play in meeting these requirements.

The successful computerisation of passenger reservations on Indian Railways can be seen to have followed this route. The need for reform of reservations was understood since at least the mid-1970s, with an agenda of modernisation widely discussed and the need for reengineering of systems to escape the old 'one-train-per-clerk' situation widely accepted (Jain and Raghuram 1992). Information technology was then identified as the servant of this pre-existing reform agenda, not as the master of reform.

Despite undeniable hiccups, this project was kept on track thanks to a vision of efficiency, accountability and customer service objectives that was shared by key stakeholders, not held by just one champion. As a result, technology solutions were shaped to fit reform objectives rather than vice versa, as is so often the case in examples of the idolise approach.

However, other examples of the integrated approach hardly exist in India. Approaches and chronologies remain unevenly distributed in India, but Bhatnagar (1997) sees much of the public sector still struggling to move away from the ignore

stage. If anything, it seems likely to move on to 'idolise', as exemplified by the LEAP21 initiative, rather than 'integrate'.

**Conclusion:** Information age reform is seen as a relatively new activity in the Indian public sector that recognises a significant – at times even central – role for information systems and information technology. Information systems change has always been an essential part of all organisational change in government (though this may not have been well recognised at times). But what is palpably new in information age reform is the presence of information technology, which has been seen to have great potential to contribute to the reform process.

Public officials are central to information age reform and they can take different approaches in trying to realise the potential of information and IT.

Despite the potential of information age reform, there remain substantial problems a) for the Indian public sector to enter the information age reform era at all; and b) for it to move on within that era to an integrated approach that will use IT to effectively enable delivery of reform objectives.

There is no magic recipe for ensuring widespread use of the integrated approach but education and training must surely form a substantial part of the package. Yet any review of current public administration training programmes in India will show that most can be described as 'ignore going on idolise' in their approach. There is little attempt to build the hybrid managers – spanning managerial, IT and IS skills – that information age government requires (Mundy, forthcoming). These skill sets remain unintegrated within current training and often ignored. Some potential public employees and in-service trainees may gain computing skills on their training programmes, but they do not gain information or information systems knowledge and skills. Any view of IT beyond the hands-on is typically simplistically-positive.

Not only does this hamper integrated approaches today, it also hints at a dangerously self-reinforcing spiral. If the present generation of Indian public managers cannot value or manage information, that sets the 'information-blind' agenda for current training and debate, thus ensuring that the next generation,

too, will be unable to value or manage information. A similar spiral runs the risk of developing a 'blinded by computers' agenda of IT idolatry.

Indian public managers will also need to adopt a more strategic approach to change that drives technology needs from information needs, and information needs from reform objectives. Strategic information systems planning of this type is very much in vogue in the private sector, though the application of such techniques in practice and in the public sector remains questionable (Ballantine and Cunningham, forthcoming).

Perhaps more realistic is a 'core-periphery' approach that balances strategic and tactical, central and local needs (Heeks, 1997).

Finally, encouraging an integrated approach will require cultural and structural changes in the Indian public sector to ensure that technology is the servant of reform. Such changes are never quick and so the move to an integrated approach can only be seen as a long-term process. In the interim, such information age reform initiatives as do take place in India are likely to remain dominated by isolate and, increasingly, idolise approaches. The true potential of information technology will therefore remain untapped in most cases, with initiatives undershooting in their delivery of reform objectives.

## **India and the Information Age**

As the world enters the information age, success of nations—as of individuals—depends on the exploitation of knowledge and innovation of ideas. In business and industry, the focus is shifting to computers and software. The marketplace itself is changing with the advent of the World Wide Web. New technologies could either increase the gap between the rich and the poor nations or, if harnessed properly, they could provide the means for the poor nations to catch up with the developed ones.

The central significance of information in the modern world was pointed out in the 1920s by the philosopher, Richard von Mises, who argued that a command system of the kind

envisioned by the Marxists would eventually collapse in a sea of files, because its high officers, no matter how efficient or competent, could never deal with the flood of information being generated. The Soviets endured only so long as the strength of the State rested on just a few big, aggregated industrial projects. By the early 80s, with the increasing importance of computer and information technology, the writing was on the wall. The Soviets tried to control access to telephones and electronic mail, but to no avail.

The recent onion-price crisis in India, which decided the result of an election, was the result of a similar information overload. The failure of the onion crop in 1997 had not been factored in the decisions of the ministry and so India was exporting onions even as the local prices were skyrocketing. When import and export of commodities is controlled by a single authority, it is quite unlikely that all the implications of the decisions will be anticipated.

It is also being recognized that information cannot be looked at objectively, in isolation, since it is interpreted by a culture. A mediating class must transform ideas into a form that would be meaningful in the receptive culture. This is brought out most clearly in the new book by Janine R. Wedel, *Collision and Collusion: The Strange Case of Western Aid to Eastern Europe 1989-1998* (St. Martin's Press). She argues that it is wrong to consider information and aid as being delivered by a transmission belt. In reality, information and even material aid is more like a series of chemical reactions, "transformed by the agendas, interests, and interactions" of the donors and the recipients—often with unexpected results. The failure to recognize these details is the explanation why, despite more than \$80-billion in aid, Eastern Europe's transition to free economies has been relatively unsuccessful.

In this essay, I take a brief look at the Indian situation from the perspective of information to analyse and suggest prescriptions.

The last fifty years in India were a twilight age of transition from the imperial British Raj. Not just the ideology of divide-and-rule, dressed up in the phraseology of "identity politics",

but also pervasive bureaucratic controls remain. The Indian system was born of the Raj but nursed on the milk of the socialist ideology. A modern system of government is yet to emerge.

The bureaucratic controls go beyond industry's license-raj, including, as they do, the regulation of religion to the extent that many temples are run by government-appointed boards. But more than physical control of organizations, what characterized the old dispensation was its subtle control of the media. The reason why India persisted with socialism for nearly half a century is because ideas were not freely debated. Even now emotive calls for economic nationalism emanate not only from the left, but also from the right.

Information technology works best when individuals work within an open system where initiatives are encouraged, where ideas and information are allowed to travel freely. In a bureaucratic system, information technology can become an instrument of oppression. Since Indian administration remains overly bureaucratized, India will reap full benefits of information technology only with basic reforms.

India's self-image has been principally moulded by colonial and orientalist constructs. The basic argument, devised by the Indologists of the 19th century, is racist: Indians are the descendents of invaders who, in order to control the population, devised a complex, caste-based social organization. Perceiving themselves at the bottom of the racial totem-pole, Indians developed an acute sense of inferiority, which they tried to mitigate by seeking approval from Western "masters" for their acts of self-transformation. The Indian intellectual was a participant in a symbolic theatre where to demonstrate allegiance to the new ideas was paramount.

Anthropologists no longer believe in the 19th century idea of pure races. That there is nothing wrong with the Indian has been proved by the enormous success individual Indians have had as scientists, engineers, businessmen, and other professionals around the world. It is also being realized that a self-definition in terms of any neat ideological categories is simplistic and useless. The search for a true identity has been



made difficult by the fact that the public discourse is still dominated by an elite in whose opinion the question of identity was settled by the indologists of the last century! By freezing its self-definition either to the prescriptions of the schoolbooks or to a mythic past, the Indian finds himself shackled to false histories.

The economic policies of the Nehruvian system were based on the logic that India's poverty was primarily from the loss of its raw materials to the factories in Britain. This led to a closed economic system ruled with strong central controls. It took several decades to learn that progress is a result not just of resources but information and commerce.

If the Indian polity is to make more than just a few symbolic changes, it must recognize the centrality of the issue of free ideas. It is common for Indian politicians to instigate the banning of books, films, and plays because such controversies provide political advantage. But sanctity of free speech is more important than the inconvenience it may bring from time to time. In order to take these issues out of the ambit of political discourse, Article 30 of the Constitution, that has led to much sectarian disaffection, must be amended so that it does not discriminate on the basis of religion or community.

**New Ideas:** There is a mistaken belief that if only there was less corruption India would be on the way to rapid progress. But what is needed is not just the reform of old institutions but the creation of new ones to deal with the problems of urban decay, poverty, infrastructure, environment, and resource development. Corruption should be eliminated but new ideas are also needed.

Corruption in India cannot be fought just by getting a fresh set of people who have clean pasts. Indian corruption is systemic, because there is no proper framework of checks and balances. Without such a framework, anyone in authority will soon be stealing and cheating.

Two hopeful things that have emerged out of India in the last few years are the activism of the high courts and the Election Commission. But the oversight by these institutions just scratches the surface of the problems.

The legal system is a great mess. Laws to deal with the regulation of civic issues in a modern city have not even been drafted. No wonder Indian cities are the most polluted and filthy in the world; the buildings are run down and the roads are pot-holed.

Perceptive observers have said that India's independence is still only in name. Democracy has not yet percolated down to levels below that of the parliament and the state legislatures. The British ruled India through its bureaucracy, which has only strengthened itself in the last five decades. The system was meant to hold down a potentially rebellious populace by increasing their dependence on the instruments of the state; it wasn't meant to facilitate material progress.

***The Administrative System:*** The phrase that the "IAS is the iron-frame of India" has been repeated so often that the service has become a blind spot of public debate. The IAS culture, mimicked by other bureaucracies in India, is responsible for much of what is wrong with the India state.

The IAS culture has no place for innovation and reform. Promotions are determined by seniority and not by ability or performance. The postings expect that the officer will manage to keep the organization running without any thought given to the goals of the organization. The administrators are themselves so loath to take responsibility that the decisions are normally based on the note on the files which starts up at the level of the office clerk. The rules are byzantine; using common-sense could lead any officer into trouble. The administrative review systems and the legal systems are dysfunctional so a really honest officer could spend a lifetime clearing his name. To be safe, officers just go along with the recommendations that arise from the bottom of the hierarchy.

Ironically, it is the corrupt who are decisive. Just the making of a decision may be worth a large bribe. In government purchases, a certain percentage goes as bribe to the purchasing officer which is shared by other officers. For the honest, the most prudent thing to do is to look the other way, and forgo one's share. Officials and ministers are known to have amassed fortunes worth hundreds of millions of rupees.

Corruption pervades all levels of life in the twin forms of bribes and extortion. It is even effecting the manner in which technology is used. For example, most people illingly get their long-distance telephoning privileges revoked so that the telephone exchange staff will not put someone else's phone charges on the bill. The other way to ensure there are no bogus charges is to pay protection money to the lineman.

**Investments:** India needs enormous resources to build its infrastructure. Why don't the NRIs, who are patriotic and also perhaps the richest community in the world, invest? Simply because the laws in India don't guarantee that their investments will be secure. If one owns land and property, squatters can occupy it and there is no real recourse in the courts. The lower courts are so corrupt that one cannot be sure that contracts will be legally enforceable. It is easy to get the consideration of a case delayed by giving a bribe. The judge may be honest but what oversight is there of the clerks in the courts?

In the purchase and sale of real estate, half or more of the transaction is made in cash. To cleanse this cancer in the economy should be one of the highest priorities of the government. Such cleansing will attract large new investments which will lift the economy.

**Reforms:** Here are some other structural reforms that are absolutely essential at this time:

- Restructure and scale down the IAS system. Let each district elect its administrating bodies and let they be given financial authority. The district administration should directly receive an outlay from the state according to some clear rules.
- Provide authority to the states, districts, and cities to levy taxes if so voted by the citizens.
- Build a wall between the affairs of the state and religion. The state should get out of the business of management of temples and mosques and stop subsidies to religious schools and pilgrimages.
- Reform tort law so that the bureaucracy is held accountable for its errors in matters of civil law.

- Develop a system of oversight at all levels, in all operations. Use sting operations to nab corrupt ministers and officials.

Rather than deal with substantive issues, the Indian polity continues to be enthralled with the theatre of symbols. The complexity of the old religious ritual is nothing compared to this theatre. In this theatre, as in any other, posturing counts for more than convictions.

Where are the energies of the polity concentrated? On quotas, smaller states, *swadeshi!* The issue of quota for women is degenerating into further quotas within this for women of different castes. Once this is granted, would quotas for religious affiliation be far behind? Lacking vision, the politicians merely address the symptoms, and not the systemic problems of governance and social justice.

Inevitably, India is opening up to increasing use of information technology. But it remains stuck in the colonial paradigm of the Raj where, instead of grants and concessions to this Maharaja or that, problems are being “solved” by quotas and new administrative arrangements. No thought is being given to changes that will facilitate information becoming the vehicle for transformation of attitudes and structures. Wanting these systemic reforms, it appears that India will remain ill-equipped to deal with the challenges and opportunities of the information age.

### **Acquisitive Mimesis in Theories of Reflexive Globalization**

First, a word concerning the title of my presentation. It is not out of any vogueish reason that I use the term *mimesis*, rather than imitation. Certainly, it was Gabriel Tarde (1895) who first reminded us that the “tendency towards imitation is a main drive behind both creation and the development of social institutions, legal and other” (Stone, 1966: 481). But it is Rene Girard’s corpus which educates us into the more complex notion of *mimesis* and relationship between *mimesis* on the one hand and violence, victimage and truth of the sacred on the other (1978, 1986). He has made it possible for us to think that

social theory and thought, too, may become objects of mimetic desire, of acquisitive mimesis (where “two mimetic rivals attempt to wrest from one another an object because they designate it desirable to one another”) and even about the phenomenon of mimetic “contagion.”

Contemporary social theorizing concerning ‘reflexive’ globalization provides an exciting spectacle of acquisitive mimesis at work. It also enacts its own distinctive order of victimage by means of emistemic violence, exposing to doubt the anti foundationalist discourse celebrating Stanley Fish’s maxim: Theory has no consequences (1989).

‘Reflexive’ globalization provides an exciting ongoing conversation “brilliant stuff” as Lash himself would describe it (1994:203) among social and cultural theorists of the North, often modestly placed at the service of the creation of a global sociology (Robertson, 1992) or “undoing culture” (that is ‘globalizing cultural complexity’: Featherstone, 1995), reflective globalization theorizing is, in reality, addressed to the task of construction of future histories of humankind. The point of departure for theoretical sketches is not provided by the mad integrity of a Nietzsche who after all constructed nihilism as a way of writing the future history of Europe. ‘Reflexive’ globalization thinkers address the future of the world as a whole, with varying degrees of “pessoptimism.” And the path followed is that of philosophical anthropology, sedimented by [-but going beyond] discursive traditions of ‘modernity’ and ‘post-modernism.’ The debris of thought traditions of the North provides the raw materials for doing this kind of philosophical anthropology. Its other distinctive, indeed constitutive, feature is the deployment of enormously suggestive (seductive) power of anecdotal narrativism, unburdened by any rigours of method in assembling global social facts.

To take just one example, we hear Arguably, the workings of power, politics and ideologies in these new transnational flows of capital, people, commodities, information and culture are generating a cyberspace/telesphere that is coextensive with, but different from, first nature in biosphere and second, nature in the industrial technosphere. This new ‘third nature’ of

cyberspatial/televisual information glocality fuses the local and the global in new everyday life-worlds. And it is the hyperreal estate of these glocal territories which anchors many social struggles, political organizations, economic conceptions and cultural creolizations in most regions of the existing capitalist world system (Luke, 1995: 91 emphasis added).

The tentativeness of this prologue (marked by italicized words) is soon dissolved in the heavy text which follows. It is not necessary in talking about 'cyberspatiality' to acknowledge the fact that only about 15 million people have access to Internet (that is, little over the population of the capital city of India!) or Canada has more telephone connections (approximate 27 million) than many a developing country put together or further that the televisual information glocality is available to those who have access to electricity (aside from other resources), a fortune yet to visit millions of impoverished people in the Third world whose governments proclaim, over and over again, five year rural electrification plans ! Much more could be said in this vein but I will desist.

Of course, such 'facts' can be quickly countered by other 'facts'-Rambo's "larger-than-life-heroes" being applauded by "remote villagers in rural Burma" only "days after they hit the screens of Wisconsin" (Iyer, 1989: 12, quoted in Featherstone, 1995: 116) or Paul Theroux's *The Happy Islands of Oceania* where people narrate to him the latest developments in Gulf War they'd heard on the Radio or and people in the tiny island of Savo (Solomon islands group) where a single generator video made Rambo a folk-hero. For Featherstone all this talk produces at least a reflexive anxiety "such accounts are by now legion yet how are we to read them?" (p.116) and suggests that "we should not be too hasty in dispensing with theories of social relations [of power domination-] altogether" (p.125). But haste for prognosis lies at the heart of reflexive globalization theories.

Reflexive globalization theorists' penchant for disregarding or transcending social facts makes its discourse essentially poetic, at time lyrical, in its imagery. The prophetic mode of contemporary theory-construction is more assured of future facts about glocalizing neo-world order in which agency will

became even more autonomous of the structures and reflexivity will prefigure as well as transfigure things now hidden from view. Hidden only, I should add, partially from view because mimetic rivalry over conceptions should as 'reflexivity', 'risk', 'trust', 'culture', 'glocality', 'flows', 'hyperralitization', 'liminality' already indicate, via trajectories of imaginative social theory, the shape of things to come. Thus, for example, we now hear of 'reflexive subjects', 'reflexive accumulation', 'reflexive' consumption where "global economies of sign and space" become the only 'reality' there is, or that is worth talking about (Lash & Urry, 1994). Perhaps, we should adapt Girard's notion of acquisitive mimesis to 'reflexive' mimesis.

But let me as a mere lawperson (significantly, law and human rights have very little resonance in theoretical sketches and skirmishes of reflexive globalization narratives) not rush in, in this vein, where angels used to fear to tread ! Instead, let me look at result, consequences, implications of some of these narratives recalling Kerl Lewellyn's memorable counsel to first-semester law students at Chicago; his doyen of American legal realism used to ask the class not to look at what judges say but rather to look at what they do with what they say ! Perhaps, this hermeneutical jurisprudential maxim may be usefully extended to theories of, and about, reflexive globalization.

At the heart of conviction about 'open-ended' 'fluid' 'up-for-grab' notions of globalization (Robertson, 1992) the germ of social Darwinism gnaws, it does not display itself as outrageously as in Jacques Attali (1990) who elaborates the 'thesis' that the North is the millennial winner, the South the millennial loser. Attali boldly declares that Latin American countries represent a situation of 'terminal poverty'. Africa is a 'lost continent' and baring a few, Asian nations are millennial losers. We find much more refined versions of this kind of approach in contemporary globalization narratives, prominently for example, in Scott Lash and John Urry's recent proclamation of 'reflexivity winners' and 'reflexivity losers' (1994), the latter being the denizens of 'dead zones' or 'wild zones' of underclasses living in ghettos, a marker of exclusion from "information and communication structures' (Lash, 1995: 132).



Lash and Urry are refreshing in their candor in asking: “what can reflexive production and consumption mean to a single mother in a Chicago ghetto?” (p.143). Nothing, as far my close reading can tell, excepting that the reflexivity losers are situated (interpellated) in the “wider zones of disorganized capitalist landscape,” that is in their “exclusion from civil society itself.” The zones are ‘wild’ or ‘dead’ as “spaces characterized by a deficit of economic, cultural and social regulation” (p.8). Students of histories of pauperism will know (as from the beginning of Elizabethan poor law system) that ‘wild’ or ‘dead’ zones can also be created by regulation-surplus as well! That apart, after this gesture of acknowledgment of ‘underclass’, at the heart of modern economies of signs and space, the caravan moves on to its proper exotic destinations. The trace of empathy proves barren, after all.

Another large example of Social Darwinism implicit, of almost innate epistemic violence of reflexive globalization theories, comes from no less thinker than Anthony Giddens who is sensitive to fashioning ‘dialogic democracy’ as the only alternative to violence (1994: 105-107), sensitive, too, to acknowledge that “liberal democracy is not the end of history in the political sphere” nor is “capitalist production in the domain of economic relations” (p.104). Yet, at the end of it all, Giddens is able to speak of the “possibility of the emergence of a post-scarcity order” in which “the drive to continuous accumulation has become weakened or dissolved” partly as a result of the “well-known contradictions of abundance” (p.195). Conscious of the difficulties that the problematique of mass impoverishment in the Third World immediately poses Giddens grandly concludes that the post-scarcity order “is far from something that only has relevance to the economically advances sectors of the globe” in the sense that the “affluent have a great deal to learn from the poor: and the West from other cultures which in the past it has simply threatened with extinction” (p.196 emphasis added).

It is, of course, not Giddens’ fault that I read his brilliant analysis of ‘detraditionalization’ ‘reflexivity’ and ‘trust’ around the same time I chanced to read *War & Hunger* (1994), a

hauntingly contemporary account of planned acts of creation of “conflict-famines” where food (access to food as a basic need and to resource for agricultural productivity) is used as a weapons-system in insurgency and counter-insurgency operations, in wars throughout Africa (and, one may add, the rest of the Third World, including the New Third World emerging as a result of downfall of the Soviet Union). Even when conditions of belligerency abate, the presence of active land mines (estimated to be in the order of 18 to 30 million in most war-zones of Africa) continues to aggravate recovery and rehabilitation.

Among other things, reading of this account made me feel strongly about the violence of past tense in Giddens’s italicized sentence quoted above (re: other cultures which the West has “in the past threatened with extinction.”) Directly by aggressive intervention, or indirectly by complicity with rebels or incumbents, and/or by formal and informal profiteering by armament supplies as well by acts of diplomatic management, and at times outright usurpation, of legitimate roles, functions and missions of the United Nations system, destruction proceeds in infinitely complex ways. Indeed, the production of “complex emergencies” in the South, a conscious ‘reflexive’ foreign policy project in the era of cold war continues even now as a central concern in the varieties of versions of pax Americana. Given the dynamics of the ‘new military world order’ (which Giddens himself introduced in the discourse on contemporary globalization: 1990), it should at least be clear that the emergence of past-scarcity order in the North is causally correlated to manufacturing of conflict-famines in the South.

In addition, the prophetic notion that past-scarcity order, though Northern in origin but marking an incipient global order, proceeds on a theory of international social learning (“the affluent have a great deal to learn from the poor”) stands problematized by the manufacturing of “complex situations”, including the militarization of ethnicities embedded in the new international military order. The logic of this order as concerns the South consists in production of an order of super-scarcity. The ‘learning’ does occur but not in the direction of the

production of any post-scarcity world order. The situation is the same when we turn to the dimension of the international economic order. One has to just turn to the 'rationality' of the accomplishments of the WTO 1994 regime or of the US omnibus super-301 legislation providing an arsenal of first strike weapons of trade retaliation for the protection and promotion of the very sectors of production of "informational goods" imbricated with "reflexive" production. The "reflexive" agency of people in struggle against new economic regimes of "free trade" was successfully overridden by the hegemony-or rather dominance without hegemony-of the 'globalizing' regimes of the North. Most of 'reflexive' globalization conversation naturalized global economic, trade, capital, commodities and peoples' flows instead of problematizing these. It is this formation of mentalite which remains, as it were, a necessary, perhaps even sufficient, condition for the intellectual production of reflexive globalization, the prophecy concerning the emergence of a world "post-scarcity order" being among its notorious examples.

It is also mightily curious that for theorists of 'reflexive globalization' the world of international diplomacy and the products it so regularly sprouts, is largely non-existent or irrelevant. In the older ways of doing social theory the global 'facts' would have been accorded the status, at least, of Durkhemian social facts. The prophetic discursivity of reflexive globalization passes by the entire happening of the U.N. Social Summit on Development (Copenhagen, 1995) whose Declaration and Plan of Action proceed on the candid acknowledgment of the relentless global social facts of mass impoverishment, destitution and deprivation rampant, especially out not only there in the Third World-a world, incidentally, for which according to Giddens that naming is no longer "appropriate", together with the "idea of 'development studies'" which has lost its "cogency" (1994:188.)

Similarly, reflexive globalization theorists pass by the labours of society of states and international civil society exemplified by the U.N. Conference on Population and Development (Cairo, 1993) and the U.N. Fourth World Conference on Women (Beijing, 1995). It requires no great

imagination to see espy similar fate awaiting the human labours of the World Summit on Habitat due to take place in Istanbul (June, 1996). One's ambivalence concerning the behaviours of states within contexts of high-minded international diplomacy or of vibrancy and urgency with which groups of 'reflexive' NGOs participate, with a matching degree of Utopian realism—one's assessment of the intent and impact of such praxiological formations can only be meaningfully articulated when such global social facts are in the first place acknowledged by 'reflexive' theorizing on globalization. But for the prophetic 'reflexivity' discourse, cast in the mode of philosophical anthropology, such facts count for little or nothing, despite the celebration of such themes as the 'decentering' of the nation-state.

The constitution of "we-ness" in reflexive globalization theorizing remains ineluctably parochial and Eurocentric and therefore social-Darwinistic. It would take me for afield to archive all the illustrations. But a couple of examples should suffice. Writing in 1995 on the heroic and everyday life. Mike Featherstone (1995, 59-71) does not even mention once Mohandas Karamchand Gandhi, Nelson Mandela, Martin Luther King Jr. or Aung San Suu Kyi. The discourse is 'peoples' with Weber, Baudrillard, Horkheimer and Adorno, Nietzsche, Simmel, Bauman and Heller. The 'we-ness' of reflective globalization narratives centres upon construction of social reality of Northern sociological thinkers and thought. And everyday heroism, too, does not appear in narratives of workers in struggle, women fighting patriarchy in lived lives, Pakistani child leader brutally assassinated for articulating struggle against bonded labour, indigenous peoples' struggling to conserve biodiversity but out of the cult of "mythic hero images of Superman and Rambo types as well pastiches and parodies of the whole heroic tradition such as the film, *Monty Python and the Holy Grail* (1975) and various blends of both such as are found in *Indiana Jones* films." (p.67) Overconcentration of the 'mediascapes' or celluloid realities cancels in theories of cultural globalization the embodied traditions of resistance, struggle and heroism in everyday life of the South. Here, alienated reflexivity functions to form visions of globalization

which obliterate by refusing even to name the only heroes who would were in the past, and remain new and for the future, the arch-practitioners of emancipative deglobalization.

Similarly, in articulating a gigantomachy between ‘tribalism’ and ‘globalism’ via the prism of McDonaldization of the world (named Mcworld, adding to the property of goodwill in the registered trade mark!) B.R. Berber in an article entitled ‘Jihad v. Mcworld’ (1992)-certified by no less than Ronald Robertson from whom I quote (1995: 25) as a “widely disseminated” statement-positis tensions between a “Mcworld of homogenizing globalization versus a Jihad World of particularizing ‘leabonization.”” These are metaphors run wild for the destitute, starving, millions of human beings for whom the McWorld does not exist or for the ‘reflexive’ Leabenese subjects, mercilessly exposed to a series of violent disembeddings and reembeddings in a ‘structure’ from which they have supposedly won enclaves of ‘autonomy’. While contesting some of Berber’s thesis, Robertson lends his-both cognitive and aesthetic-authority to Berber’s violent musing on how the creation of Mcworld signifies the realization of “the Enlightenment dream of universal rational society” in a remarkable degree. Perhaps, (though it does not really matter any more!) a more weighty labour of thought would have been provided by the lamented Walter Rodney’s poignant text *How Europe Underdeveloped Africa* (1983). But, aside from the Dead White Males, the conversation on reflexive globalization is uniquely self-referential denying even a modest acknowledgment to thought and voice from the South, unless of course they are ‘nomads’, ‘structured’ hybrids or diasporic intellectuals. The discursive “we-ness” of contemporary globalization narratives barely conceals the exclusion of “reflexivity losers.” The difference, this time round, being that among those excluded are labourers of thought within the growing “underclass” in a globalizing world, including practitioners of political thought from Nehru to Nyrere. Ghettoization of thought, in a world supposedly bursting with information access, is remarkably symptomatic of glocalizing theories about “reflexive globalization!”

The foregoing commendation on the current genre of

globalization theorizing would have accomplished its task well if it were to persuade some eminent Northern thinkers to be more inclusive of the rest of the world in their labours of thought. Let me now move to my second thematic: politics of rights in the context of India, returning at the end of my presentation to Ulrich Beck's fecund notion of the reinvention of politics.

In focusing on law, constitution and rights I derive some comfort from Georges Guruvitch (1942) who said, memorably, that too little sociology leads us away from law and much sociology returns us to it. The founders and forerunners of modern social theory richly illustrate the truth of this dictum. The relation between societal complexity and legal evolution (Durkheim), the emphasis on constitutions and laws as necessities of class struggles (Marx) and the dialectic relationship between economic development and legal rationality (Weber) furnished salient dimensions of understanding societies. This tradition of taking law seriously persisted well till Parsons, who at one point described law, with language, as an "evolutionary universal". The lack of serious social/cultural theory interest in law in the narratives of reflexive globalization is understandable as an aspect of epistemological break with the older traditions of social reflexivity.

As and when, reflexive globalization theorists turn to law and rights, they are more likely than not to have recourse to the contemporary outpourings of critical legal studies, deconstructive jurisprudence, critical race theory, post-modernist perspectives on law and state. For these discourses, too, while providing sites for sustained interrogations of traditions of western/capitalist legality remain, on the whole, in a state of well-bred amnesia of crises and contradictions in the construction of rights, legality and justice in the South.

Undoubtedly, the Indian formation of juristic thought provides us with many an inaugurator of new discursivity on law, rights and justice; M.K.Gandhi, Babasahed, Ambedkar and Jai Prakash Narayan among them. In particular, well ahead of John Rawls, and contemporary debate between 'liberalism' and 'communitarianism', Ambedkar persciously

developed a critique of liberal legality (Baxi, 1995). But this is a theme by itself. Gandhi's discursive and political praxis creating collisions between the truth of people's law formations and imperial state law informations, his creative siting of duty of civil disobedience within the values of British legality and his unceasing search for commingling ethic of human rights with human responsibilities provides splendid examples of reflexivity so far not available in narratives of reflexive globalization. But it would take me for afield to explore these patterns of inaugural discursivity. It is indubitable that the Gandhi-Ambedkar conflicted legacies of thought and action made possible distinct points of departure in the construction of post-colonial legality just as Jai Prakash Narain notions of Total Revolution based substantially on a critique of the constitutional model, summoning people including the police, para-military and armed forces of India to disobey manifestly unjust laws and orders and calling for people's participation in administration of justice laid firm basis (after the brief but cruel authoritarian interlude of the Emergency of 1975-1977) for a new Indian jurisprudence, especially through the agency of judicial activism. The full narrative of the histories of those formations is beyond the scope of this paper. But the importance of Indian constitutional thought and development cannot be overstated, even in terms of invention of politics.

Just as the South African interim constitution marks a watershed in the history of constitutionalism on the eve of the Third Millennium, the Indian Constitution marked the first major break with the world (Western) constitutionalism. And it served as a model for most South Asian and Third World constitutions. The discontinuities with the inherited tradition of constitutionalism are perhaps more critical (these certainly have been so in the last two decades of the Constitution at work) than continuities. The Indian Constitution's remarkable persona manifests itself in massive normative assault against dominant institutions of civil society. In a society marked by millennial conception of hierarchical equality, the Constitution proclaims all citizens as free and equal. For a society almost irredeemably patriarchal in character, the Constitution asserts values and rights of gender equality casting (since 1976) an



obligation by way of citizenship on all to renounce practices derogatory of women. In contrast to the Hindu society's valorization of 'purity' and 'pollution', Article 17 of the Constitution prohibits, as a matter of fundamental right, the notion and practice of "untouchability". Through Article 23, a fundamental right against exploitation, the Constitution outlaws bonded labour, beggar, and other forms of servitude in a society slow to emerge from semifeudal relations of agrarian production. Proclaiming a charter of rights to conscience and religion, the constitution mandates reform of Hindu religion. In these, and many related vital respects, the constitution declares a war on social practices and beliefs deeply rooted in Indian society and culture.

The symbolic significance of all these normative aspirations is immense, even when sonorous words written on parchment do not by themselves transform material social relations. But, as development since its adoption have shown these texts of justice and rights has helped to energize state action, to defeudalize public discourse on power, to sustain momentous scope for rigorous redirection of the Indian future. The constitution provides basis as much for legitimation of power as for its delegitimation.

To this inaugural dimension of Indian constitutionalism must be added the departures its theory of rights marks in terms of the classical liberal theory of human rights. This occurs in a least five distinct ways. First, the Indian constitution is practically unique in the annals of world constitutionalism in recognizing basic human needs as human rights, whose progressive realization is a constitutional obligation of the state. Formulated as Directive Principles of State Policy, unenforceable in principle by courts (but now being gradually enforced by activist jurisprudence), the Constitution of India anticipates by two decades the bifurcation of international human rights conventions into the International Covenant on Civil and Political Rights and the sister covenant on Social, Economic and Cultural Rights. Second, the fundamental rights are subject to limitations (reasonable restrictions) placed by legislation, subject to judicial review. Third, and perhaps most critical, the

constitution does not merely conceive of human rights as a corpus of constraints on state power but also addresses them to institutions in civil society (notably through constitutional outlawry of untouchability and semi-slavery); what is more, the constitution creates offenses (a task normally assigned to criminal law) in the part enunciating fundamental rights and overrides federal principles by providing on obligation on Parliament to enact further suitable legislation. Fourth, the constitution provides not just for affirmative action programmes for the scheduled castes, scheduled tribes and other backward classes but also provides for a scheme of reservation of seats in state legislatures and Parliament providing secure modes of access to political power and principle now extended to grassroots governance in villages and cities, extending the reservation to women, by the commonly known as Panchayati Raj amendment to the constitution. Fifth, the fifth and the sixth schedules to the constitution provide for autonomy to Hill District Councils, such that they have the power not merely to declare that the state law is inapplicable but also the Federal law may not operate in the indigenous areas.

The Indian constitutionalism extends conceptions of rights, innovatively, to civil society, embraces social and economic rights, provides of rights to political participation for the “weaker” sections of society, and reconfigurates ‘positive’ and ‘negative’ liberties. The Namibia, and one in the making in Eriteria build on but also transcend the Indian modelling of civil liberties and peoples’ rights.

We see in Indian constitution is texturing of rights notion an invention of tradition (cf. E. Hobsbawn, 1983). The nearest in the classical Hindu jural tradition equivalents were notions of *adhikar* (which conflates ‘rights’ with ‘power’) and *hak* (which is more akin to legally enforceable claim). While sustained research is needed in varieties of *rajdharm* (the *dharma* of the ruler, the king) and the imperative of respecting *lokadhikar* (rights of the people but usually conceived of a rights of communities personified). It is clear that these did not anticipate any major elements of modern conceptions of human rights. In this sense, the invention of tradition, contra Giddens, does not

result in the “evacuation” of any tradition (1994: 95-96) or any tautology in the sense that “all traditions... are invented.” All the same, both in intention and historic impact the constitutional enunciations serve the role of what he describes as “detraditionalization.”

The notion of detraditionalization apparently does not extend at a global level to modes of production of knowledges of dominant ideologies or entrenched paradigms of governance and rights. It is altogether natural, therefore, that the question is not even posed, how through the nationalist struggle and the accomplishment of constitutional enunciation, as to how the Indian conceptions of rights developed both through the nationalist struggle and accomplishment of constitutional enunciation, may have affected the dominant paradigms. But there is reason for saying that contemporary conceptions of self-determination, freedom from social discrimination, and notions of just freedom were distinctively Indian contributions. When Lokmanya Tilak dared to say in the twenties that “swaraj is my birthright and I shall have it” he was not situating himself within the Indian traditions or the high colonial versions of the rule of law. Radically incomprehensible to the ruling ideology, this motto propelled, as it were, the nationalist movement to a high attitude. Equally important, it contributed to a ferment of thought which fifty years later achieved for the peoples’ of the world an enunciation of the right to self-determination under international law. Mohandas Gandhi’s heroic protest at early forms of apartheid was an attempt to detraditionalize colonial legal liberalism and yielded, under the leadership of the Third World, again a century later, the Convention on the Elimination of Racial Discrimination. Abedkar’s notions of justice as emancipation-not just freedom but just freedom-certainly anticipated with remarkable originality the current crises of (Northern) theories about justice.

Perhaps, my attempt to bring all this back to the context of reflexive globalization may be assimilated merely to “global babble” explained, elegantly by Mike Featherstone as a process where “the rest are increasingly speaking back to the West” (1995:13). Once you reduce old and complex cultures and

civilizations to the 'periphery' it is but natural, even though arrogant, to reduce voices from these as "babble", inviting would-be discursivity partners to worry about the progressive hearing impairment on the other side! The task then is how to glocalize the theorists of globalization!

The story of development of Indian constitutionalism in its formative years has often been told. The narrative centres upon the conflict between a hegemonic executive which relied on charismatic leadership and symbolic capital of nationalist struggle and a judiciary construing legalism as an ethical value summoning interpretative fidelity. The first two decades marked the ascendancy of executive power over definitions of individual rights (especially the fundamental right to property) and more importantly in the assertion of sovereignty of Parliament over the issue of amendment to the Constitution. This is not the time or place to revisit the narrative. But it should be sufficient to say that the conceptions of postcolonial legality which emerged on both sides—legislature executive and the judiciary—did not mark any discursive rupture with the dominant metaphors of colonial legal liberalism.

The incipient break occurs in 1967-1969 and a more fully fledged discontinuity establishes itself, in momentous ways, in 1973. Both these moments result in even more, and relatively irreversible discontinuity with the past, since the 80s. All these three moments amount to the reinvention of rights and of politics of human rights. We will need to dwell, howsoever briefly on each.

The first moment of incipient discontinuity registers an interrogation of the paradigm of executive hegemony over the nature and fate of human rights enshrined in the constitution. The Supreme Court accepts yet another abridgement of property rights by the Seventeenth Amendment, but not without raising the germinal question whether fundamental rights may be construed as "playthings of power." Two years later the Supreme Court, in an anxious and deeply divided articulation, ruled that Parliament's power to amend the constitution does not extend to abrogation of fundamental rights. This was the first historic step towards the disciplining of a hegemonic and dominant

executive power in the title of protection and promotion of human rights and gesture of autonomization of adjudicatory power of the state from legislative/executive realms.

Faced with an incredible reassertion of Parliament's power to amend and even repeal the constitution, on the basis of liberal majoritarian 'democratic' principles, the Supreme Court in the second moment in 1973 concedes. Parliamentary supremacy to amend all parts of the constitution but denies the power to repeal it and subjects this power to the judicially enunciated doctrine of the basic structure of the constitution. Amendatory power cannot take away the essential features of the constitution named as 'rule of law,' 'equality before the law,' 'democracy,' 'socialism,' 'secularism,' 'federalism' and above all the powers of judicial review, reducing to pale historical significance the celebration of *Marbury v. Madison*.

And exercising this power in the heyday of emergency, it declares unconstitutional an amendment enacted by Indira Gandhi. Ineluctably, the basic structure is what the Judges at any time say it is but peoples' rights are placed now on a more secure footing within the discipline of articulate legal contention, judicial tradition and emergent constitutional cultures.

The detraditionalization of the dominant cosmopolitan traditions of legal liberalism proceeds apace in the third moment, through the post-emergency cathartic growth of judicial engagement with the violations of the democratic rights of the Indian people. These news structures of engagement begin with a public acknowledgment of judicial failure, and the shame of it, during the brief interlude of Emergency unconstitutional governance. In the first phase, a radical democratization of access to courts takes place by privileging people's letters to Judges (the epistolary jurisdiction) as legitimate vehicles of raising the issues of rights violation.

The historic shift takes place in throwing overboard the restricted colonial legal liberalism's notions of standing (now any citizen may write letters complaining about violations of rights of other citizens by way of public interest). And the process matures (with initial distortions and waywardness) to a partnership between civil society and the adjudicatory

powers of the state aimed at combating governmental lawlessness.

This moment marks a remarkable disjunction in the project of centralized unity of state power. The adjudicatory power no more seeks to recombine itself with legislative and executive power, but rather sets itself up in active tension, even contradiction, with it. And it does so with the title of protection and promotion of human rights, rule of law and democraticity of governance.

The break with colonial/post-colonial traditions of liberal legality stands inaugurated, making the entire discourse on the legitimacy of judicial review power (with its well known celebration of judicial role as being 'antimajoritarian' and therefore 'undemocratic', still robustly alive in Anglo-American juristic traditions) somewhat irrelevant, and even archaic, to the nature and career of democratic development in India. And within a decade the unique Indian innovation of expansive judicial review resonates in Pakistan, Bangladesh and Nepal. The genre takes a life of its own. Regardless of the well-bred cultivated ignorance or indifference by the first 'world' theorists of democracy, legality and rights, the media, the academia, social action and political groups, human rights activists, ecological and feminist action groups, indigenous and unorganized rural labour associations forge an ever-increasing people-judiciary partnership. Not merely is the repertoire of procedural jurisprudence renovated but a whole new array of people's rights are judicially created and enforced.

Thus, the previously categorized unenforceable human rights (directive principles of state policy) are converted into enforceable human rights of life and liberty: the right to shelter, privacy, dignity, health, primary education and literacy, environment. Both micro-and macro-fascism of power now stands subject to strict judicial invigilation.

The Supreme Court, and the High Courts, supervise and monitor public administration and state institutions (psychiatric, juvenile, women's homes, jails, 'correctional' centres and related custodial institutions). As one privileged to initiate the potential for judicial activism, I have narrated this story often enough

(Baxi, 1989). It is naturally not to be expected that even such a mightly activist judiciary can perform tasks of governance. There are backslidings, failures, of governance. (the Bhopal settlement being archetype).

But there is no manner of doubt that judicial activism has, on the whole, succeeded in making state a little more ethical, power increasingly accountable and governance little more just. In a globalizing Indian economy judicial activism is harnessed by peoples' group to interrogate the headlong and heedless policies of liberalization especially denationalization, disinvestment, deregulation. The extension of judicial activism in this arena has led to a programme for its structural adjustment (Baxi, 1996). But the institutionalized processes of social action litigation are more resilient. By treating immunity from corruption as the most basic of peoples' human rights, the Supreme Court has now captured (in recent months) the commanding heights of redirection of the Indian polity and captured peoples' imagination as the only site available for accomplishing the tasks of redemocratization of India.

This brief but accurately adulatory account of Indian juristic and judicial development (which in many ways continues to nourish similar developments in Asia and Africa) will, I hope interest the projects on regional worlds as well as theorists of "reflexive" globalization. I now wish to return to Ulrich Beck's splendid notions of the "reinvention of politics" in the context of my understanding of the Indian development.

Beck, of course, addresses a wholly Northern scenario but the conceptual apparatuses he erects have a wider resonance, especially the distinction between "rule-directed" and "rule-altering" politics. The former, even with its potential for creativity and non-conformivity, "operates within the rule system of industrial and welfare state society in the nation-state" or "simple modernity" system. In contrast, the latter "meta" or "super-politics" aims at "politics of politics" confronting the inevitable questions concerning the "switching of the rule system" and "what system of rules one should switch to" (1994: 35). Not that these distinctions are wholly hermetically sealed compartments: "both types of politics overlap, mingle



and interfere with each other” (p.36). A related distinction is “provided by official politics (rule-directed) and “reflexive” politics (“rule-altering”). To this distinction we must add Beck’s notion of “sub-politics” which differs from politics on the following dimensions:

- agency: in sub-politics “agents outside the political as corporatist system are allowed to appear on the stage of social design” or the “shaping society from below”
- organization: institutionality of “sub-politics:” shaping of its power resistance capabilities and “potential for strategic action”
  - o policy: organization of “sub-policy” in terms of arenas of social action
  - o dynamics: both in the sense of internal and external dynamics (that is internal conflicts of power/ leadership; patterns of networking, coalition-building, democraticity; cooptability and corruptability)
- outcomes: “viewed from above” results of “loss of implementation power, the shrinkage and minimization of politics:” viewed from below “the mobilization of means of the constitutional state against one another” entailing often a “general relative paralysis” of both official and sub-politics (pp.22-23).

What does then the reinvention of politics through these processes lead to? In the face of despair on the project of “transformation from a national economy of self-destruction to a global and democratic world civilization” the reinvention of politics would proceed at least on a “consensus that the present obsolescent institutions will be unable to achieve these goals under any circumstances” (p.37). In this sense reflexive politics “does not mean just the invention” it also means “the clearing out of the political” (p.41).

I here expounded Beck’s conceptual framework at some length (and even then in a schematic form) with a view to make mediation on the politics of human rights in the dominant mode of McWorldism and social Darwinism preeminent in the outpourings of “reflexive” globalization. Insofar as the latter provide any space for human rights, it is wholly assimilationist.

Put another way, reflexive globalization theories heavily suggest that it is the globalizing processes which provide conditions constitutive of autonomy, reflexivity, pluralism, diversity and global institutionalization of human rights (Robertson, 1992). Such almost causal celebration of the emancipative potential of contemporary globalization is historically frivolous though ideologically potent (Baxi 1966). It also violates the canon of reflexive globalization theorizing of increasing relative autonomy of agency vis-a-vis the structure. In contrast, Ulrich Beck's perspectives besides being forceful to this canon suggest the potential of politics as a terrain for peoples' deglobalizing/deglocalizing power of praxis. In terms of Beck's scheme the politics of human rights is both sub-and super-politics being, by definition, rule-altering. Of course, at each level of historical circumstance, condition and complexity, this politics will remain as strong as the integrity which actors bring to it. Given, however, the unleashing of forces production (cybernetics, biotechnology) and new social global relations of production (including McDonaldization, 'hyperrealization' diaspora and "flows"—for the latter see (Appadurai 1991)) "integrity" becomes profoundly problematic. Its reservation demands allegiance to the "reason" of human rights amidst the "unreason" of globalization (Baxi, 1996).

At the same time, even Ulrich Beck reverts to embed the politics for human rights to the "process of modernization", "political modernization disempowers and unbinds politics and politicized society" (1992: 194, emphasis deleted). How do we relate the inaugural historic struggles of Indian peoples for freedom from the colonial rule of these fertile productivity attributes of "processes of modernization?" The struggle was not merely an example of "sub-politics" but constitutes the site of "meta-" or "super-" politics. It is aimed not merely to transform the grundnorm (to evoke—Hans Kelsen) of the Indian governance but the grundnorm of the international social/imperial governance. It is possible to say that "freedom" being the Other of "colonialism" the latter caused or contributed to the attainment of the former. But this surely trivializes agency, reducing agency merely to the states of pertinent effect of structures of colonial globalization. It also suggests that all

struggles against colonialism/imperialism derive their innate and historic strength from the tradition of classical western liberalism. A mere look at Mahatma Gandhi's corpus will show how misleading such assumptions are.

But Beck is profoundly correct when he says that constitutional rights "are hinges for a decentralization of politics with long-term amplification effects" and that basic "rights with universalistic validity claim" provide a "generally directed process" for political development (1992: 105). His metaphor of the "judge's potential verdict with an omnipresence in the political system" (p. 197) could have been better illustrated with reference to Indian, and South Asian, developments than those in the North. The "living law" (or the peoples' law, to evoke Eugene Ehrlich) increasingly pulsates in judicial enunciation than in the moribund acts of legislature and administrative public policy in India.

If theories of "reflexive" globalization were sufficiently 'reflexive' not merely would notions about the reinvention of politics will be world-historically enriched but also the parochialism of juridical and judicial production of legality and rights in the North will be sufficiently problematized. A more inclusive constitution of "we-ness" will also make theory incline itself to address how the fantastically exponential process of new forces of production (biotechnology, cybernetics, telecommunications) and the new social relations of global production (the neo-colonial division of labour, including sexual division of labour; "McDonaldization," "creolization," structural hybridizations in production of "liminality" etc.) impact on the politics of human rights. Already, there is in place the emergent paradigm of trade-related human rights (celebrating the human rights of aggregates of capital and technology) conflicted with human rights paradigms, the former conflating free trade and structural adjustment fusing it with social development and the latter siting resistance through empowerment of individual human being and historically disadvantaged groups to reinvent politics. If the enslaving morality of trade-related human rights find its high platform in GATT, NAFTA, APEC and ASEAN, for example, the emancipative morality of human rights

articulates itself through enunciation of motto: “Women’s Rights are Human Rights”, the charter of rights of the world indigenous peoples, the Rio Convention on Biodiversity, and the U.N. Decade on Human Rights Education. The tasks of grasping the totality the new forces of global production and the emerging global relations of production have been essayed already by activist imagination of globalization theory labelled “reflexive” human subjects, who have asserted the ‘reason’ of human rights against the ‘unreason’ of globalization. (Baxi, 1996) Their praxis is certainly worthy of inscription on the agenda of reflexive globalization theorists.

### **Paradoxes of Human Nature and Public Management Reform**

The history of public management reform programs in the last decade of the 20th century was dominated by a single phrase: “new public management” (NPM). Whether writers considered NPM a universal phenomenon or merely a localized trend within Anglo-Saxon states, whether it was seen as a positive or negative development, NPM was the benchmark against which all public management reforms seemed to be compared and judged. Whether or not reforms were judged to be part of NPM, the reform activity was certainly plentiful (Pollitt and Bouckaert 2000).

This article offers a critical evaluation of NPM in the context of developments in the United Kingdom (UK) over the last 2 decades or so. It approaches this evaluation from a very specific perspective: that of what might be called “paradoxical systems theory.” NPM has been analysed by many as containing fundamentally contradictory aspects (Aucoin 1990, Pollitt 1990, Hood 1991, Ferlie et al. 1996). The paradox-based theoretical framework, it is suggested, helps to explain some of these contradictions and problematics associated with public management reform. While this analysis is based on the UK, it may well apply more widely.

### **Paradoxical Systems Theory and Human Nature**

The notion of paradox has emerged in the study of organizations and management in general in the recent past.

Academics, practitioners, consultants, and management gurus have all picked up the idea and used it in some more and some less serious ways. Probably the most famous management guru book of the late 20th century, *In Search of Excellence* (Peters and Waterman 1982), contains a brief discussion of paradoxical human nature in which the authors suggest that humans are inherently paradoxical. They suggest, for example, that humans crave both autonomy and belonging and as a result have ambivalent attitudes to organizations. Another popular organizational study that also, like *In Search of Excellence*, attempts to identify the important traits of high-performing companies concluded that it was a set of paradoxical behaviours that best characterized such organizations (Collins and Porras 1997). Many other examples can be taken of a developing school of writing on paradox in organizations (Miller 1990, Horton 1992, Felstead 1993, Handy 1995, Harvey 1996, McKenzie 1996, Price Waterhouse Change Integration Team 1996, Cannon 1997, Fletcher and Olwyler 1997, Talbot 1997a).

The most sustained and successful attempt at theorizing the role of paradoxical systems in organizations comes in the work of Robert Quinn, Kim Cameron, and colleagues (Quinn 1988; Quinn and Cameron 1988; Quinn et al. 1996; Cameron and Quinn 1999). In a synthesis of much of organizational theory, they produce a paradoxical theory of both managerial behaviour and organizational dynamics. They describe four fundamental, and contradictory, models of human organization: the rational goal model, the internal process model, the human relations model, and the open systems model.

Insofar as this is a simple taxonomy, in a classic two-by-two configuration, it seems fairly comprehensive but little different from other, similar attempts at synthesis. Where their work parts company with most organizational theory is that they see these models not as mutually exclusive “either/or” categories, but as paradoxical “both/and” types. They are mutually contradictory, but nevertheless each may, and usually does, coexist in the same organization with a permanent dynamic tension toward each quadrant of this model.

The term paradox here needs to be clearly understood. It

does not mean, as is often the case in colloquial usage, something which produces an unexpected or perverse result—for example, efforts at decentralization that result in greater centralization. Paradox in paradoxical systems theory is a sustained, or permanent, contradiction of apparently mutually exclusive elements that nevertheless coexist. It differs from the notion of a dilemma—a choice between contradictory elements—because it suggests such choices are either false or merely temporary. The chosen element (e.g., decentralization) may be achievable in the short term but its opposite (centralization) will continue to exert pressure and may even happen simultaneously (e.g., where operational decentralization and strategic centralization occur [Talbot 1997b]). Similarly, paradox is different from contradiction and synthesis in the Hegelian and Marxist traditions, where contradictory elements (thesis and antithesis) can be resolved through synthesis.

Paradox is permanent, irresolvable contradiction.

Where do these paradoxes in human systems come from? We would suggest that they are fundamental to human nature, and their existence in human institutions is merely a reflection of this underlying contradictoriness in the character of humans (Talbot 2005). Humans evolved as social beings, but of a very particular sort. We, along with a very few other mammals, evolved what have become known as “fission-fusion” societies (Dunbar 2004). That is, while we always live in social groups, these groups vary in size and composition over time. Our human ancestors even had to function completely autonomously for periods of time (e.g., when hunting or gathering). The necessary skills for such flexible, but still mainly social, living arrangements are thus contradictory: humans need to be able to, and indeed want to, function autonomously and simultaneously want to, and must be able to, be part of a group. They may act aggressively toward other humans but they also have to act peaceably. They may be cooperative and competitive at the same time. And finally, they may be both selfish and altruistic. This last point stands in direct opposition to economic theories that humans are always, and everywhere, rational utility maximizers. These ideas are set out in much greater

detail in *The Paradoxical Primate* (Talbot 2005). They are represented graphically below.

Human paradoxical instincts are of course not expressed in some simple, deterministic fashion. They are heavily mediated by two other factors: the cultural and institutional context within which individual humans are socialized, and individual humans' "bounded rationality" (Simon 1957). Bounded rationality denotes human rational decision making constrained by i) imperfect information and ii) limits in processing capacity, and especially of calculating the costs/benefits of different choices. Flowing from Simon's early work, a whole literature about this notion has now developed, especially the ways in which we actually make decisions, especially via heuristic decision logics.

It is notable, however, that most, if not all, human institutional arrangements seem to include paradoxical aspects in their structures while, of course, in certain times and places putting more emphasis on one or other aspect. For example, the United States (US) is noted for its supposed "individualistic" culture, but has one of the highest levels of voluntary charitable contributions in the world, while a notably "collectivist" culture like Japan simultaneously has an amazingly individualistic religious culture.

The implication of this "paradoxical primate" hypothesis is that human organizations will always be beset by contradictory pressures and dynamic tensions that are ultimately irresolvable. While there may be prolonged periods of apparent stability (e.g., centralized organizations), these will (i) be maintained only by specific efforts (e.g., maintenance of socialization and cultural norms) and (ii) will nevertheless always potentially be subject to change. Moreover, because of the often hidden underlying pressures, such change may appear to be of the "tipping point" type—sudden and discontinuous.

Of course, other factors may act as immediate causal agents of change.

Technological changes are often cited as such—for example, small batch production techniques displacing mass production lines—triggering the so-called "post-Fordist" trend to



decentralization. However, such technological changes are only proximate causes, catalysts, that free more fundamental forces into action. Sufficient examples exist of such technological innovations being absorbed by radically different organizational cultures without producing radical change to see that they are not by themselves determining factors. Certain technologies, like small batch production, distributed low-cost computing power, or the Internet, may favour specific types of organizational solutions—disaggregation, networking, etc.—but they do not determine them. If an existing organizational or institutional culture is strong enough, it will simply absorb these changes within its existing configuration; if not, it may change suddenly and dramatically. We turn now to apply this approach to changes in public management and specifically use the example of the UK. We develop a simple paradoxbased model to try to explicate the often confusing nature of the actual changes which have occurred in the past 20 years or so.

### **Paradoxes of New Public Management**

The notion of paradoxical systems has begun, albeit in a small way, to enter into public policy and management analyses (Aucoin 1990; Stone 1997; Newman 2001). Perhaps the most ambitious application has been Janet Newman's use of the Quinn-Cameron model to analyse changes to governance, public policy, and public management in the UK under the New Labour Government (Newman 2001).

The approach adopted in this paper is based on the same fundamental premises as the Quinn-Cameron approach but suggests a different set of paradoxes, and hence analytical categories, which seem more appropriate for analyzing public management reforms.

We suggest two fundamental polarities in public management. The first is the paradox between centralization and accountability, on the one side, and decentralization and involvement on the other. Much traditional thinking about bureaucracy and administration assumes models of hierarchy and control through which both choices and accountability are exercised (Fayol 1969).

On the other hand, more recent thinking about democratic renewal emphasizes decentralization, participation, and involvement as antidotes to remote and unresponsive public bureaucracy (Behn 2001).

The second polarity is between rational choice in decision making versus judgment and compromise. A recurrent theme in public administration and management has been the need for rational decision making, even if it is only “bounded rationality” (Simon 1957; Carley 1980; Leach 1982). On the other hand, a long-standing tradition has also, in various forms, recommended the role of judgment and compromise in decision making (Lindblom 1959, 1980; Vickers 1983).

These two paradoxical pairs can be combined in traditional two-by-two fashion. The resulting four “types” can represent the four paradoxical models that underpin the NPM: let the politicians decide, let managers manage, let customers choose, let stakeholders participate.

It must be emphasized that these are *both* contradictory and mutually antipathetic models *and* they often coexist in NPM reforms. We will proceed by giving examples of each type of associated reforms in turn for each model.

### ***Let Politicians Decide***

Our first model is “let the politicians decide.” The critique of traditional public bureaucracy models developed by public choice theorists was that they had suffered from “producer capture” and politicians had lost their ability to make effective decisions about public services (Lane 1987, Dunleavy 1991, Self 1993). This critique was popularized in the highly successful UK television comedy series “Yes Minister” and “Yes Prime Minister” in the late 1970s (Jay and Lynn 1986). In this series a fictional minister (and later prime minister), Jim Hacker, was frequently outmanoeuvred by a caricature senior civil servant, Sir Humphrey Appleby. So influential was this series that the term “Sir Humphrey” has entered the English language as a synonym for a senior Whitehall civil servant. Interestingly, this view of the way Whitehall and Westminster work in practice was shared by both the Labour left and the new Conservative right.

The response to this perception of political impotence was to devise mechanisms for putting the political leadership back in charge. In the UK, this was epitomized by the election in 1979 of Margaret Thatcher, who seemed determined to get a grip on the “machinery of government” in a way not seen before (Hennessy 1990). Thatcher was notoriously hostile to the culture and ethos of the civil service, which she saw as both complacent and as often stepping beyond its remit and usurping the power of elected politicians.

A flavour of the battles to come was given by an exchange between a Thatcher political appointee as head of her Policy Unit (Sir John Hoskyns) and a former senior civil servant (Sir Douglas Wass). Hoskyns published an article arguing for the political appointment of around 20 senior managers in each Whitehall department (somewhat along US lines) as a way of achieving political control over the civil service (Hoskyns 1983). Wass hit back with a traditional defense of the need for an objective and dispassionate civil service (Wass 1983). This exchange reflected the difficulties faced by Thatcher and her supporters in pushing through radical reforms against a Whitehall bureaucracy enmeshed in the “post-War consensus” and wedded to interventionist and corporatist policies that Thatcher was determined to reverse.

The first, and most famous, initiative aimed at weakening the civil service was the Prime Minister’s drive for “efficiency” in Whitehall led by Sir Derek Rayner, a businessman brought in to the centre of government and working directly for Thatcher (and appointed within only a couple of days of her election victory). Rayner initiated the famous “efficiency scrutinies” with the full backing of the Prime Minister to drive through changes (Metcalfé and Richards 1987). This was the first of a series of initiatives that were not simply aimed at “efficiency” but at fundamentally weakening the civil service by reducing its numbers and promoting mechanisms to reinforce the role of ministers. An immediate target of reducing civil service numbers from 732,000 to 630,000 by 1984 was set, a target that was exceeded (Theakston 1995).

More specific systemic changes also began to emerge over

the duration of the Thatcher and Major governments (1979–1997). The first were various attempts at creating ministerial information systems that would give them greater control over their departments and civil servants. The early champion of this idea was Michael Heseltine, who introduced just such a system (called MINIS, for Ministerial Information System), first at the Department of Environment and later at Defense. While many other ministers were less enthusiastic than Heseltine and Thatcher about this “minister as manager” model, gradually the idea was spread throughout Whitehall (Theakston 1995).

A second piece of new technology for ministerial control was the “Next Steps” initiative to create semiautonomous executive agencies within the civil service. Eventually more than 140 of these bodies, including around 80% of civil servants, were created (Goldsworthy 1991, Chancellor of the Duchy of Lancaster 1997). An essential feature of the new agencies was that the agency chief executive would report directly to ministers. The latter would also approve agency “framework documents” (a sort of mission statement and constitution), business plans, budgets and key performance indicators. Ministers received at least quarterly reports and conducted annual appraisals of agency performance. This was, in theory at least, a decisive shift of power from senior civil servants to ministers. Whether or not it worked as suggested is another matter (Talbot 2003).

This push toward greater control by ministers has continued under the Blair governments (1997 to date). The number of “special advisers” (ministerial appointees who are not civil servants and work directly for ministers) has roughly doubled. This has been widely seen as an attempt to strengthen the position of ministers as against civil servants. Unlike under Thatcher and Major, the majority of New Labour government members have been seen as very “hands-on,” activist ministers very similar in approach to Michael Heseltine.

This approach is most clearly symbolized in the new system 2-yearly “Spending Reviews” and “Public Service Agreements” introduced by New Labour in 1998. This new system can be

seen as an attempt by the new Government to introduce a much more strategic and politically driven reform process, as set out in a number of government documents (Chancellor of the Exchequer 1998a, 1998b; Prime Minister and the Minister for the Cabinet Office 1999).

Another recent example of attempts to put politicians more forcefully in charge has taken place at the local government level. Here the reform has been the introduction of either “cabinet”-style government or of directly elected mayors, or both, as a way of strengthening the role of local political leadership.

All of the above changes, which are just examples, show an ongoing attempt to “let the politicians decide” as against permanent officials.

### ***Let Managers Manage***

Our second model is “let the managers manage.” Whereas the previous model emphasized the contest for power between politicians and bureaucrats, this model emphasizes the contest between managers on the one hand and staff, professionals, and especially their representative bodies (trade unions and professional associations), inside public services.

This argument is also, to some degree, driven by “public choice” ideas about “producer capture,” but its focus is obviously different. This argument suggests that one of the key problems for public services is that they become enmeshed in “red tape”: bureaucratic rules that stifle management and staff initiative and place obstacles in the way of efficiency and flexible service delivery, responsive to customer needs. A subtheme of this argument is that public sector trade unions and professional bodies have become far too powerful and steps need to be taken to reduce this power.

The most common devices employed to enable managers to manage have been decentralization and the creation of more autonomous units. Thus, for example, the National Health Service (NHS) was broken up into hundreds of NHS Trusts, schools were offered “local management,” the civil service was reorganized into dozens of “executive agencies,” further and

higher education colleges were separated from local government and made autonomous, and so on. Alongside these structural changes came attempts to decentralize management functions such as finance and personnel and make “line management” more accountable. At the central government level, this included the financial management Initiative (early 1930s. decentralization of pay and grading arrangements (late 1980s–early 1930s. introduction of various business planning initiatives and resource accounting (1990s), etc. (For general accounts of these changes see, for example, Rose and Lawton [1999], Flynn [2002]).

On the industrial relations front, the whole period of the Thatcher and Major governments saw a series of attempts to curb public sector pay (largely successful) and change working practices (with much more mixed results). In education, a prolonged fight was waged to bring in a national curriculum, national standardized testing of pupils, and a more rigorous form of inspection of schools and teaching practices, as well as the creation of schools as more autonomous units. At one time or another most groups of public sector workers were subjected to specific reform attempts, aimed (in part) at strengthening management authority, as well as general controls over pay (Farnham and Horton 1996, Thain and Wright 1996).

Perhaps the longest-running, and still unresolved, battle between management and professional and trade union power has been within the health service. Attempts at managerial reform in the 1980s clearly failed, and the introduction of NHS Trusts and the internal market in the early 1990s was about both competition and an attempt to strengthen management against professionals (especially doctors) and the trade unions (Pollitt et al. 1998). It was not until the New Labour Government that a direct attempt was made to substantially change the contract of hospital doctors and give hospital managers a much greater power to direct them—a contest that is still unresolved.

All of these attempts had common themes: strengthening the power of managers over staff and professionals; delegating greater powers to managers over budgets, organization and personnel issues; creating more clearly delineated organizational

units, tasks, and budgets; and holding managers to account for their and their organizations' performance.

These reforms proved difficult to implement and sustain, and not merely because of the obvious resistance of staff and professional groups to encroachments on their autonomy and rights. The problems also proved to be systemic: reluctance of the centre (especially the Treasury) to genuinely "let go" of centralized controls and the reluctance of managers themselves to take responsibility for things that in the past they could push off onto other functions (e.g., difficult individual personnel decisions could be "delegated" to the personnel function) (Bell et al. 1995, Talbot 1997b).

An example is the way Treasury controls over pay and grading systems and actual pay settlements were replaced by delegation of both, in many cases, to line departments and agencies. However, the Treasury, at the same time as this process began (mid-1980s), introduced very tight controls over "administrative" costs (later renamed "running costs")—that is, the amount of money each department could spend, in total, on staffing and other "overheads." The result was what could be best described, not as "decentralization," but as "strategic centralization" and "operational decentralization." These changes actually strengthened the Treasury's control over the total pay costs of the civil service because in the past operational decisions, such as how many and which staff to place in specific grades, caused what was called "grade creep" and thus pay cost expansion. Even controlling staff numbers did not prevent this problem—but putting a cap on total staffing expenditure did. The line managers in departments and agencies could decide how this money was distributed, but they effectively lost control over the strategic issue of what their total pay costs would be.

### ***Let Customers Choose***

The third model of NPM is the marketization variant: let the customers choose. This model essentially makes two assumptions: first, that competition mechanisms are preferable to bureaucratic means for decision making and resource allocation within publicly provided services; second, where



possible this should be achieved through privatization of services, but where it is not, and despite these remaining publicly provided, a variety of ways are found in which “market-type mechanisms” (MTMs) can be introduced into them.

Privatization was the first option and this was applied by the Thatcher Governments, first of all to council (public) housing and then, from their second term in office onward, to a wide range of publicly owned businesses and utilities. In the case of businesses operating in competitive marketplaces but publicly owned, little change occurred from a customer’s perspective—their products were already competitive and subject to consumer choice (e.g., British Airways, British Steel, British Leyland [cars]).

For public utilities (telecommunications, water, gas, electricity, railways), the position was somewhat more problematic. Privatization by itself would also make little difference to customers’ choices, as these were mostly “natural monopolies” in which the barriers to entry for competitors were prohibitively high (although in some cases changing, e.g., telecommunications). Two solutions were adopted: the privatized industries were subjected to enforced competition, usually among themselves (e.g., gas, water, electricity and—most controversially—railways) and/or they were subjected to regulators charged with curbing their monopoly powers until competition could be created.

Straightforward privatization proved much more difficult in “social policy” areas (health care, welfare, education, etc.). Here the most common reform tried has been to introduce “internal markets” or MTMs (Le Grand and Bartlett 1993, Taylor-Gooby and Taylor-Gooby 1993; Wistow et al. 1994, Walsh 1995).

These mechanisms were intended to increase customer choice, but it rarely turned out to be quite so simple. The health care reforms of the early 1990s, symbolically entitled *Working for Patients*, turned out to be more “bureaucrats and doctors working as proxies for patients.” Patients actually were given no direct choice in the new NHS internal market that was created. Instead, either

District Health Authorities or, in a minority of cases, general practitioner “fund holders” acting as purchasers on behalf of patients, contracted with the new NHS Trusts, the providers. Patients had no direct say or choice in what care they received.

In some other areas, such as schooling and universities, considerably more choice was available for users of these services, but this was hardly new and the changes were fairly minor.

The really radical proposal for customer choices in public provision had been promoted by the New Right: the use of “vouchers” as equivalent to money by consumers. These were widely advanced as a device whereby consumers could take their resources with them when they “chose” a provider, whether in the public, not-for-profit, or private sectors (Flynn 1993, Self 1993). While these solutions were widely discussed, few examples exist in the UK of their implementation. There is an element of university students taking their state funding with them to the university they choose, but the competition for total resources received by any one university is heavily regulated through the University Funding Councils, which set targets for student intake for each university and subject area. Universities that either underrecruit or overrecruit suffer financial penalties, so this is hardly an open competitive market (although there is a substantial degree of student choice, but this always existed). In other areas, most notably school education and health care, the intense discussions during the early Thatcher governments about vouchers produced no action.

With neither “internal markets” nor “vouchers” really succeeding in providing a mechanism for “letting the customer choose,” the Major Government came up with a new idea: the Citizens’ Charter (Pirie 1991, Prime Minister and Chancellor of the Duchy of Lancaster 1991). If consumers could not have the right to choose, they could still have rights—over timeliness of service delivery, quality, rights to complain and seek redress, etc. The Charter program was rolled out through the central Government and its agencies (e.g., Taxpayers Charter) as well as the NHS (Patients Charter) and even into the privatized sector (e.g., gas and water). Alongside the various charters as

statements of consumer rights in public services came a new “Charter Mark” award for supposed good quality service. This was as an annual, competitive award with a fixed number of possible winners (although it later mutated into a standards-based award). It has to be stressed that neither the Charters nor the Charter Marks implied any change in the amount of choice available to users of services.

### ***Let Stakeholders Participate***

The fourth model of the NPM could be summarized as: all of the above and a few more. This is the idea that public services are pluralistic in their sponsors, providers, and users and complex in their operation, and therefore have to be “managed” more as networks or constellations of stakeholders, rather than in the principal interests of any one group (i.e., politicians, managers, customers, or others). As an idea, it has only really emerged in the UK at central government level since 1997, although elements of it existed prior to that at lower levels of government (Ferlie et al. 1996).

The intellectual origins of this perspective come from ideas about post-Fordist social forms, globalization, and the increasing complexity of modern societies, policy networks, and networked forms of governance, etc. (e.g., Maidment and Thompson 1993, Foster and Plowden 1996, Mulgan 1997, Weller et al. 1997, Thompson 2003). On a more pragmatic level, they have emerged from frustrations with failing policies and initiatives and what has become known in the UK since 1997 as the “joined-up government” problem (Pollitt 2003).

This approach has resulted in a distinct shift in policy and practice since 1997, although evidence of it emerged before that. In local government, in particular, numerous attempts were made to develop varieties of stakeholder participation dating back to the 1960s and 1970s, although these had been criticized by some as a form of corporatism (Cockburn 1977). The more modern version of this approach, which also linked into other NPM themes, was the new “local governance” agenda, which advocated various types of staff, user, citizen, and civil society involvement in local decision making (Hoggett and Hambleton 1987, Stewart and Stoker 1988, Clarke and

Stewart 1991, Isaac-Henry and Painter 1991). Indeed, in the late 1980s a whole new movement in local government was inspired by *In Search of Excellence* and its themes about stakeholder involvement, cultural change, and customer orientation (Clarke and Stewart 1985, 1986a, 1986b, 1987, 1991; Rhodes 1987, 1987b).

Even in the central Government, which had been largely dominated by the first three variants of NPM, examples existed of wider stakeholder consultation, but these were contrary to the main trend, which was to eliminate many of the consultation processes formalized during the post-war period.

For example, Thatcher early on abolished the National Economic Development Council and similar consultative bodies.

The New Labour Government sought consciously to reverse this trend in central Government. Numerous consultation exercises and reviews were established in the first couple of years of the new Government. Since then, this new, more consultative approach has been implemented at various levels. Most formally, this has been done at local level with requirements on local government and others to formally consult with other public organizations, civic society, and the public on a whole range of issues such as policing, health care, and economic development (Marsh et al. 2001, Richards and Smith 2002).

### **Summary: Tides of Change**

In a fascinating study of the history of reform efforts in the US federal Government, Paul Light discerns four “tides of reform.” These were “scientific management,” “war on waste,” “watchful eye,” and “liberation management” (Light 1997). He goes on to analyse how these four tides have ebbed and flowed over decades and how they are subjected to various “gravitational pulls” that keep them circulating just like tides in the sea. In this sense, like our paradoxical models of NPM, these tides are contradictory but often exist simultaneously, even within the same reform agendas. An example might be the creation of executive agencies in the UK civil service that can be shown to contain all four of our paradoxical models. (For

accounts of the agency developments see for example Goldsworthy [1991], Greer [1994], Talbot [1996b, 2004], and Lewis [1997]). The new executive agencies were created in part to give politicians more power. By setting the framework documents, the budgets, the key performance indicators, etc., directly for agencies, ministers could bypass the traditional Whitehall management chain, giving them much more direct power over these new organizations. Agency chief executives reported directly to ministers: this was “let the politicians decide.”

Agencies also were aimed at creating spaces in which “managers could manage.” Over a period of time they received extensive delegations of power over organizational, operational, financial, and personnel issues. Alongside these went a (weak) form of performance contracting: the idea was that managers would be given much greater autonomy and authority in exchange for producing specific outputs that satisfied their political “owners.”

But agencies were also meant to be much more focused “downward” or “outward” toward customers. In the case of agencies delivering services directly to the public, this meant changing the way services were delivered, improving their quality, and (after 1991) setting clear customer service standards through charters.

In many cases enormous efforts were indeed made to find out what customers (users) wanted and satisfy their requirements, at least about how services were delivered if not the content of the service (e.g., how quickly and accurately benefits were assessed as opposed to how much benefit an individual was to get). Where agencies produced services for other government departments, and/or where they were paid for by customers, the agency was expected in most cases to become more competitive as well as customer oriented.

Those with genuinely commercial services were converted into self-financing “trading fund” agencies and subsequently, in most cases, privatized.

Finally, agencies were also encouraged not merely to see themselves as service delivery organizations to well-defined

groups of customers, but to recognize that they had multiple stakeholders and networks of partner organizations. Thus, for example, the former Employment Service began to hold annual consultations about its "Performance Plan" with a wide range of stakeholder groups (employers, unemployed organizations, charities, and lobbyists).

These four aspects of the agency initiative were clearly contradictory and these contradictions sometimes surfaced as crises and dysfunctional systems. The dismissal of the Director General of the Prison Service (an agency) over a couple of high-profile prisoner escapes revealed a major clash between the politicians' right to decide and the managers' right to manage (Public Service Committee 1996, Talbot 1996a). In this case the dispute revolved around definitions of the split between "policy" (politicians) and "operational" (managerial) decisions. Since the party with the real power to decide was the politicians, the definition adopted was one that suited their interests, and it was the manager who was dismissed, not the politician.

A more systemic example was the proliferation of mechanisms for "steering" the new executive agencies (Public Administration Select Committee 2003). Here the lack of clarity between the roles and powers of politicians, managers, customers, and to some extent even stakeholders added to multiplying steering apparatuses. For example, in many cases objectives and targets set by agency managers themselves clashed with those developed by ministers, which in turn clashed with objectives set in charter statements about customer services standards.

The most recent systemic example is probably the debate over performance targets. Most of these have been set centrally by politicians, but there have been constant appeals (mostly from managers) either to allow managers to set their own targets or to substitute some form of customer-based competition for targets (Prime Minister and Minister for the Civil Service 1994, 1995).

In their work on organizational and managerial paradoxes, Quinn, Cameron, and their colleagues suggest that such paradoxes can have both positive and negative consequences.

The worst cases are where organizations or managers seek to use paradoxical styles or systems in haphazard and inappropriate ways, generating destructive conflicts. Mediocre or moderate success can sometimes be achieved by selecting one particular approach and sticking to it and simply trying to ignore contrary pressures. High performance, they suggest, comes where organizations and individuals can accept and work with contradictory systems and make paradoxical decisions in ways that generate creative tensions. In the move from worst to excellent, one of the crucial factors is full awareness of the paradoxical nature of the systems being managed. But as Brunsson has shown, most organizations excel at what he calls “organizational hypocrisy,” that is, creating rational and rationalized “stories” about how things happen, denying paradox and contradiction (Brunsson 1989).

If we were to characterize the NPM reform movement in the UK over the past 20 years, it would have to be called systematic “policy hypocrisy.” All the obvious paradoxical and contradictory elements of these reforms have been rationalized away in sophisticated policy statements. Indeed, the British civil service can in some ways be seen as the best possible place to carry out “policy hypocrisy,” with their legendary skills at “finessing” policy statements. It was perhaps no accident that the only major comprehensive statement of civil service reform strategy of the 1990s should have been called “Continuity and Change.”

It would be a mistake to think this represented a conscious understanding of the tensions and paradoxes of the various change agendas being pursued. On the contrary, it was a very urbane attempt to rationalize away such troublesome facts and suggest that the reform policy was all very rational and devoid of contradiction.

The reality is that the paradoxes explored in this short paper are very real and are relatively permanent. The tensions between “politicians decide,” “managers manage,” “customers choose,” and “stakeholders participate” will not go away. The only real issue is how best to manage these contradictions. A first, small, step would be to acknowledge their existence.



## Leadership and Change Management

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The subject of leadership, especially leadership in government, is not fully understood, despite the fact that it is often mentioned as a critical element that accounts for government's success or failure. Consultants abound; popular how-to-do-it management books, available around the world, especially in airport bookstores for the time-pressured senior manager, often provide checklists and simplistic advice about becoming an effective leader. Serious reflection about leadership and its relationship to performance is less common. Almost all commentators on the subject of leadership mention that effective leaders have a *vision* and share that vision with members of the organization. A vision is not something precise. Rather, it provides the person who assumes a top-level position with the opportunity to share his or her ideas about what the organization should become, what it should do, how it should perform, and, perhaps most important, what the role and responsibilities of members of the organization should be. A vision is abstract; it is broader than goals and it is more expansive than a mission statement.

Leaders are effective when they inspire others. This is an important theme of E.H. Valsan's article, "Leadership in Public Administration for Alleviating Poverty and Development: A Conceptual Approach." As he points out, many models of administration have ignored what he calls "inspiration" as a core element of effective leadership; he uses the example of Mother Teresa and her work with the poor in Calcutta to illustrate his point. Valsan steps away from the formal attributes

of leaders—especially their organizational roles—to develop the psychological underpinnings of effective leadership. By extension, one can employ his concepts to investigate how leaders try to create positive change.

Leadership is no longer only about “great men.” Rather, contemporary portraits show that leadership applies equally to women—and not only great women like Mother Teresa. On the contrary, gender is a central part of development and leadership can make some gender-based programs successful. This theme is present in Sheila Rai’s article, “Gender-Responsive Governance in India: the Experience of Rajasthan.” Her conclusion, however, is sobering, since she points out that a large gap yawns between the rhetoric of gender and the realities of effective gender initiatives, at least as illustrated by her case study of Rajasthan.

A similar theme is found in Ahmad Martadha Mohamed’s “Administrative Discretion and Representative Bureaucracy: Linking Descriptive Representation to Substantive Representation.” Drawing largely on the Western academic literature of representative bureaucracy, Mohamed shows that in his sample of Malaysian public administrators, women and minorities will act to pursue policy issues relevant to these groups when they internalize these characteristics. The implication of both articles is that policies aimed at advancing the interests of women and minorities require leaders who both share these interests and pursue them via effective leadership. Formal representation through affirmative action programs, by themselves, will not automatically lead to substantive change.

As the well-known management theorist John P. Kotter points out in his book, *Leading Change* (Boston, MA: Harvard Business School Press, 1996), leadership and management are not identical, and this can be seen, especially, by observing that well-managed organizations are not necessarily high-performance organizations. The reason lies in the differences between management and leadership. Management and leadership are often used interchangeably, but there are important differences between them. High-performance organizations have both strong management systems and

effective leadership. We all know what the essential management functions are. They include

- planning and budgeting,
- organization and staffing, and
- controlling and problem-solving.

These are the traditional and essential functions found in all large organizations. These functions provide the foundation of higher education university degrees in business and public administration as well as short-term training programs. We constantly try to improve human resources methods and financial practices in organizations. High-performance organizations certainly need effective management processes to produce positive results— *but they are not sufficient to guarantee long-term success*. Tatsuo Oyama's article, "Educating and Training Japanese Government Officials: Current Trends and Policy Study Aspects," surveys the education and in-service training of Japanese civil servants. His conclusions are telling and they point out the knowledge gaps of current civil servants. But, in reading between the lines, one can find a substantial shortcoming in the lack of attention to leadership qualities, clearly missing from the formal and informal curriculum. Here is a short list of those qualities:

- *Establish Direction*: This refers to the importance of vision—providing members of the organization with a sense of what the organization is, and what it might be. Vision creates the setting for the members of the organization to see how their performance fits into the "big picture."
- *Align People by Creating an Environment of Cooperation in the Organization*: It is often said that much of what is done in organizations is done in groups. Leadership includes the facilitation of teamwork by creating the appropriate atmosphere.
- *Motivate and Inspire Members of the Organization*: All of the public officials I referred to above viewed it as their task to nurture employees so that they will perform up to their potential.

While effective managers produce stability in organizations and are therefore important for the survival and maintenance of organizations, leaders who have the qualities listed above are capable of producing positive changes. These changes may be new services, improved services, and, more broadly, even new missions.

High-performance organizations need both effective managers and effective leaders. Kotter's book helps us think about the relationship between both management and leadership in an organization embarking on substantial change. If both leadership and management are nonexistent, efforts to change will go nowhere. When leadership is strong but not backed up by effective management structures, efforts to undergo significant change may show some initial progress, but will soon be stymied by the lack of core management functions that must support the change. When management is strong but leadership is lacking, short-term positive results are likely to occur, but significant organizational change will not take place. When management and leadership are both strong, the organization is likely to be successful in undergoing large-scale change. The last combination is not only desirable but also achievable. It is the task of public administration educators to make this point to the next generation of public servants.

### **Leadership in Public Administration**

The importance of public administration for poverty alleviation and development was recognized in the NAPSIPAG region more than 50 years ago, when colleges and institutes of public administration were started and later, when the Eastern Regional Organization for Public Administration organized annual conferences and seminars where major issues of poverty and development were discussed. Several academic experts from the West, especially from the United States, came to the region with technical assistance programs and made recommendations for the reorganization of governmental machinery. Paul Appleby's report on public administration in India was accepted by the then Government of India with acclaim in 1953 and it led to the inauguration of the Indian

Institute of Public Administration by Prime Minister Nehru, who continued to be its President till his death in 1964.

Postgraduate studies in public administration that started in university departments and colleges in India, South Korea, the Philippines, and Thailand were largely influenced by the “theories” of public administration taught in American universities. This was because it was in the United States that the subject was developed as an academic discipline, though often in departments of political science. Conceptually, much was borrowed from terminologies developed in the armed forces and applied to business management situations in the West. Asian scholars who wrote textbooks on public administration were largely influenced by these concepts and terminologies in describing their own systems of administration.

A mainly descriptive structural approach was followed, with very little consideration for behavioral aspects of relevance to their own societies. Subjects like leadership were neglected in their curricula until recently. Perhaps this was due to the prevailing notion that it was a subject to be dealt with in political science; the closest discussion of the subject came under the rubric of “POSDCORB,” described as the “Functions of the Executive” by Gulick and Urwick. As is well known, the acronym stood for Planning, Organizing, Staffing, Directing, Coordinating, Reporting and Budgeting. These functions implied scope for leadership, yet critics found the model mechanical and without concern for the ground realities of situations under which bureaucracies operated.

The exposure to administrative situations in Asian countries helped American scholars like Fred Riggs, Ferrel Heady and William Siffin realize the need to understand the history and background of administrative systems in Thailand, the Philippines and other countries, before ideas and institutions developed in the United States were applied. Fred Riggs in particular emphasized through his lectures on the ecology of public administration the need to describe administrative ecology before considering prescriptions for reform. His Prismatic Model further attempted to provide hypothetical characteristics of administrative environment in developing

societies. Influenced by such innovations in the thinking and study of public administration, many Asian scholars like Hahn-Been Lee and Jose Abueva came out with analytical propositions based on field research in their respective countries. Research done by this author in India and the Philippines (Valsan 1970) helped in developing a conceptual framework applicable to development administration beyond the POSDCORB criteria, which are universally relevant.

Later experience and observations in Bangladesh, Egypt, and Sri Lanka all the more convinced the author that development administrators, while discharging the functions of POSDCORB, needed to be aware of the importance of the “Five ‘I’s”— Information, Inspiration, Innovation, Introjection, and Integration. Development administrators found an awareness of these dynamic elements valuable in helping them perform well in the leadership roles often required for development administration. For the sake of clarity and for emphasizing their contemporary relevance, an elaboration of each concept is attempted below:

### **Information**

Unlike the 1960s, when this conceptual formulation was identified, the importance of information for leadership in public administration is easier to understand today. The information revolution that the world has witnessed during the last few decades has made data and ideas from anywhere in the world available to the leadership. It has also helped make field research and feedback information essential for decision making by administrators. It has helped attempts to replicate successful projects in countries far away with locally relevant modifications. A famous example is the Grameen Bank concept originated in Bangladesh under the dynamic leadership of Muhammad Yunus, which has spread all over the developing world, helping rural women through micro-credit projects.

Information technology (IT) initiatives in E-government have spread out to several countries with varying degrees of success, but definitely influencing the thinking and functioning of leaders and administrators. The availability of information

windows at the village level has expedited the process of applying for benefits and services available to common citizens, and for their speedy delivery.

Under the POSDCORB formulation, information as a function was included under reporting, which was more in an upward direction in a hierarchical organization. Reporting back to the people or subordinates was unknown in such a dispensation. Today, information as a dynamic element in development administration can be accessed and passed on from any direction and utilized for accomplishing the goals of the organization. Awareness of its importance and familiarity, if not mastery of its computer utilization, has become an essential qualification for dynamic leadership.

For developing democracies of the Asia-Pacific region, political parties and representatives find IT useful to collect and analyse information and to project popular demands more meaningfully in parliaments and public forums, thus influencing policy formulation. For instance, in Kerala, India, the Marxist Communist Party, which had in the early days opposed the introduction of computers on grounds of its leading to massive unemployment, is reported to have equipped its own offices with modern computers. Rajiv Gandhi was a modernizer in this respect, inviting technically competent Indians from abroad to introduce a revolution in the field of telecommunications using IT. In short, awareness of the importance of information with all its technological implications is a must for development leadership. It is equally important for coordinating all activities concerned with the plight of the poor, thus avoiding the duplication of efforts and funding that often occurs because of development partner contributions or scarce budgetary allocations of governments.

### **Inspiration**

Mechanical models of administration and theoretical analyses of leadership have neglected the importance of inspiration, whereas it can be one of the mobilizing forces for development administration and poverty alleviation activities. Inspiration here is being looked at both as an individual



experience and as a collective requirement for successful administration, contributing to development as well as in tackling the problems of acute poverty.

This writer was impressed by its role in community development programs of the 1950s and 1960s in Bangladesh, India, and the Philippines. Leaders like S. K. Dey, who was the first community development minister in India; Akhtar Hameed Khan, who resigned from the prestigious Indian Civil Service and followed Gandhian idealism in launching a community development program in Comilla in East Pakistan (now Bangladesh); and Ramon Magsaysay, who established the Presidential Assistant for Community Development in the Philippines, were all inspired by the desire to serve their respective communities or nations by tackling the problems of the rural masses. They in turn were able to inspire hundreds of their countrymen to join these movements, imbibing the spirit of public service.

One example is that of Muhammad Yunus, who started the Grameen banks. As a student at the Comilla Academy, he was inspired by the leadership of Akhtar Hameed Khan. Similarly, Jimmy Yen, who launched the Philippine Rural Reconstruction Movement (PRRM) in order to uplift the living conditions of the rural population, was able to inspire people like Dr. Juan Flavio, who later took over the mantle of PRRM. Hence, the relevance of the "chain of inspiration" concept for development, which is to be seen as a parallel with the "chain of command" concept in the mechanical model of management. That inspiration is equally important in the alleviation of poverty is clearly demonstrated in the life and contributions of Mother Teresa. Apart from her claim of divine inspiration, which is not part of our analysis, it was a fact that the poverty and misery of the sick and the dying inspired her to take care of those mortals. In turn, she was able to inspire a large number of young Sisters of Charity, who continue to serve the poor in several countries, even since her passing from the scene. The fact that they survive based on donations by private individuals belonging to all religions and institutions who are inspired by the message of the Mother and the service of her followers is equally important for the purpose of this analysis.

Looking at more productive projects for reducing poverty using the potentials of the healthy among the poor, one finds the livelihood programs of PRRM and the Kudumbasree projects of Kerala, meant for augmenting the income of women in need of support, succeeding wherever political, social, or bureaucratic leadership is inspiring. Here, it is important to emphasize that bureaucratic leadership is possible wherever there is ideal political leadership. Good examples of commitment set by political leaders or ministers can inspire civil servants and civil society volunteers to contribute to the success of development programs. Conversely, corrupt, greedy, and incompetent political bosses can kill the enthusiasm of even the most honest and competent subordinates. In short, it is only the inspired who can inspire.

The above discussion naturally leads to the question of the *sources of inspiration*. In the original work mentioned earlier, this writer attempted to compare the concept of charisma with that of inspiration and, among other points of comparison, mentioned that whereas charisma is supposed to have only one supernatural source, inspiration can have a multiplicity of sources.

For instance, even when one's boss is corrupt and uninspiring, the goals of the organization and the needs of the poor or the clientele, as well as the dedication of one's own subordinates, can sometimes sustain one's inspiration to serve. Charisma as a concept can be even anti-development, or go against the interest of poverty alleviation programs. For instance, those who attribute charisma to Mother Teresa sometimes withdraw from the movement, saying that the Mother was charismatic, which they are not, and they cannot be expected to serve the way she did.

The same is applicable to the discussion of Gandhi, who was also considered charismatic and thus even worshipped, but seldom followed by his so-called followers. On the contrary, if they can draw inspiration from the causes for which Mother Teresa or Mahatma Gandhi worked, more success will be achieved in attaining the goals they shared with their leaders. A rational understanding of the concept of inspiration and

attempts to instill it in organizations and administrative systems can lead to attaining organizational goals for human development. A caveat must be added, however, that our analysis excludes the role of what may be called negative inspiration for destructive activities commonly reported in the media in the new millennium.

### **Innovation**

Another dynamic element in this conceptual model is innovation. Bureaucracy in general and public administration in particular are well known for routine and blind following of established practices. Awareness of the need for innovative thinking on the part of administrators was considered essential in order to achieve the development goals that could not wait for slow and incremental methods at the expense of suffering masses. Especially in the case of programs for alleviating poverty, bureaucratic excuses and corrupt practices have to be met with innovative initiatives. IT, as mentioned earlier, has opened avenues for more innovative approaches to decision making and service delivery. Also, as indicated earlier, information about other successful programs can be utilized for introducing innovative activities in a new setting. India's green revolution introduced many innovations in agriculture, leading to higher productivity, but the distribution system did not match the success of the scientists and the farmers, with the result that poverty and malnutrition continue to haunt rural areas in some states. Political leadership in such situations also did not come up with innovative solutions for bureaucracies to implement.

In tackling abject poverty and facing natural calamities like floods, drought, cyclones, and earthquakes, bureaucracies and social and political workers are challenged to introduce quick and effective innovations and makeshift arrangements. An awareness of the importance of innovation in such critical situations is important in the training of civil servants for administrative leadership. Innovative approaches in communicating with the masses are important for implementing sensitive activities like family planning. The successful utilization of local political leadership for canvassing and

mobilizing the masses for attending male sterilization camps in Kerala, India, in the 1970s introduced many innovative incentives to the participants and their families (Valsan 1977). Literacy campaigns also try out incentives and innovative methods of teaching in order to attract women and elderly illiterates.

### **Introjection**

During the last 3 decades, public administration and management sciences have seen major innovations and terminologies like Total Quality Management, New Public Management, and Human Resources Development. The concept of introjection suggested by Fred W. Riggs is important in the context of trying to introduce innovations successfully implemented in the West to Asian, Pacific, African, and Latin American countries. Borrowing from psychology, which calls for the selective internalization of values, Riggs implies here accepting reforms or innovations that can work in a society, and rejecting those that are not suitable or may even cause disturbance to the polity.

The concept can be applied even while trying to imitate in one part of a country a policy or practice that has proved successful in another part. A typical example was the attempt to introduce male sterilization in North India, copying successful innovative methods adopted in Kerala mentioned earlier. Kerala being a highly literate state, it was possible to mobilize the masses for the family planning program. In Uttar Pradesh, with poor literacy rates, on the other hand, the bureaucrats and politicians who wanted similar results even used force, thereby causing political damage to the ruling Congress Party in the election that followed and making family planning an untouchable subject even for the federal Government, thereby causing the increase of the national population beyond a billion.

Had they been aware of the importance of introjection, such a situation could have been avoided. The failure of many programs for poverty alleviation is also traceable to the inability of bureaucrats and social workers to take into account the sociocultural background of the population and the special

conditions of poverty prevailing in each society. In short, awareness of the concept of introjection is important for leaders trying to introduce reforms simply because of their success elsewhere.

### **Integration**

Closely related to the concept of introjection is integration, which is most important for the stability of any society. As modernization is supposed to be accompanied by differentiation of functions, developing countries in their urge for development through modernization imitate developed countries in introducing institutions and structures that are expected to function in the same way as in the West. However, the proliferation of institutions and agencies without sufficient coordination leads to chaotic situations, causing administrative breakdown or political instability. In this connection, it is worth remembering the Riggsian addition to his revision of the prismatic model, in which he emphasized the role of integration for diffracted societies. Prismatic conditions prevail where no integration of differentiated functions occurs.

Awareness of the importance of introjection helps in understanding the need for integrating the departments and institutions created. Reforms that are likely to tear the society apart due to lack of information should be kept in abeyance until objections to their implementation are explained and public acceptance obtained. In short, by taking into account ecological factors affecting development in a society, leaders can introduce reforms without disturbing the integration and the integrity of the society concerned.

The dynamic model of development administration suggested by the above analysis does not ignore the role of POSDCORB executive functions, but urges the awareness of the importance of the "Five I's"—Information, Inspiration, Innovation, Introjection, and Integration—for performing a leadership role in the society. Extensive discussions on the model were held during graduate seminars with participants from different countries, many of whom supported its validity as a supplement to POSDCORB. However, in the context of

poverty and problems faced by the weaker sections of society, leaders involved in alleviating misery, pain, and humiliation of those sections of the population, to be effective, need to call on some special attributes that they may have or that can be consciously cultivated. These, I suggest, are Empathy, Enthusiasm, Efficiency, Entrepreneurship, and Ethics.

### **Empathy**

Here again, Mother Teresa's example is unique. Inspiration for undertaking the task of picking up the old, sick, and needy from the streets of Calcutta and treating, feeding, and housing them could have been effective only because of her capacity to empathize with their lot. It is one thing to feel sympathy and to donate some amount, food, or clothes as many of us do, but another experience to put oneself in their situation and to cater to their felt needs. Empathy is equally important for those involved in crisis management situations tackling natural calamities. Other instances of exemplary capacity for empathy can be cited, but other attributes of equal importance need our attention.

### **Enthusiasm**

Any movement involving mobilization of people needs leaders who are not only inspired by its goals, but are enthusiastic about achieving them. Their commitment, the way they articulate goals, methods, and details, and their electrifying influence over their followers reflect that enthusiasm. It is an attribute that is important for fund-raising for noble causes. Juan Flavio of PRRM, who later became a cabinet secretary in the Philippines and is now a Senator, is an example that comes to one's mind. Watching him in the early years of PRRM, making inspirational talks full of ideas, wit, and humour to enthuse the volunteers going to the barrios, was a pleasure.

### **Efficiency**

Lest it be felt that all our talk of inspiration, empathy, and enthusiasm in leadership is devoid of concern for practical aspects of running organizations, it is important to emphasize the attribute of efficiency, without which no leadership in public

service or administration is possible. Akhtar Hameed Khan, who was trained in the erstwhile Indian Civil Service, was conscious of this at Comilla. He attached considerable importance to bookkeeping and training volunteers in financial management. Especially for organizations depending upon donations or government subsidies, accountability depends upon the efficiency of the leadership.

Many organizations begun with good intentions for public service did not survive beyond the lifetime of their founders, because no mechanism was built in for continuation of an efficient system of management. Punctuality, dependability, and fairness in the treatment of clientele, colleagues, and subordinates constitute this important attribute essential for public service. Unfortunately, very often institutions for charitable purposes run by governments lack efficient leadership.

### **Entrepreneurship**

Normally considered a business management concept, entrepreneurship as an attribute for leadership in public administration and poverty alleviation activities is increasingly becoming important due to the challenges faced by modern organizations. Closely related to the concept of innovation suggested earlier, success in achieving organizational goals, especially in commercial organizations run by governments, largely depends upon this attribute. An example from India would be the Managing Director of Kochi International Airport Authority, V. J. Kurian, who is a member of the Indian Administrative Service. Though building the airport was a political decision, the financing of it through public contributions and donations, which were later converted into shares in the commercially constituted airport company, were all achieved to a large measure due to the entrepreneurship of this government officer.

The story of the successful operation and continuing development of this airport is itself worth a case study in leadership. Mother Teresa, in addition to all her inspiring qualities, was also considered during her lifetime as an entrepreneur who was able to start branches of her Missionaries



of Charity in several countries. The Grameen Bank concept in Bangladesh is another example of encouraging the spirit of entrepreneurship among rural women by providing micro-credit for starting small commercial activities.

## **Ethics**

When all the qualities and attributes of leadership for public administration are discussed, one cannot ignore the importance of ethics. A universal outcry against corruption in government organizations has occurred during the last decade. This implies unethical practices and deals between individuals serving in public and private enterprises at the expense of the taxpayers of the countries concerned. Even charitable activities and relief operations are not immune to allegations of corruption.

Private greed getting accommodated in public organizations is despised, but such practices seem to continue to multiply. This is a challenge to the leadership of all countries and from it arises the need to identify honest men and women in administration and to assign them to leadership positions, giving necessary training in other attributes required in performing leadership tasks. Negative reporting in the media and casual description of all bureaucrats and politicians as corrupt does not solve the problem. A positive approach to cultivating ethical attributes among civil servants and politicians and giving prominent recognition to men and women of integrity can go a long way in generating leadership in public organizations.

A natural question that may be raised while discussing the attributes of leadership mentioned above is that of the cultivability of these qualities among political and bureaucratic personnel. A general answer will be that it is possible, not only through training programs designed for human development, but through exemplary leadership of eminent individuals who should be assigned the task of mentoring their colleagues and subordinates.

Watching the efficiency, enthusiasm, entrepreneurship, capacity for empathy, and ethical attributes of a leader can inspire those around him or her to perform better and to

prepare themselves to wear the mantle. Delegation of responsibilities is important under such a dispensation, so that the leaders can make sure about the capabilities of their colleagues and subordinates who are one day going to be in charge. Concentration of all authority in one person's hands can be detrimental to the creation of leadership capabilities in organizations.

**Conclusion:** While suggesting the inadequacy of the POSDCORB model for leadership in development and charitable activities for poverty alleviation, the foregoing analysis has tried to emphasize the utility of the model, but also the need to supplement it with an awareness on the part of those in leadership positions of the importance of Information, Inspiration, Innovation, Introjection, and Integration and of cultivating the leadership attributes of Empathy, Enthusiasm, Efficiency, Entrepreneurship, and Ethics. In addition, it is suggested that one of the functions of leaders is to produce leaders, monitoring and setting personal examples as role models to be followed. Assignments to responsible positions in public administration need also to be based on this important leadership role of the incumbents.

### **Workshop on Economic and Financial Management**

Economic and financial management presents the most complex issues to the nation states of the 21st century. The economic issues concern national income, growth, productivity, and equitable distribution of wealth. The financial issues deal with revenues, expenditure, management of budgetary deficits, and management of public enterprises. The central economic and financial management issue besetting the nation states is poverty eradication. Gunnar Myrdal in *Asian Drama* has said that poverty anywhere is considered a threat to prosperity everywhere. A large chunk of the world population suffers from acute poverty, which deprives them of two square meals every day, primary education, child protection, maternal health, and old-age security.

A majority of the world population is considered poor from the point of view of consumption intake of a given minimum

of cereals. The question of food security has been engaging the minds of policy makers for very long. Many see rural poverty as the crux of issue. It is true that a considerable part of the global population lives in villages, but urbanization has added a new dimension to the problem of poverty, as noted by Gugler in a paper entitled "Overurbanization Reconsidered" (1988). In many countries, the percentage of the urban population living below the poverty line is higher than that of the population in rural areas. Poverty and environmental degradation have been found to be closely associated, as discussed by de Steiguer (1995) in "Three Theories from Economics about the Environment." Poverty and increases in population have also been found to go hand in hand, as revealed by Meadows (1997) in "The Key to Population is Poverty."

Poverty is a hydra-headed problem. New dimensions of the problem are emerging at a rapid pace. In terms of gender, poverty among women has overtaken poverty among men. A study by the African Development Bank (2004) entitled "Gender Poverty and Environmental Indicators on African Countries" reveals the frightening magnitude of gender poverty, which results in tremendous suffering. Occupational poverty is repeatedly referred to. The agricultural labourer is considered to be poorer than the industrial labourer. Poverty is also associated with lack of education, employment, and social standing. A. K. Sen (1994), in his paper entitled "Population: Delusion and Reality," explains at length the coexistence of poverty with undernourishment, child labour, and lack of education and basic health care facilities.

Poverty is reckoned as the biggest menace of the 21st century. A number of tools have been employed to counter this menace. The United Nations has declared 2005 as the year of micro-finance, and micro-finance programs are intended to reach the poorest of the poor. The United Nations earlier endorsed the Millennium Development Goals, the most prominent of which is the halving of the numbers of the extreme poor. The sociologists have been advocating promotion of multiethnic and multicultural societies. The new economic world order is being discussed to bridge the disparity between the North and South.

However, we have to agree that no “silver bullet” is available to solve the problem of poverty. Any solution has to be people-centred. The magnitude of the problem of poverty varies from country to country.

The evolution of country-specific poverty definitions, institutions, and monitoring systems is needed to promote capacity building among the poor and empower them to find lasting solutions to the problem of poverty. The lack of effective delivery mechanisms has impeded the success of poverty eradication programs. Non-government organizations, grassroots institutions, and national and international organizations are being involved to design and implement suitable programs to make program delivery more effective. Some countries have strengthened the rule of law and enacted and vigorously implemented laws to protect the poor. The poverty-affected countries are also trying to learn from each other’s experience, which has helped them in introducing best practices. Promotion of self-employment and the culture of entrepreneurship has been adjudged by many countries a powerful tool to eradicate poverty. The approach of the People’s Republic of China of “blocking and pushing” is being followed by many other countries to prevent any further rise in the population affected by poverty.

The problem of poverty has to be tackled as an utmost priority and as “now or never.” Undoubtedly, it is the biggest challenge for public administration advocating good governance.

## **Executive and Public Administration**

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### **Constitution and Articulation of Goals of Governance**

The Constitution of India has clearly articulated the social and economic goals and has specified agents for achieving the promised social revolution. Matters concerning formation and working of the executive agencies (both political and civil) are spelt out. Citizens have been assured that the Executive together with other organs of the State (Legislature & Judiciary) would uphold their rights and remove the inequities from which the anti-democratic forces derive their sustenance. Good Governance, it was hoped, would transform the social, political and economic life of the people, within the framework of democracy.

In the beginning the constitutional arrangements relating to governance worked more or less to general satisfaction and provided the people with a fairly safe and secure life. However, as time passed their inadequacies have become evident and Government has lost its elan as it has failed to live up to the expectations of the Constitution to give real substance to the policies designed to promote social well being. Even the most modest expectations have remained unfulfilled.

The present situation is characterised by a pervasive disenchantment with the way things have worked out. It is futile to debate whether it is the institutions provided by the Constitution that have failed or whether the men who work these Institutions have failed. While we cannot abolish the men and the women who command the strategic heights of

governance, we can improve and update the present Institutions, which have developed visible fault lines.

Inability to ensure the socioeconomic goals cannot be attributable to scarcity of resources but to the failure of Governance. It is the insufficient attention paid to such a transformation that has deepened the fissures between the people and the administration. The failure to regenerate society lay in the basic conceptual weakness that encouraged the untested assumption that people are best served when the ruling classes originate, execute and administer policies, plans and programmes for their welfare from above. This misconceived paternalism has reinforced the tyranny of the *status quo* and has gravely weakened forces of change. The 'Law and Order' pre-occupation of the bureaucratic mind has led to the entrenchment of the system that the Constitution had promised to transform.

Another fundamental flaw vitiating governance emanated from the lack of conviction that the consent of the people is the basis of democratic government. The over-arching theme, a legacy from the colonial days, that people remain a passive category subjects rather than citizens remained firmly rooted on official mind. People were aroused only at intervals of five years or there about to choose their rulers and to go back again to a life of political passivity. Political mobilisation of masses mostly remained neglected. This produced all manner of infirmities and has given rise to alienation of the people from the political system.

Rights of the people are inalienable. The words "We, the people" signify not only the moral and historical insight of founding fathers but they serve to reaffirm they are the source of all constitutional authority and that the test of Good Governance was measure of people's well being. However, the functionaries of the State have failed to realize that they are servants of the people and not their masters. Test of a vibrant democracy is the degree of success in calling its Executive to be accountable to the people.

The new administrative class, working under the mesmeric spell of colonial attitudes, was reluctant to consider the people

as citizens. They continued to treat them as subjects or 'ryots' both owing allegiance to a superior master. This denial robbed them of power and made it possible for the Executive to diminish the significance of the people. It is the possession of power that gives people control over their destiny and authority over those whom they have chosen to serve them.

Another fundamental flaw in governance outlined above is inherent in the centralized nature of the Indian State which lays down the parameters of the administration. There is an indissoluble link between the two. This was evident when the norms of colonial administration, with their long ancestry, came early to stamp their features on the post-independence dispensation. Colonial administration had created a top-down system of command and obedience in which State and local units of government were treated as subordinate to the Central Government. There is no reason why the Central Government should have large and unwieldy ministries handling subjects like education, health, agriculture, rural development, social welfare, industry, power, etc. when these areas can more conveniently and appropriately be handled at the State, regional or district levels. The Centre can at best be a clearing house of ideas and knowledge but for it to be actually involved in shaping policy and in allocation of resources is an over-lapping of jurisdiction. Reallocation of subjects from the three Lists given in the Seventh Schedule could be looked into in this context. Downsizing of the Government should also follow. Big Governments are not always conducive to efficiency and promptness. People should know where the buck stops. But it should always be kept in view that when the Centre does not hold, societies become polarised.

Democracy implies intellectual acceptance of the position that self government is better than even good governance. Unless self government is ensured by clear devolution of power from the centre to the periphery, people are prevented from participation in Governance. They can not eliminate arbitrariness in executive actions which generally tilts the balance in favour of the privileged. Moreover the 'top-down' state of affairs does not legitimise 'self-government' which is



of primordial value. 'Top-down' administration stifles public initiative. To make people effective they must consciously enjoy and assert their constitutional entitlements and not be mere supplicants for or objects of administrative largesse. That is the rationale of the 73<sup>rd</sup> and 74<sup>th</sup> amendments to the Constitution. A strong sense of public duty comes from empowerment. People's attitude changes from one of obedience to authority to active participation in governance. It is only when the gap between the executive and the people is narrowed down through decentralisation that democratisation can occur.

The whole configuration of governance changes if democratic order is conceived not as a 'once in five year ritual' of changing the guard but as a continuous renewal of democratic life from a knowledgeable and participative citizen body. A citizen as a political and social unit could alone take responsibility for transformation of the state of the society. The essence of the matter is that there should be effective participative democracy at all levels; once people become the fountainhead of power, their role in governance becomes meaningful and effective. It encourages an active sense of public duty, replacing emphasis from authority and obedience to active participation. The Commission holds that while improving the nature and institutional response of administration to the challenges of democracy is imperative, the system can deliver the goods only through devolution, decentralisation and democratisation thereby narrowing the gap between the base of the polity and the super structure.

### **Devolution, Decentralisation and Democratisation**

The new architecture of governance has to be built on the basis of devolution of authority, responsibility and resources to appropriate levels. If corresponding dispersion of resources and personnel is not accompanied with devolution of authority it perpetuates mentality of dependency. Resources do not mean only financial resources. Human resources are as important. Experience shows that monitored and supervised by the local authorities, who are also their employers, the professionals at the district and local levels have performed better. If a primary school teacher looks to a distant education director for his

promotion or any other improvement in his conditions of service, he is not going to be accountable and responsive to the needs of the local community he is supposed to serve. This simple example brings to the fore the question of the present structure of social and economic services and how it needs to be remodelled or refashioned to bring it in line with the requirements of the age of decentralization. There is no reason why the District Councils cannot recruit, train, manage cadres of school teachers, supervisors, administrators for primary and secondary education leaving the areas of high speciality to professionals like curriculum developers. Coordination functions can be handled by regional or state level bodies. Similar logic can be applied in regard to other services which are needed at the district levels and it can be extended upwards to the State level.

What is urgently required at this juncture is a straightforward recognition at the highest policy level that a district is a basic unit of planning for development – social, cultural, economic and human. Functions, finances, and functionaries relating to such programmes would have to be placed under the direct supervision and command of elected bodies at the district levels of operation to give content and substance to the different programmes of development and public welfare. This would to a substantial degree, correct the existing distortions and make officials directly answerable to the people to ensure proper implementation of development programmes under the direct scrutiny of people.

Land is the most valuable natural resource whose planning and development offer major prospects for increases in output and incomes for the people, especially for those who are near or below the poverty line. For efficient land planning and optimum use, it is essential that there be clarity and certainty about title to land. In India land records are in a very poor shape and there is maximum litigation in the rural areas about ownership. It has been estimated by reputed agencies that India loses 1.3 per cent economic growth as a result of disputed land titles, which inhibits supply of capital and credit for agriculture. It is therefore exceedingly important that a fundamental change is brought about in the way land records

are maintained. At present land records are presumptive in character. In August 1989, the Supreme Court stated that "revenue records are not documents of title". Millions of productive man-hours are lost in time consuming litigation. The Commission recommends that we move to a system where the State guarantees the title to land after carrying out extensive land surveys and computerizing the land records. It will take some time but the results would be beneficial for investment in land. This will be a major step forward in revitalizing land administration in the country as it would enable Right to access, Right to use, Right to enforce decisions regarding land. Similar rationalization of records relating to individuals rights in properties other than privately held lands (which are held in common) would improve operational efficiency which left unattended foment unrest. The Commission is of the view that a coherent public policy addressed to the modern methods of management would contribute to better use of assets and raise dynamic forces of individual creativity. Run away expansion in bureaucratic apparatus of the State would also get curtailed by new management system.

### **Civil Society**

Dispersal of power through local autonomy maximizes opportunities for popular participation and helps change the nature of the relationship between the State and civil society. Instead of being merely passive recipients of welfare, citizens become active agents. A democratic society cannot function properly if everything in it is left only to the State or even to statutory bodies. Statutory action itself will be infructuous if it is not underpinned by voluntary action. The exercise of political power through civil society opens the way for concomitant democracy. Civil society consists of open and secular institutions that mediate between the citizen and the State. In the absence of civil society, the State machinery and civil servants become the dominant repository of power. The modern idea of civil government requires emergence of civil society which would make people self-reliant rather than remain dependent on State institutions and subject to their all pervasive control.

One of the marked weakness of the present regime has been its failure to effectively play its role in the socializing process. It has failed to use the machinery of the state to create a society of equals founded on the principles of social justice, secularism and eradication of casteism. In this regard, the situation of the Dalits and backward castes points to glaring failure of the state. In spite of several programmes launched by it, the state has failed to energetically lift up the Dalits and members of other lower castes and also failed to liberate a large sections of society from gender discrimination. As the executive has overwhelmingly identified itself with the stratified sections of the privileged few, it remained insensitive to the calamities that befell the weaker sections of the society and reluctantly took steps to repel the most injurious actions perpetrated against them. Large sections of these people remained docile, submissive, passive and tame. Piecemeal changes improved the conditions slightly, but the very spirit of the people by which the Constitution was to be sustained continued to rap.

It is the civil society that has to take the lead in helping create a society based on principles of social justice, secularism and non-casteist approaches to social action. It should be one of the serious endeavours of civil society to strengthen the mosaic of India's pluralism and not let it be broken up lest endless tensions and increasing violence come in the way of peoples' progress. In India the relationship between the civil society and the State may have moved some distance from distrust and antagonism to a more tolerant status but the continuing ambivalence comes in the way of a full blown cooperation for chosen ends.

The procedures and the processes adopted for executing policies supposedly designed to help the poorer sections to regain control over their social and economic circumstances have accentuated the distance between the haves and the have-nots. The barriers come not only from old vested interests but also from new sources of privilege. The instrumentalities of the State appear substantially inadequate to cope with the challenge of change. In fact some of the institutional devices intended to be remedial measures against inequities had regressive

consequences reinforcing socioeconomic barriers. In several cases, programmes adopted by the administration to handle issues of inequity failed to deliver. Bureaucracy cannot deliver unless countervailing power of the interest group most directly involved is harnessed. The Commission recommends that energetic efforts be made to establish a pattern of cooperative relationship between the State and associations, NGOs and other voluntary bodies to launch a concerted effort to regenerate the springs of progressive social change. State and civil society are not to be treated antithetical but complementary.

### **Administrative Reforms and All India Services**

The structural problem of two of the All India Services, namely, the Indian Administrative Service and the Indian Police Service, is that they were founded on the imperial idea of territorial control. It was at the district level that the Raj became an operational reality. This colonial idea was not abandoned when the country became independent for reasons which emerge clearly from the Constituent Assembly debates. Thus the present structure of the All India Services would appear to be incompatible with the development of full fledged democratic representative government at the district level. In plain language it means that 'law and order' has also to be brought within the ambit of the elected district panchayat which is constitutionally entrusted with responsibility for developmental activity. It is only thus that public service at the district level would acquire significance and be the real stepping stone for political leadership at higher levels.

The absence of clear cut relationship between the people and the state functionaries is responsible for much which has gone wrong. All this happened because, inadvertently or otherwise, we allowed the colonial legacy of administration to continue to hold sway in the post-independence era as well. For instance, the change of nomenclature from ICS to IAS did not even constitute a cosmetic change. The so-called 'steel frame' of the British Empire became the role model for the fledgling IAS fraternity. The '*guru mantra*' of the old guard, viz, the I.C.S., was the maintenance of the *status quo* and the new guard, viz. the IAS, was only too willing to oblige and follow

suit. It is a naive hope to expect status quoist to initiate or welcome changes for a variety of reasons. First, they have a vested interest in perpetuating their dominant advantageous position along with the privileges flowing from it. Second, being bureaucrats rather than intellectual leaders, they lack the vision and imagination to devise new and innovative policies, preferring to tread the beaten track, follow precedents and to continue familiar programmes.

The end of the imperial continuum in the administrative set up may require a different conception of the generalist services. The brightest university graduates who wish to enter the Indian Administrative Service could then be trained in a variety of subjects having to do with the economic and financial administration of the States and the Union and policy making in higher branches of administration such as security, science and technology, international trade, international monetary system, alternative approaches to energy and environmental issues, social and economic issues connected with affirmative action, etc. to constitute a truly elite corps of administrators. They would be mobile within defined fields but would not perform the present generalist jig of moving from animal husbandry to defence or to women welfare which makes a total mockery of any concept of administrative policy making in the present age of knowledge explosion.

### **Modernizing the Civil Services**

Arbitrary and questionable methods of appointments, promotions and transfers of officers by political superiors also led to corrosion of the moral basis of its independence. It has strengthened the temptation in services to collusive practices with politicians to avoid the inconvenience of transfers and to gain advantages by ingratiating themselves to political masters. They would do the politicians' biddings rather than adhere to rules. Lest the situation becomes more vicious, it is necessary that a better arrangement be conceived under the Constitution. The question of appointments, transfers and placements is not to be left to the discretion of the politicians or administrative bosses but be entrusted to independent and autonomous boards. The Commission, therefore, recommends that the questions of

personnel policy including placements, promotions, transfers and fast-track advancements on the basis of forward-looking career management policies and techniques should be managed by autonomous Personnel Boards for assisting the high level political authorities in making key decisions. Such civil service boards should be constituted under statutory provisions. They should be expected to function like the UPSC. Reputed management experts from institutes of management, well known for their excellence, should be inducted into these boards to provide a broad based pool of expertise. The principle is not to take politics out of personnel policy but to make knowledge and information institutionally available to the political decision-makers on the basis of appropriate parliamentary legislation under article 309. The sanctity of parliamentary legislation under article 309 is needed to counteract the publicly known trends of the play of unhealthy and destabilizing influences in the management of public services in general and higher civil services in particular.

Above a certain level—say the Joint Secretary level—all posts should be open for recruitment from a wide variety of sources including the open market. We should specialize some of the generalists and generalize some of the specialists through proper career management which has to be freed from day to day political manipulation and influence peddling.

Social audit of official working would be another way of developing accountability and answerability. Officials, before starting their career, in addition to the taking of an oath of loyalty to the Constitution, should swear to abide by the basic principles of good governance. This would give renewed sense of commitment by the executives to the basic tenets of the Constitution. It is important to recognize that change in existing policies and procedures will not come from the initiatives of those who stand to benefit from the existing arrangements. It needs the combined efforts of political avant-garde, activists in diverse fields, academic, and civil society institutions to generate pressures for change. Otherwise institutional decay will proceed apace with distressing consequences.

Systematic debasement as a consequence of high handed



conduct by certain sections of the executive has seriously dented the moral authority of the government. The functioning of the civil and police services have been far from satisfactory. Hence a negative perception of the Police that it ill serves the people has become deeply rooted in the psyche. The letter of the law may have been observed, but the spirit has been emasculated. Corruption and illegality have vitiated the course of justice. All this has contributed to a massive decline in the prestige of the public office. Evidence of moral and professional failure of administrative apparatus is too overwhelming to ignore. Yet the services have remained largely immune from imposition of penalties due to the complicated procedures that have grown out of the constitutional guarantee against arbitrary and vindictive action (article 311).

The constitutional safeguards have in practice acted to shield the guilty against swift and certain punishment for abuse of public office for private gain. A major corollary has been erosion of accountability. It has accordingly become necessary to re-visit the issue of constitutional safeguards under article 311 to ensure that the honest and efficient officials are given the requisite protection but the dishonest are not allowed to prosper in office. A comprehensive examination of the entire corpus of administrative jurisprudence has to be undertaken to rationalize and simplify the procedure of administrative and legal action and to bring the theory and practice of security of tenure in line with the experience of the last more than 50 years. The need is not to discourage the good people; the need is to discourage the bad people which objective can be served only by sufficient and speedy procedures to bring the guilty to the book.

The present methods of evaluation of performance need drastic reform. At present neither the quantity nor the quality of output of individuals and collective units is properly measured. The result is that the good, the bad and the indifferent are all lumped together. Mostly chronology determines who goes ahead and who does not. The civil service regulations need to be changed radically in the light of contemporary administrative theory to introduce modern evaluation methodology.

The administrative structure and systems have to be consciously redesigned to give appropriate recognition to the professional and technical services so that they may play their due role in modernizing our economy and society. The specialist should not be required to play second fiddle to the generalist at the top. Conceptually we need to develop a collegiate style of administrative management where the leader is an energizer and a facilitator, and not an oracle delivering verdicts from a high pedestal.

It is essential to bring forward a parliamentary Bill under article 312(1) and to have it extensively debated in professional circles as well as by the general public.

The professional bodies like the Institution of Engineers, the Chartered Accountants, Medical Council, Bar Council of India, etc. which could have played a vital role in buttressing the role of civil society in governance have been content to act as lobbyists fighting for benefits to their constituency but not much else beyond narrow self-interest. Thus we have arrived at a situation in the judicial administration where courts are deemed to exist for judges and lawyers and not for the public seeking justice.

### **Central Administrative Tribunal**

The Central Administrative Tribunal and various State Administrative Tribunals were established under the Administrative Tribunals Act, 1985 which was enacted in pursuance of article 323A of the Constitution. Since their decisions are subject to the supervisory jurisdiction of the High Courts, a suggestion was made that the institutions of these tribunals had not served the purpose for which they were established. The Commission examined the matter with reference to the actual results and felt that there is a case for their continuance.

### **The Challenge of Globalisation**

The advent of globalisation presents a new series of challenges to the administration. Activated by technological improvements, a new international relationship of our interests across issues and boundaries has come into being. Trade and

financial developments have tightened to mesh the economic linkages across boundaries and regardless of preferences. The new state of affairs just cannot be wished away but must be engaged with. We should build up expertise to ensure that the interests of our country and the people are not overwhelmed by the forces of globalisation. We must evolve our foreign and domestic policies to control our future. We cannot mortgage our interests nor can our security be left to the mercy of others. Government cannot abdicate its responsibility to affect international events and conditions to our advantage. Without the capacity to handle this new situation, we would be striking empty postures and would fail to seize the opportunity to develop in the context of globalisation.

The executive of the State should learn to anticipate global developments and endow our policy with more knowledge-packed inputs to handle them to our advantage. At the same time, the aim has to be to tap the wellsprings of patriotism and give our people a sense of patriotic duty to harness the energy for economic and social development to spearhead programmes and develop national pride and self-confidence. Mass political education and raising of political consciousness become inescapable. This is the task to be performed by political parties. To remain actively involved in new development programmes the people would also need the support of well organized, well prepared, knowledge-oriented personnel and well thought out policies. Think-tanks and organized intellectual groups would have to be promoted through state funding, etc. without abridging their autonomy.

The survival and competitiveness in the emerging global economic order requires resources that are knowledge based and outcomes which are knowledge driven. It is, therefore, recommended that the Union Government having regard to the importance of the higher scientific and technological research should have an apex body called the National Science and Technology Commission as an umbrella organization for policy making, planning, promoting and funding of higher scientific and technological research. This is necessary that such a body should have the Prime Minister as its Head.

However, National Commission on Science and Technology will retain the distinct identity from the Departments/Organization of Atomic Energy, Space, Defence Research and Development, Scientific and Industrial Research, Bio-Technology, Ocean Development, etc. Their present internal structures, some of whom have the management structure of Commissions with delegated powers, will not be disturbed but the Commission will deal with overall common issues bringing about greater coordination and integration in planning, promoting, policy making, funding and securing unified vision of the future and the future technologies.

The Commission should also take into account the funding priorities in the private sector and provide over all policy guidance. The principal functions will include evaluation of science and technology policy for the country, evaluation of the models of appropriate managerial structures in scientific/research organizations and responsibility for rationalizing allocation of funds. The Commission, therefore, recommends that a funding pattern for investment of about 2% of the GNP exclusively for scientific and technological research and development needs to be examined.

### **Common Market**

A major achievement since the attainment of freedom has been the creation of a common Indian market that approaches in size to some of the biggest markets in the world. This is the foundation of our political unity. Anything that weakens or threatens to weaken or destroy India's political unity has to be prevented. Therefore, no unit of the Union can be empowered to weaken the foundation of the common market. However the Commission has recommended certain measures in para 8.8.2 to remove the barriers to smooth flow of goods and services which would reflect a seamless flow of inter-state trade and commerce.

### **Duality in Foreign and Domestic Policies**

The structural problems of foreign policy would be to constantly aim at making the best possible use of the international order and use it to our advantage. In the country's

governance, the duality of foreign and domestic policy should end. The two should not be antithetical. A serious effort is required to combine the two to recast relations and launch a creative initiative to achieve strategic partnerships the world over on the principles of inter-dependence without domestic interests being relegated to the background. This calls for a thorough change in the form, working and structuring of Foreign Affairs mechanisms including the External Affairs Ministry. Foreign policy implementation is now more than mere diplomacy. It calls for cutting through the mind-set of a generation.

### **Institution of the Prime Minister**

The question of prerogative of the Prime Minister in the Parliamentary System to advise the dissolution of the House was raised. It was urged that one of the methods of restoring stability and cohesion of functioning in Parliamentary system of Government was to strengthen the Institution of the Prime Minister and one of the ways of doing so is to empower the Prime Minister to advise dissolution of the House whenever he thinks that House has exhausted its mandate and a fresh appeal to the electorate is called for. The proposition as raised contemplates such a power in the Prime Minister even after he has lost confidence of the House. This proposition has the familiar ring of the Parliamentary convention in Britain. One learned Member was strongly of the view that recognition of such a power in the Prime Minister would impart much needed stability to the political system in the country and would enable the Leader of the House to address determinedly towards issues of development, national security etc.

On a consideration of the matter, the Commission is of the view that the present constitutional position needs no modification.

### **Probity in Governance**

Integrity, in the widest sense of the term, in the holders of public offices is what distinguishes a good public administration from a bad one. There may be other indicators but in the absence of integrity other competencies are not

capable of yielding the desired results. Integrity is much more than financial honesty in official dealings. Unless public office is regarded as a trust that a public servant holds for public good, even the most enlightened policies for promoting the welfare of the society will not work. How to restore this ethical and moral dimension to public life in India is one of the most crucial issues of governance at present.

We cannot hope to succeed in this endeavour if we rely solely on legislation. For instance, the spirit of cooperative, team work, helping the deprived and the weak to obtain the protection and the benefit of the law require a vigorous social and political movement to really become part of our work culture and social behaviour. However, we should at the same time block some of the escape routes that the dishonest find to their advantage in the existing laws.

One of the measures adopted in several western countries to fight corruption and mal-administration is enactment of Public Interest Disclosure Acts which are popularly called the Whistle-blower Acts. Similar law may be enacted in India also. The Act must ensure that the informants are protected against retribution and any form of discrimination for reporting what they perceived to be wrongdoing, i.e., for *bona fide* disclosures which may ultimately turn out to be not entirely or substantially true.

### **Mis-feasance in Public Office**

The current situation is that public servants cannot be held personally responsible for their arbitrary, malicious, and outrageously unfair actions that cause injury to the public and loss to the State. A person can be detained illegally and subjected to unauthorised violence in custody, resulting in death, without any individual being called to account and having to pay damages for his patently illegal and arbitrary action. Other such examples can be cited. There is no law at present that defines the principles on the basis of which mis-feasance can be rendered punishable. Time has come to consider framing a law that would place responsibility on public servants for damages/compensation for patently *mala fide* actions. The basis for action under the law may be an audit report or a report by a commission, committee

or body competent to examine the relevant facts. The Commission recommends that the Government examine the proposal for enacting a comprehensive law to provide that where public servants cause loss to the State by their *mala fide* actions or omissions, they would be made liable to make good the loss caused and, in addition, would be liable for damages.

### **Liability in Tort**

The Commission had issued a consultation paper on 'Liability of State in Tort' for eliciting public opinion. After considering the responses and fully discussing the matter, the Commission decided that no recommendation in regard to the suggestions made in the consultation paper was necessary.

### **Benami Transactions (Prohibition) Act, 1988**

This law was enacted to penalise public servants and others who acquire property in a clandestine manner out of ill gotten money. The property thus acquired stands in the name of others but the real beneficiary is the person who has used illegitimate funds to acquire it. The law provides that *benami* properties can be acquired by the government without any compensation. But this provision which is under Section 5 can be implemented only if rules are made under Section 8 for prescribing the authority, the manner and procedure for acquiring *benami* properties by the State. Such rules have not been made so far. The Commission recommends that the Union Government frame rules, without further loss of time, under Section 8 of the Benami Transactions (Prohibition) Act, 1988 for acquiring *benami* property and that a law be enacted to provide for forfeiture of benami property of corrupt public servants as well as non-public servants.

### **Confiscation of Illegally Acquired Assets**

The Supreme Court has urged in *Delhi Development Authority v. Skipper Construction Co. (P) Ltd. 2.*, a well known case of abuse of authority and corruption, that "...a law providing for forfeiture of properties acquired by holders of public offices (including the offices/posts in the public sector corporations) by indulging in corrupt and illegal acts and deals, is a crying



necessity in the present stage of our society.” The Commission recommends that Government examine enacting a law for confiscation of illegally acquired assets on the lines suggested by the Supreme Court.

There is perhaps no need to set up an additional independent Authority to determine this issue of confiscation. There is already, under the Smugglers and Foreign Exchange Manipulators (Forfeiture of Property) Act, (SAFEMA) 1976, a Tribunal to deal with similar situation arising out of other statutes. The same Tribunal may be conferred additional jurisdiction to determine cases of confiscation arising out of the Benami Transactions (Prohibition) Act, 1988 and the Prevention of Corruption Act, 1988, (as may be amended) and other legislations which empower confiscation of illegally acquired assets. The Tribunal will exercise distinct and separate jurisdictions under separate statutes.

The Commission also recommends that the Prevention of Corruption Act, 1988 be amended to provide for confiscation of the property of a public servant who is found to be in possession of property disproportionate to his/her known sources of income and is convicted for the said offence. In this case, the law should shift the burden of proof to the public servant who was convicted. In other words, the presumption should be that the disproportionate assets found in possession of the convicted public servant were acquired by him by corrupt or illegal means. A proof of preponderance of probability shall be sufficient for confiscation of the property. The Commission recommends that the law should lay down that the standard of proof in determining whether a person has been benefited from an offence and for determining the amount in which a confiscation order is to be made, is that which is applicable to civil cases, i.e. a mere preponderance of probability only. A useful analogy may be seen in Section 2(8) of the Drug Trafficking Act 1994 in United Kingdom.

### **Lok Pal Bill**

The Lok Pal Bill has a long and chequered history. An agency like the Lok Pal would help forces working for a cleaner

government. The most recent Bill introduced in Parliament is the Lok Pal Bill 2001, introduced in the Lok Sabha on 14 August, 2001. It follows the pattern of the 1998 Bill especially insofar as it includes the Prime Minister within its purview. The Commission has carefully examined the point relating to the inclusion of the Prime Minister within the jurisdiction of Lok Pal. In the parliamentary system, the Prime Minister occupies a unique position. He is the kingpin of the entire governmental structure. It is his personality, his image and his leadership that drives the government and, indeed, other major institutions of the State. Major threats of destabilisation and subversion of democratic governments cannot be ignored. In this context, the Prime Minister as the symbol of the stability and continuity of the regime, should not be exposed to the risks of well orchestrated and well planned attempts to malign his image and reputation on which the entire functioning of government depends. The entire structure can be undermined by malicious character assassination. The Commission recommends that the Constitution should provide for appointment of Lok Pal. It also recommends that the Prime Minister should be kept out of the purview of the Lok Pal. With the above amendment, the Lok Pal Bill needs to be expeditiously considered and passed by Parliament. If possible, it may be further strengthened by providing that its findings should be final and form the basis for action by government. The Commission thinks that a start should immediately be made on the basis of the Bill. Let experience be gained of working a high level body to enforce standards of rectitude and propriety in the conduct of public affairs.

### **Central Vigilance Commission**

The Commission recommends that the Central Vigilance Commission Bill, already introduced in Parliament, be passed as speedily as possible.

### **Status of Lokayuktas**

The Conference of the Lokayuktas and Upa-Lokayuktas at their Sixth All India Conference had passed a resolution requesting this Commission to take up for consideration the

issue of conferment of a constitutional status on the institution of Lokayuktas and Upa-Lokayuktas. After considering the matter, the Commission recommends that the Constitution should contain a provision obliging the States to establish the institution of Lokayuktas in their respective jurisdictions in accordance with the legislation of the appropriate legislatures.

### **Commissions of Inquiry**

The Commissions of Inquiry Act, 1952 enables both the State and Central Governments to appoint Commissions of Inquiry to inquire into and report on definite matters of public importance within a specified time. The Commission has noted that even though these Commissions have to submit their report in a specified time, yet they take unduly long time in submission of their report. Such delays cause disillusionment and loss of faith of the people in such Commissions of Inquiry.

It is, therefore, recommended that when once a Commission of inquiry is constituted under the Commissions of Inquiry Act, 1952 or otherwise, the Government should consult the Chairperson of the Commission in respect of time required for completion / finalisation of the report. Once such a time is specified, the Commission should adhere to it. It is also recommended that Action Taken Report should be announced by the Government within a period of three months from the date of submission of the report.

### **Some Ideas on Governance**

***Inadequacies and Failures:*** In the beginning the constitutional arrangements relating to governance worked more or less to general satisfaction and provided the law abiding citizens with a fairly safe, and secure life. However, as time passed their inadequacies have become evident and Government has lost its elan as it has failed to live up to the expectations of the Constitution to give real substance to the policies designed to promote social well being even the most modest expectations have remained unfulfilled.

Failure to ensure the socioeconomic goals is now no longer attributable to scarcity of resources but to the failure of

Governance. It is the insufficient attention paid to such a transformation that has deepened the fissures between the people and the administration. The failure to regenerate society lay in the basic conceptual weakness that encouraged the untested assumption that people are best served when the ruling classes originate, execute and administer policies, plans and programmes for their welfare from above. This misconceived paternalism has reinforced the tyranny of the Status Quo and has gravely weakened forces of change. The Indian problem, Nehru had recognised, was not to foster stability in the system but to transform it. The 'Law and Order' pre-occupation of the bureaucratic mind led to the entrenchment of the system that the Constitution had promised to transform. This mind-set thwarted the initiatives for legislative to socioeconomic well being of all sections of people. Repeated surgery, in the shape of constitutional amendments, had to be resorted to instill even minimal transformative features. Examples include land reforms and steps to deal with the entrenched injustices of the caste system and halting measures for evoking rights to property as transcendental.

The words 'we the people.....' were not empty rhetoric; they were earnestly inscribed to recognise and respect India's political sovereign – the people. The highest rank of a person in a democratic country is to be its citizen. But the new administration class, working under the mesmeric spell of colonial attitudes, was reluctant to consider the people at large as citizens. They continued to treat them as subjects or 'ryots' both owing allegiance to a superior master. This denial robbed them of power and made it possible for the executive to snuff out the significance of the people. It is the possession of power that gives people control over their destiny and authority over those whom they have chosen to serve them. Ambedkar had cautioned: "By independence we have lost the excuse of blaming the British for any thing going wrong. If hereafter things go wrong, we will have nobody to blame except ourselves".

Self Government is better than even good Governance. Unless self-government is ensured by clear devolution of power from the centre to the periphery, people are prevented from

participation in Governance. They can not eliminate arbitrariness in executive actions which generally tilts the balance in favour of the privileged. Moreover the 'top-down' state of affairs does not legitimise 'self-government' which is of primordial value. 'Top-down' administration stifles public initiative. To make people effective they must consciously enjoy and assert their constitutional entitlements and not be mere supplicants for or objects of administrative largesse. That is the rationale of the 73<sup>rd</sup> and 74<sup>th</sup> amendments to the Constitution. A strong sense of public duty comes from empowerment. People's attitude changes from one of obedience to authority to active participation in governance. It is only when the gap between the executive and the people is narrowed down through decentralisation that democratisation can occur. The whole configuration of governance changes if democratic order is conceived not as a 'once in five year ritual' of changing the guard but as a continuous renewal of democratic life from a knowledgeable and participative citizen body. A citizen as a political and social unit could alone take responsibility for transformation of the state of the society. Adequate constitutional amendments in this regard could alone make it possible for strengthening people's say in governance involving beneficiaries in implementation, introducing flexibility through greater autonomy to States and local bodies, enabling greater involvement of voluntary agencies, introducing better delivery systems through self-help groups and so on. The essence of the matter is that there should be effective participative democracy at all levels; once people become the fountainhead of power, their role in governance becomes meaningful and effective. It encourages an active sense of public duty, replacing emphasis from authority and obedience to active participation. The system can deliver the goods through devolution, decentralization and democratization, thereby narrowing the gap between the base of the polity and its super-structure.

Institutions and structures do impinge on the working of the fundamental law of the land. There is, however, a substantive problem of the philosophy that underlies such institutions and structures. And that has to do with the role of the State. Immediately after the Second World War, when

the decolonised world began its quest for development, the intellectual context favoured a strong, in fact a leading, role for the State in the development process. It was partly a legacy of the Great Depression, but it was also a reflection of the major changes brought about by the October Revolution in 1917. An alternative route to the process of industrialisation, which held the key to the removal of poverty, in which the role of the market in the allocation of resources was believed to be marginal, was the lynchpin of the strategy for development enshrined in our Constitution.

Some of the shortcomings in the governance outlined above are inherent in the centralized nature of the Indian State which lays down the parameters of the administration. There is an indissoluble link between the two. This was evident when the norms of colonial administration, with their long ancestry, came early to stamp their features on the post-independence dispensation. Colonial administration had created a top-down system of command and obedience in which State and local units of government were treated as subordinate to the Central Government.

***Reallocation of Subjects in the 7th Schedule:***

Reallocation of subjects from the three Lists given in the Seventh Schedule is a prerequisite in this context, to make governance come closer to the people. The Central List of subjects should contract drastically, confining the Centre to subjects of national importance such as defence, National Security, foreign policy, Interstate-rivers, communication, macro-economic, planning, environment, etc. The list of subjects meant for the States and for other layers of government will have to be augmented with the Centre refraining from involvement in matters best addressed at the lower levels.

***Rationalisation of Size of Governments & Devolution of their Functions:*** There is no reason why the central government should have large and unwieldy ministries handling subjects like education, health, agriculture, rural development, social welfare, industry, power, etc. when these areas can more conveniently and appropriately be handled at the state, regional or district levels. The centre can at best be a clearing house

of ideas and knowledge but for it to be actually involved in shaping policy and in allocation of resources is an overlapping of jurisdiction. Down sizing of the Government should also follow. Big Governments are not always conducive to efficiency and promptness. People should know where the buck stops.

Similarly, if the state governments do not delegate authority and resources to units below the state, similar acts of aggregation and aggression occur depriving local bodies of initiative, capacity for innovation and experimentation. The richness and diversity of experience across tens of thousands of communities in locations across the country is sought to be standardised and homogenised by such straitjacketing as is involved in the present arrangements. We need to break away in a decisive manner from this dogma of centralisation which had its counterpart in centralised planning. There must be power in the local governments to 'remould through experimentation, our economic practices and institutions to meet the changing social and economic needs. A single courageous unit of local government may serve as a laboratory and try a novel, social and economic experiments without risk to the rest of the country.

However we need a few cautionary sign posts. A major achievement since the attainment of independence has been the creation of a common Indian market that approaches in size some of the biggest markets in the world. This is the foundation of political unity. Anything that weakens or threatens to weaken or destroys India's political unity has to be prevented. Therefore no unit of the Union can be empowered to weaken the foundations of the common market. It is because of this predominant consideration that currency belongs pre-eminently to the realm of the Union government. So does the defence of the realm, the hallmark of national sovereignty. Further it should always be kept in view that when the Centre does not hold societies become polarised. Similarly, the fact that some items belong to the union list does not mean that the Union can act in any manner it things fit as long as it is assured of legislative support. The concept of continuous renewal of consent means that, within limits central policies are publicly debated and agreed to. The citizens should have access to information,



data, arguments that go into the making of executive or legislative decisions. Only then can citizens feel that they have contributed to the functioning of the polity.

This has to be considered with devolution of authority, responsibility and resources to appropriate levels. Decentralisation cannot work without the devolution of resources. If the major sources of revenue remain with the centre then the notion of the state autonomy would lack substance. Therefore, along with re-configuration of the three lists of the constitution there has also to be a re-configuration of the sources of revenue. The states should be able to raise resources for the tasks they have to undertake. This would bring into broad relief issues of regional imbalance. However they cannot be swept under the carpet by making the comfortable assumption that the centre can act as a big brother to help the weaklings. The last four decades have amply demonstrated that regional imbalances have grown in spite of these subventions provided by the centre to help the weaker states.

The principle that responsibility must be accompanied by corresponding resources can be dispensed with only at the cost of perpetuating the beggars mentality. The gap between the rich and the poor states within the country has to be bridged by policies that stimulate growth in the poor states, rather than by handouts which end up in the hands of the undeserving. The existing policy regime has only stimulated competition between the states on the size of the plan. The bigger the size the more successful is the political leadership of the state supposed to be. Performances and outcomes do not matter. Thus U.P. and Bihar can continue to wallow in illiteracy while state leaders go about trumpeting the size of the plan they have secured from the Planning Commission. The states must have the matching resource to do what they ought to but they must also take the responsibility, fiscal, political and administrative, for what has to be done.

The present policy regime is an elaborate subterfuge for seeking scapegoats. The Constitution has encouraged this charade. The sooner it ends the better it will be. This is the only way to harmonise the imperatives of all round development

with those of reducing, and ultimately eliminating, caste-based iniquities. The list of subjects allocated in the 3 lists indicated under Schedule 7 will have to be drastically reallocated to make the States operate on a more federal bases than at present. This is inseparable from an equal insight in financial framework in which generation of fiscal resources acquires greater and balanced autonomy. Consistent with this principle, it would be desirable to provide in the constitution that the additional terms of reference under Article 280(3)(d) in the interests of sound finance should be finalised in consultation with the States, preferably through an endorsement of the National Development Council. Also the time would appear to have come to give to the recommendations of the Finance Commissions the status of a legally binding award. This would enforce accountable and responsible behaviour throughout the spectrum of the institutions of governance.

***Human Resource Management and Involvement of Community:*** When one talks about resources it does not only mean financial resources, it implies human resources as well. You cannot ask a district councillor to take charge of primary or secondary education at the district level without giving the elected district council control over administrators and teachers who run the school system. If a primary school teacher looks to a distant education director or the education minister or state level elected representative from the area for his promotion or any other improvement in his conditions of service, he is not going to be accountable and responsive to the needs of the local community. This simple example raises the question of the present structure of social and economic services and how it needs to be remodelled or refashioned to bring it in line with the requirements of the age of decentralisation. We have to think in terms of services being owned by the communities which use these services. There is no reason why the district councils cannot recruit, train, manage cadres of school teachers, supervisors, administrators for primary and secondary education, leaving the area of high speciality professionals like curriculum developers to be handled by regional or state level bodies. This would bring local communities in intimate relationship with the education personnel and create appropriate

environment for bringing forth responsibility and accountable behaviour from services to the local communities that pay them. It will also ensure that the communities themselves fulfil their obligations towards such personnel and towards the larger objectives of creating and sustaining a healthy and vibrant education system. Similar logic can be employed in regard to other services which are needed at the district levels and it can be extended upwards to the state level.

What is urgently required at this juncture is a straightforward recognition in the fundamental law, cutting through the verbiage of devolution, that a district is the basic unit of planning for development - social, cultural, economic and human. Along with this it is necessary to provide that creation of new districts has to conform to the criteria of viability. Otherwise the political process already under pressure of the forces of fragmentation would be unable to at least moderate the present trends.

***More Powers to Local Elected Bodies:*** Functions, finances and functionaries would have to be placed under the direct supervision and command of elected bodies at relevant levels of operations. This would, to a substantial degree, correct the existing distortions and make officials answerable and accountable to the people. This has implications in respect of devolution of political and financial powers from the Centre, too. Devolving as much power as possible to local and regional levels of government increases the ability of the system to foster citizenship and to enhance the citizen's decision-making abilities. Officers at local levels have greater initiative in implementation under the watchful eyes of the people directly effected.

Dispersal of power through local autonomy maximises opportunities for popular participation and helps change the nature of the relationship between the State and the civil society. Instead of being merely the passive recipients of rights, citizens become active agents. A democratic society cannot function properly if everything in it is left only to the state or even to statutory bodies. Statutory action will be infructuous if it is not underpinned by voluntary action. The driving force

for regeneration comes not from the state or its institutions but from social movement. People acquire more characteristics of a ruler than ruled where they set up associations and NGOs to assert their rights and preferences in the domain of public policies. This exercise of political power through civil society originated as different from statutory (bodies) opens the way for concomitant democracy. Civil society consists of open and secular institutions that mediate between the citizen and the state. Thereby state and civil society do not work as antithetical or substitutable but as complementary to each other. Private associations and pressure groups act as a powerful brake on state Institutions and also monitor the conduct of public servants. In the absence of civil societies the state machinery and civil servants becomes the dominant nexus of power. The modern idea of self-government requires emergence of civil society which would make people self-reliant rather than remain dependent on state institutions and subject to their control.

One of the marked weakness of the present regime has been its failure to effectively play its role in the socializing process. It has failed to use the machinery of the state to create a society of equals founded on the principles of social justice, secularism and eradication of casteism. In this regard, the situation of the Dalits and backward castes points to glaring failure of the state. In spite of several programmes launched by it, the state has failed to energetically lift up the Dalits and members of other lower castes. As the executive has overwhelmingly identified itself with the stratified sections of the privileged few, it remained insensitive to the calamities that befell the weaker sections of the society and reluctantly took steps to repel the most injurious actions perpetrated against them. Large sections of these people remained docile, submissive, passive and tame. Piecemeal changes improved the conditions slightly, but the very spirit of the people by which the Constitution was to be sustained continued to rap.

Poverty which had its roots in the old system of land holding and wealth accumulation also remained by and large unvanquished by the programmes launched to eradicate it. The executive machinery failed the basic aims of the Constitution

to eradicate mass poverty and illiteracy and to improve the standard of health and general well-being. These received scant support from the regime in spite of big promises made to fulfil the scheme of things enshrined in the Constitution. The administrative classes emerging as an elitist class failed to identify themselves with the meek and helpless, nor did they strengthen social movements wedded to social transformation. Relevant provisions of the Constitution in this respect remained mostly neglected by the executive agencies.

The arrangements of administration (bed-rock of governance) under the Constitution now appeared inadequate to meet the situation. The effectiveness of premier services to play its role in augmenting the socialising process remained limited and foreclosed possibilities of finding just solutions.

**Civil Services:** One of the problems that remains to be addressed in the context concerns the All India Services. The structural problem is that these two services (Administrative & Police) were founded on the imperial idea of territorial control. It was at the district level that the Raj really became an operational reality. The territorial integrity of the imperial domain rested on the territorial control over hundreds of districts from over the length and breadth of the country.

Therefore services were recruited for the purpose of maintaining political control over the vast territories of the empire – and their counterparts could be found everywhere in the colonised world governed by Britain – but were expected to do sundry other jobs such as tax collection once again the major part being from land, regulating trade and industry and supervising urban centres, but the numbers involved in staff jobs in the central and provincial secretariats were minuscule compared to the presence of the services at the district level.

This colonial idea was not abandoned when the country became free for reasons which become clear from the constituent assembly debates. Be it as it may, the present situation is that the structure of the All India Services would appear to be incompatible with the development or full fledged democratic representative government at the district level. In plain words it means that law and order has also to be brought within the

ambit of the elected district council which should also be in-charge of developmental activity. It may well mean the disappearance of the post of the district collector, an institution traditionally venerated by the advocates of the All India Services.

We would need cadres trained to detect, prevent and investigate crimes and to maintain the peace and public order but the need for a generalist officer to maintain public order may be questioned. In fact if the force to combat crime and maintain public order should in a substantive sense be subjected to the control of the elected representatives at the district level. It is only thus that public service at the district level would acquire significance and be the real stepping stone for leadership at higher levels.

These are several ways in which the IAS can be improved and rationalised and made to play an important role in transforming governance and attention should be given to them. Above a certain level – above the present Joint Secretary to GOI level – the posts should be manned by persons drawn from different services and sources and even from industry, corporate houses, NGO's and the Posts of Secretaries should not be the near monopoly of IAS officers. We should specialise some of the generalists and generalise some of the specialists through proper career management. Such persons alone should hold the top posts. Career management has to improve greatly and be freed from day to day political manipulation.

The system which has come into vogue of a minister choosing his Secretary to Government from among the officers of his own State has to be given up at once. In the early years upto 1970s it was recognised that a Secretary was Secretary to Government and not Secretary to the Minister and case was taken in postings most of the time to ensure that the two did not belong to the same State. Exception was made only on the basis of the individual work of officer for a particular job and not because 'x' minister wanted 'y' officer from some State or community.

For career management and preparation of lists of persons suitable for senior appointments on an objective basis, international experience is available. The political leadership should be willing to give up its hold.

The absence of clear cut relationship between the people and the state functionaries is responsible for much which has gone wrong. All this happened because, inadvertently or otherwise, we allowed the colonial legacy of administration to continue to hold sway in the post-independence era as well. For instance, the change of nomenclature from ICS to IAS did not even constitute a cosmetic change.

The so-called 'steel frame' of the British Empire became the role model for the fledgling IAS fraternity. The 'guru mantra' of the old guard, viz, the I.C.S., was the maintenance of the status quo and the new guard, viz. the IAS, was only too willing to oblige and follow suit. It is a naive hope to expect status quoists to initiate or welcome changes for a variety of reasons. First, they have a vested interest in perpetuating their dominant advantageous position along with the privileges flowing from it. Second, being for the most part bureaucrats rather than intellectual leaders, they lack the vision and imagination to devise new and innovative policies, preferring to tread the beaten track and to continue familiar programmes.

Many other failings of the executive machinery leading to violation of fundamental rights have also become obvious. The obscene and atrocious acts systematically employed by certain sections of the executive devalued and debased the moral authority of the Government. The civil and police services failed to serve the people well. Corruption and illegal ways vitiated the course of justice and fairplay. Hardships, negligence and injustices accumulated, which had adverse political consequences.

Perks, fringe benefits, special arrangements and privileges provided exclusively to executive officers and political masters set them apart from the people. What is still more galling is that most of these freebies had no legitimate sanction but were self-appropriated by the high and mighty ruling elites as some sort of a divine right. A massive decline in the prestige of public office occurred in the public eye. Corruption, like cancer, proliferated in the whole body politics. Delivery agencies were rendered ineffective and partial. Credibility of government organizations suffered very badly with the runaway expansion



in the bureaucratic apparatus of the State does not serve society but it served itself. Disillusionment with democratic governance became pervasive.

***Making the Civil Servants Amenable to Discipline:***

The need for well-orchestrated administrative effort on the part of the Union and State level administration in achieving constitutional goals and national targets is well recognized. While it cannot be denied that administration have assisted the government of the day in making and implementing the policies. Cases are increasing where they have failed morally and professionally and yet remained immune from imposition of penalties due to complicated procedures provided for taking action against them as per Article 311 of the Constitution (against the erring officers). This has had a bad effect on the overall discipline.

The safeguards provided to civil servants could only be justified if they were to exercise exceptional probity in their activities and conduct and were to put public service before self, not otherwise. Though the state functionaries do need safeguards against harassment, malice and witch-hunting by superiors and political masters or even from some self-styled activists, in practice it is carried too far, becoming counter productive.

The excessive safeguards have emboldened the civil servants to flout or circumvent rules with impunity and engendered a feeling of irresponsibility. It has also become a principal threat to the doctrine of accountability to the people.

Thus it has become extremely difficult to punish the guilty and put the working of the executive on proper rails. (CBI and like agencies have not proved equal to the task either.) Hence the need to modify the existing provisions and procedure and make the civil servants more amenable to discipline without any injustice being done to them. The doctrine of permanency will have to undergo a radical change. Measures weeding out personnel lacking probity or competence and induction of outside talent on contractual basis should also be encouraged.

There is no doubt that the way the administrative law has

operated in the country and the way it has been interpreted by the higher courts has tended to confer an immunity against action to meet out swift punishment to the delinquent officers. But that only points to the need for a thorough reform of the administrative law as well as an overhaul of a judicial system. One cannot take away guarantees of fair and impartial treatment of services and still hope to get competent and devoted performance from public servants. The need is not to discourage good people; the need is to discourage bad people which objective can be served only by efficient and speedy procedures to bring the guilty to the book.

**Methods of Evaluation:** Stability of tenure and guarantee against arbitrary punishment are essential if you want to get the best out of public servants. AT the same time the present methods of evaluation of performance need drastic reform. At present neither the quantity nor the quality of output of individuals and collective units in myriad organizations of government is properly measured with the result that the good, the bad and the indifferent are all lumped together and mostly chronology determines who goes ahead and who does not. These would also require extensive changes in the civil service regulations. This has to be a continuous process of bringing knowledge of organization into play in relation to our institutional set up.

**Lok Pal:** Cases have multiplied, giving rise to questions regarding the impartiality of the civil service. Critics blame them for putting self-interest above public interest and bending too willingly to do extra-legal dictates superiors and political masters instead of performing duties impartially and conscientiously as per law. Sections of people ill-served clamour for relief and for restoration of the rule of law and justice in transactions. Amidst a spate of corruption scandals and financial scams, it is imperative that the long-awaited Lok Pal Bill becomes a law. The other institutional arrangements like 'whistle blowing', etc. should also be put in place to curb corrupt practices.

A pliable civil service influenced and manipulated by the political executive has severely strained the authority of

governance and the executive personnel have lost confidence in their own value of service to the people. They are consumed by a desire to achieve and hold high offices for their own personal gains. People have remained secondary and are treated more as subjects than citizens. It alienated administration from people and contributed to the prevailing malaise of misgovernance and significant demoralization all over. The system seems unable to solve problems that people face. Unsolved problems at times start driving some sections of society to violence, while the powers that be little realize that sporadic violence can lead to major upheavals in society.

***Civil Services Board:*** Arbitrary and questionable methods of appointments, promotions and transfers of officers by political superiors also led to corrosion of the moral basis of its independence. It has strengthened the temptation in services to collusive practices with politicians to avoid the inconvenience of transfers and to gain advantages by ingratiating themselves to political masters, which was at the expense of being fair and independent. They would do the politicians' biddings rather than adhere to rules. Lest the situation becomes more vicious, it is necessary that a better arrangement be conceived under the Constitution. The question of appointments, transfers and placements is not to be left to the discretion of the politicians or administrative bosses but be entrusted to independent and autonomous boards constituted (under the Constitution) on the lines of UPSC. Clear and predictable guidelines and revised rules of service may also be worked out.

The vertical hierarchy as against the horizontal one makes officers less accountable to the people for whom they have been employed to serve and more accountable to their official or political superiors situated away from the people lodged in places far away. This is inherent in the present arrangement where functions, functionaries, and finances are not placed in one place in the hands of those who run and preside over the local affairs, including local government. This requires to be changed.

***Transparency in Administration and Right to Information:*** A major promise of a different style of governance

is the citizen's excess to information. The right to information cannot be hedged by so many restrictions as to render it meaningless. The idea is not as it is often supposed by the supporters of the proposal that people at the district level or village level would know what has been allocated for their respective territories and how it is being spent.

The concept is much broader and much richer. How much should a country spend on its defence preparedness? What kind of weapons it ought to have and why? If democracy has to have any meaning in the modern context, questions like this kind cannot be reserved exclusively for the experts to discuss and decide. Political education of the citizens has to embrace these and other similar questions that have bearing on the kind of society that we wish to build.

It is only if the right to information is legislated and develops from precedent to precedent that rights and responsibilities will begin to go together. Currently we only worry about our rights but do not spare any thought for our responsibilities because we do not either care to know or have no means of knowing what is involved in making one policy choice rather than another.

We therefore also do not know what kind of obligations go with different options that we can choose from. It is comparatively easy to mislead people about the consequences of a policy option. If a full knowledge about the implications is vouchsafed only to the chosen few, and the common folk, the unshaven lot, are ignored on the ground of their ignorance and irresponsibility, then the act of detonating a bomb can be represented as a major enhancement of the country's status without altering the existential reality of the weakness within.

Much of the common man's distress and helplessness could be traced to his lack of access to information and lack of knowledge of decision-making processes. He remains ignorant and unaware of the processes which vitally affect his interest. Government procedures and regulations shrouded in a veil of secrecy do not allow the clients to know how their cases are being handled.

They shy away from questioning officers handling their cases because of the latter's snobbish attitude and bow-wow style. Establishment of right to information should be promulgated and needs to be given real substance. In this regard, government must assume a major responsibility and mobilize skills to ensure flow of such information to citizens.

The traditional insistence on secrecy should be discarded. In fact, we should have in place of an oath of secrecy, an oath of transparency. Administration should become transparent and participatory. Right to information can usher in many benefits, such as speedy disposal of cases, minimizing manipulative and dilatory tactics of the babudom, and, last but not most importantly, putting a considerable check on graft and corruption.

**Accountability:** Social audit of official working would be another way of developing accountability and answerability to the people. Without such an arrangement, neither performance nor delivery systems could be monitored or improved. The social audit by free and independent agencies could also lay the ground to harness resources of men and material to improve human conditions. This would also be a pre-condition to secure the over-riding objective of people's participation in government and a means to evaluate the utility of the services on the touchstone of its performance.

It may also be worth considering that officials, before starting their career, take an oath of loyalty to the Constitution and swear to abide by the basic principles of good governance (see Annexures I and II). This would give renewed sense of commitment by the executives to the basic tenets of the Constitution and would prove important both substantially and symbolically. This might also clear their minds marvellously.

During the course of these fifty years that our Constitution has been in operation, many new avenues of work and responsibility have come up which were not there earlier. Government was responsible for maintenance of general law and order apart from implementing certain governmental programmes of economic development. Government cannot any

longer confine itself to these only. The role of government and civil servants has to undergo a striking change. If the new services and new avenues are to be harnessed and put in the service of the people, governance has to recast its responsibility to tap the wells of new avenues based on new technologies and new knowledge by employing expertise and agencies specially engaged to handle them. Indeed many new professional services have since been harnessed.

In fact, in relative terms, the importance of general service administration has receded into background and the need for technical professional services are in the forefront of developmental activities. The new services have indeed found the way up.

But it is nevertheless imperative that their role, status and importance, vis-a-vis the IAS should be clearly spelt out, reformulated and given a meaningful and dignified status. Other non-IAS, Secretariat Services which have many legitimate grievances should also be upgraded to play their role more effectively. General administration would remain important but its role has to be clearly redefined. Controversies between the new and the old services, and within the services if allowed to develop, would become a formula for disaster.

**Specialists and Generalists:** Technocrats and experts have been employed in the past, but they had to play second fiddle to the generalists. But specialization has reached such levels of sophistication that a specialist is no longer going to be satisfied with a subservient position in the dispensation where changes in the field science and technology are taking place at a bewildering speed.

All this calls for suitable legislative action, provision for which should clearly be laid down in the form of an Act for which a provision exists in article 311 and which has not yet been done (except that an Act related to IAS was promulgated).

Over the years several Committees were appointed to review the state of administration. Their reports have spelt out measures to correct malpractices. Some of their recommendations, though sharp and sound, have failed to redeem the situation. While all efforts should be made to take full advantage

of these reports and implement their recommendations, the malaise is far too deep to be set right by mere technical or administrative reforms. Much more is needed to be done. It is imperative to devolve power from the Centre to the periphery and modify and add some provisions to the existing constitutional arrangements to gear up the working of the executive machinery by making it more accountable to local government.

The decline in quality of governance has been augmented by the excessive governmentalisation of all public activities. Autonomous public institutions like para-statal, banks, financial institutions, universities and even cooperatives were micro-managed resulting in failure to achieve their declared objectives. Because of micro-management they could not held responsible or accountable. Every organisation had an alibi for failure.

It should be recognised that a mature democracy is a polyarchy of several institutions and not merely Government at various levels. Government's role is to get the laws enacted, provide for the framework of a category of public institutions and provisions to regulate them and protect the public from fraud. As stated above, an even more important role is to implement the laws fairly and effectively, but not to interfere and micro-manage.

The decline in governance is no less due to the failure of professional groups (which are privileged sections of the society) to uphold standards. It is the duty of a member of each profession to uphold the dharma of that profession. It is the duty of each professional organization to prescribe and uphold standards and take action against the deviant. That is the whole object of setting up self-regulating organizations like, Institution of Engineers, Chartered Accountants, Medical Council, Council of Technical Education, Bar Council, etc. But these organisations have been functioning more as lobbies for each profession. Professions are instruments of public service.

They and the perceived benefits of their members have become ends in themselves. For example, it has now come to the position in judicial administration that courts are for lawyers



and not for the public. Every suggested reform of the judicial system is obstructed by strikes and agitations of lawyers. No low-cost alternative redressal system is allowed to come up. Even simplified systems incorporated in statutes regarding family courts, consumer protection, etc. are subverted and made complicated. Examples can be cited from every other profession.

The contribution of the judicial arm, with the assistance of lawyers as mentioned above, in the decline of governance has to be recorded. It is not a small contribution. The delays in courts, the frequent adjournments, the lengthy trials and hearings, the insistence on special privileges and perks during service and after retirement, the subordinate corruption etc. are well known.

Of course, one has to record that the higher courts have in recognising public interest litigation become the last refuge of the harassed citizen and have done a magnificent job in drawing attention of the executive to its failures. At the same time, in the High Courts, the writ jurisdiction has been used indiscriminately in the opposite direction resulting in protection of tax evaders, delinquent and inefficient civil servants, forest and works contractors and so on. In many cases, the public position has been faulted on technical grounds and the dishonest let off against public interest. The judicial system has to reconcile this paradox.

***New Challenges:*** The advent of globalisation presents a new series of challenges to the administration. Activated by technological improvements, a new inter-national relationship of our interests across issues and boundaries has come into being. Trade and financial developments have tightened to mesh of economic linkages across boundaries and regardless of preferences. The new state of affairs just cannot be wished away but must be engaged with. We should build up expertise to ensure that the interests of our country and the people are not overwhelmed by the forces of globalization and that our interests are properly served.

We must evolve our foreign and domestic policies to control our future and serve our interests better. We cannot mortgage

our interests nor can our security be left to the mercy of others. Government cannot abdicate its responsibility to affect international events and conditions to our advantage. Without the capacity to handle this new situation, we would be striking empty postures and would fail to seize the opportunity to develop in the context of globalization.

The executive of the State should learn to anticipate global developments and endow our policy with more knowledge-packed inputs to handle them to our advantage. At the same time the aim has to be to tap the wellsprings of patriotism and give our people a sense of patriotic duty to harness the energy for economic and social development to spearhead programmes and develop pride and self-confidence. Mass political education and raising of political consciousness become inescapable. This is the task to be performed by political parties. To remain actively involved in new development programmes the people would also need the support of well organized, well prepared, knowledge-oriented personnel and well thought out policies. Think-tanks and organized intellectual groups would have to be promoted through state funding, etc.

***Governance and Foreign Policy:*** The structural problems of foreign policies would be to constantly aim at making the best possible use of the international order and use it to our advantage. Use of force to impose the will of one country over another has become less potent. A totally different style of foreign policy has to be designed to attain the basic principles laid down in the Constitution. In the country's governance, the duality of foreign and domestic policy in country's governance should end.

The two should not be antithetical. A serious effort is implied to combine the two to recast relation and launch a creative initiative to achieve strategic partnerships the world over. Recasting of relations with other countries on the principles of inter-dependence so that domestic interests are furthered through it. Our domestic interests cannot be put off. We must know how to implement our constitutional convictions in this regard. This calls for a thorough change in the form, working and structuring of Foreign Affairs mechanisms including the

Ministry. Foreign policy implementation is now more than mere diplomacy.

There is lost of fuzziness in widespread talk about erosion of moral values, loss of character so and so forth. This kind of debate leads nowhere. There are no constitutional remedies against downright theft, cheating, chicanery, moral and political hypocrisy and deliberate falsehood. We cannot produce good people out of nothing and out of nowhere. The basic thing is to adopt right policies in all spheres – education most of all, but also economic and security. The government that fails to protect the life and property of citizens and their human rights and dignity can hardly face the challenges of prejudices, habits and failings of peoples morality.

These are not matters of high metaphysics. There is a great deal of accumulated wisdom available on the subject. That it has not been used is true. It stands to reason that its non-use must benefit some people. Very often, people who benefit may be found in the garb of rulers. The fundamental political question before the country is how can such people be unmasked and overthrown? Only organised political parties can answer this question. If they do not societies may crumble. History offers many consolations but rarely if ever solace for the politically naive.

Good governance proveset on the ability to strike a balance between morality and pragmatism. The educational institutes, think tanks and media should play an important role in this regard. Good governance also calls for good leadership. It is imperative that such a leadership should be sensitive to the needs of the people and should have knowledge of the alternatives which would meet their needs and possess the capacity to mobilize public opinion in their favour. Such a leadership would also guide political and civil executives to ensure good governance.

***Prime Minister, the Undisputed Leader:*** One of the methods for restoring stability and cohesion of functioning to governance in a parliamentary government is to empower the Prime Minister to emerge as an undisputed strong leader in office. One of the ways of doing this (apart from other

Parliamentary reforms) is to empower the Prime Minister to dissolve the House when he thinks that the house has exhausted its mandate and an appeal to the country is called for. This will reinforce leadership in maintaining standards of integrity and public morality in the performance of the ministers and members of parliament and reduce the influence of special interests. This is really a matter of stating a political doctrine of high constitutional import and getting it ratified by the Supreme Court.

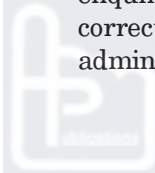
***Comptroller and Auditor General:*** As and when the office of the ombudsman, or in local parlance the Lok Pal, comes into being, there is legitimate hope that the scope for veniality and gross wilful negligence by political and administrative bosses will be appreciably reduced. However, the Lok Pal cannot act effectively as a 'lone ranger', his hands will have to be strengthened from all possible sources. One such unfailing source is the periodical mandatory reports of the Comptroller and Auditor General of India (CAG). Hitherto, CAG reports have not often been treated with the seriousness and sincerity they demand.

At times they are treated in a somewhat cavalier fashion. Preparation of CAG reports understandably time-consuming and by the time they appear, the officials indicted for financial malpractices or some other grave lapses have retired or gone to pastures new and in the process the domain of accountability and answerability gets a severe jolt. The constitutional office of CAG, therefore, need some more teeth to expeditiously and effectively back individual malefactors and delinquent agencies even if virtually speaking some of them are half lying in their graves. (Read separate chapter on CAG)

Power not only corrupts but also inebriates. This attribute of power leads the state or its agencies, at times, to use unwarranted or excessive force or to indulge in some other reprehensible activity. Today public opinion of media are alert enough to compel the state to institute a commission of enquiry in the event of some such act of commission by an official agency. However, an enquiry commission lumbers upon with its tortuous sittings and hearings and by the time its findings

come out, the passion of the agitated public have almost cooled down if not altogether vanished.

Moreover, for lack of full judicial status to an enquiry commission equivalent to that of a judicial court politicians, officials and other concerned persons do not take the summons and proceedings of the commission with appropriate seriousness and deference. And to top it on the findings of the commission are reluctantly acted upon, if not all, especially when the indicted party happens to be politicians or officials in power. An impartial enquiry commission, whenever deem necessary, acts as a healthy check on the arbitrariness and high-handedness of the state and its agencies, provided, of course it completes its findings without avoidable delay and the state is mandatory obligated to act on its findings within a reasonable time-frame. Hopefully, the Constitution can take cognizance of this aspect so that enquiry commissions can become effective tools for initiating corrective or even punitive measures wherever government or administration exceeds its brief.



## New Dimension in Civil Services

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### Indian Civil Services

The Indian Civil Service, popularly known by its acronym ICS, originated as the elite civil service of the Indian Government under British colonial rule in India, and continues in the contemporary Civil Services of India, though these are now organised differently.

**Colonial Civil Service:** There were two exclusive groups of civil servants during the formative stage of British rule in India. The higher employees who entered into “covenants” with the East India Company came to be known as “covenanted” servants, whereas those not signing such agreements came to be known as “uncovenanted”.

The latter group generally filled the lower positions. This distinction between the covenanted and the uncovenanted virtually came to an end with the constitution of the Imperial Civil Service of India based on the recommendations of the Public Service Commission, 1886-1887, though the phrase “covenanted” continued to be used of anyone in a salaried position with a long term contract-including boxwallahs.

The name *Imperial Civil Service* was changed to Civil Service of India. However, the term *Indian Civil Service* (ICS) persisted. The acronym ‘ICS’ continued to be used to denote the covenanted civil servants. The Provincial Civil Service was also constituted on the basis of the recommendations of the Aitchison Commission, and this Provincial Service consisted of two cadres,

Provincial Civil Service and Subordinate Civil Service. Further developments took place as a result of the application of the scheme of cadre organization to the administrative departments. Thus, for example, the departments of Forest and Public Works had both the 'imperial, and 'provincial' branches. The basic pattern of the cadre system in the civil service was thus established following the recommendations of the Aitchison Commission.

By 1934, the system of administration in India came gradually to consist of seven All India Services and five Central Departments, all under the control of the secretary of state, and three Central Departments under joint Provincial and Imperial control. The ICS and the Indian Police (Service) were in the 'transferred field', that is, the authority for the control of these services and for making appointments were transferred from the Secretary of State to the provincial governments. It seems relevant to mention that the All India and class I central services were designated as Central Superior Services as early as 1924 in the Lee Commission's report.

After the partition of India, the parts of the service was renamed Central Superior Services (CSP) in Pakistan while the Indian section retained the name *Indian Civil Service*.

**Contemporary Indian Civil Service:** In spite of relatively contemporary careers like management and IT holding sway over the country's youth, the Civil Services have still not lost the vast popularity enjoyed by them through the years, from the time of the British Raj.

The IAS or Indian Administrative Service replaced the ICS and the pre-independence structure of all-India services, provincial or state services and central or Union government services was retained.

The Constitution provides for more Civil Services branches to be set up by giving the power to the Rajya Sabha to resolve by a two-thirds majority to establish new all-India services or central services. The Indian Forest Service and the Indian Foreign Service are the two services set up under this constitutional provision.



Running the administration of a vast and diverse country like India requires efficient management of its natural, economic and human resources. That, precisely, is the responsibility of the civil services. The country is managed through a number of Central Government agencies in accordance with the policy directions given by the ministries.

The construction of the Civil Services follows a certain pattern. The All India Services, Central Services and State Services constitute the Civil Services.

The Indian Administrative Service (IAS), Indian Police Service (IPS) and Indian Forest Service (IFS) are the three All India Services.

The Indian Foreign Service and Indian Revenue Service are examples of Central Services. There are forty-five other services belonging to Central Services.

The *State Administrative/Civil Service*, *State Police Service* and *State Forest Service* are among many State services, whose examinations are conducted by individual States of India.

### **Indian Administrative Service**

The Indian Administrative Service (IAS) is one of the three All India Services of the Government of India; other important services being the Indian Police Service (IPS) and the Indian Forest Service (IFS). It is also called the 'Steel frame' of India and of the Government in implementing its policies and decisions effectively.

The precursor of Indian Administrative Service was the Indian Civil Service of the British Raj. ICS officers were generally held in high esteem; known as the 'Collector'. ICS officers were believed to be mostly incorruptible, true managers and good administrators.

Upon independence, the new Republic of India accepted the then serving Indian Civil Service officers who chose to stay on rather than leave for the United Kingdom and renamed the service the Indian Administrative Service.

**Selection:** The officials of the IAS are involved in civil administration and policy making. They are selected by the

Union Public Service Commission through a three-stage combined selection process called the Civil Services Examination, known for being extremely challenging, that recruits officers for 20 other Group A services and five Group B services. Every candidate is asked to choose their preference of services among these. Almost all of them choose IAS as their first choice.

The entire selection process lasts fifteen to twenty months. Repeated attempts are allowed (maximum of 4 times). The candidates can choose to be examined in about forty fields, from Civil Engineering and Medicine to Chinese Literature and Accountancy. About 50-70 are selected each year out of the nearly 300,000 appearing. IAS officers are highly regarded in Indian society.

**Independence:** The Constituent Assembly of India intended that the bureaucracy should be able to speak out freely, without fear of persecution or financial insecurity as an essential element in unifying the nation. The IAS officers are recruited by the Union government on the recommendation of the Union Public Service Commission (UPSC) and posted under various State governments. While the respective State Governments have control over them they can not censure or take disciplinary action against IAS and other All India Services officers without consulting the Union Government and the UPSC.

**Designations:** The officers of the IAS normally start as Assistant Divisional Magistrates / Sub-Collectors and look after an area that is typically 1,000-5,000 km<sup>2</sup> in extent and may have a population of 200,000 to 1,000,000. After four years of service, they are promoted to the rank of Under-Secretary to Government of India (equivalent to a Deputy Secretary to a State Government). At sometime in their careers, normally within the first ten years, they are posted as the Collectors/ Deputy Commissioners/ District Magistrates of a district.

They will be subsequently promoted as Deputy, Joint, Additional and Principal Secretaries to the Government of India, or to equivalent positions in the Central Government.

The head of a State's civil service is called the Chief Secretary and the head of the country's civil service is called the Cabinet Secretary. These positions require at least thirty to thirty five years of service as IAS officers. In addition, the IAS officers are sent to work in all the Attached and Subordinate Offices of the Government of India.

### **Indian Police Service**

The Indian Police Service (IPS) is one of the three All India Services of the Government of India; other important services being the Indian Administrative Service (IAS) and the Indian Forest Service (IFS). The members of the IPS are primarily responsible for managing the policing functions of the states and the central government.

These officers deal with all matters pertaining to the Internal Security of India. IPS specialises in all security related issues. Its members, who are all at least university graduates, are the senior officers of the police, with DSPs, Inspectors and Constables belonging to individual state forces.

In its previous incarnation this service was called the Imperial Police. As the name suggests it indeed was an imperial force dedicated to futhering the British Colonial rule in the country. The police and statute governing policing was brought about immediately after the East India Company's rule came to an end in face of the First Indian War of Independence in 1857. A worried British Government brought the country under their direct rule and wanted to create a force which would prevent and quell any rebellion in future. The Indian Police Act 1861 was passed and a force created to protect and perpetuate colonial rule in the country.

Thus the nature of the Police Service and the force was hardly in consonance with democratic principles. In 1948, a year after India gained independence, the Imperial Police was replaced by the IPS. Sardar Patel, the first Home Minister of India had a glorious vision for the IPS. He saw it as a service which would work to uphold the rule of law and preserve the unity and integrity of the newly independent nation.

## **Indian Forest Service**

The Indian Forest Service (IFS) is one of the three All India Services of the Government of India; other important services being the Indian Administrative Service (IAS) and the Indian Police Service (IPS).

**History:** The Indian Forest Service was created in 1966 for protection, conservation and regeneration of forest resources. The recruitment to this Service is made through the Union Public Service Commission on the basis of annual Competitive Examination. While the service is an All India Service, it is not to be confused with Indian Foreign Service, which is commonly thought to be in the same league as Indian Administrative Service, Indian Police Service and Indian Forest Service. A separate examination, which is slightly different from the Civil Services Examination as having Science background compulsory for candidates, is held for the Indian Forest Service.

India is one of the first countries in the world to have introduced scientific management of its forests. In 1864 the then British India Government started the Imperial Forest Department and in 1866 appointed Dr. Dietrich Brandis, a German Forest officer, Inspector General of Forests. Having recognized the need to have a premier forest service to manage the varied natural resources of the vast country and to organize the affairs of the Imperial Forest Department, Imperial Forest Service was constituted in 1867.

Having realized the importance of a multi-tier forest administration in the federal and provincial Governments for effective management of forest resources, the British India Government also constituted Provincial Forest Service and Executive & Subordinate Services, which were quite similar to the present day forest administrative hierarchy.

The officers appointed to the Imperial Forest Service from 1867 to 1885 were trained in Germany and France. Thereafter, until 1905 they were trained at Cooper's Hill, London, which had been one of the prestigious professional colleges of Forestry at that time. From 1905 to 1926 the Universities of Oxford, Cambridge and Edinburgh had undertaken the task of training

the officers of the Imperial Forest Service. The Imperial Forest Research Institute, Dehra Dun, popularly known all over the world today as FRI, was established at Dehra Dun in the year 1906. The baton to train the IFS officers was passed on to Forest Research Institute, which it did successfully from 1927 to 1932. Subsequently the Indian Forest College (IFC) was established in the year 1938 at Dehra Dun and the officers recruited to the Superior Forest Service by the provinces/states were trained there.

The subject of "Forestry" which was managed by the Federal Government until then, was transferred to the "Provincial List" by the Government of India Act, 1935 and subsequently recruitment to the Imperial Forest Service was discontinued.

The Indian Forest Service, one of the three All India Services, was constituted in the year 1966 under the All India Services Act, 1951 by the Government of India. In the Government of India, at the Centre, the Director General of Forests is the highest post. The Director General of Forests is selected from amongst the seniormost PCCFs of all the states.

The main mandate of the service is the implementation of the National Forest Policy which envisages scientific management of forests and to exploit them on a sustained basis for primary timber products, among other things. Since 1935 the management of the forests remained in the hands of the Provincial Governments and even today the Forest Departments are managing the forests of the country under the respective State governments.

**Forest Policy:** India has an area of 633400 square kilometres notified as forests, representing some 19.27% of geographic area. India is one of the few countries which have a forest policy since 1894, revised in 1952 and again in 1988. The main plank of the current policy is protection, preservation and development of forests.

**Creation of Indian Forest Service:** The Indian Forest Service (IFS) was created to cater to the need for inter-state coordination and uniformity of approach in dealing with the scientific management of forests and the environment.

Mr. Hari Singh was the Inspector General of Forests in 1966 and was instrumental in the creation of the IFS. Being an All India Service, the members are recruited by the Centre but their services are put under the various State cadres, with the privilege of serving both under the State and under the Centre.

**Eligibility and Selection:** Entry into the Indian Forest Service is open to candidates between the ages of 21 and 30 years, as on 1st July of the year of the examination, with a Bachelor's degree in Science with at least one of the following Subjects: Mathematics, Physics, Chemistry, Botany, Zoology, Geology, Statistics, Veterinary Science and Animal Husbandry; or Bachelor's degree in Engineering (any stream) / Forestry/ Agriculture/ equivalent; or M.B.B.S.

Notification of the Indian Forest Service Examination is generally expected in February. The written examination is conducted in July. The written examination is of the conventional (essay) type. Each paper is of three hours' duration. Applicants appear for tests on: Two compulsory subjects (300 marks each) (i) General English and (ii) General Knowledge.

Two optional subjects from a list of 14 subjects including four branches of engineering – Mechanical, Chemical, Civil and Agricultural. Each optional subject has two papers, each paper worth 200 marks. The following combinations of optional subjects are NOT allowed: Chemical Engineering and Chemistry, Mathematics and Statistics, Agricultural Engineering and Agriculture, and Veterinary Science and Animal Husbandry. Candidates who qualify the written examination appear for an Interview of 300 marks. All papers are set only in English and they must be answered in English.

**Standards and Syllabus:** General English consists of essay writing, precise/summary writing and questions to assess your comprehension and verbal ability in English. General Knowledge paper covers questions relating to the Indian political system, the Constitution of India, history of India, geography (India and world), general science and current events (national and international). Higher secondary level of knowledge is a good base. As for the optional subjects, the level of testing is

at least of the Honours degree level. A good bibliography for the subjects provides the base material for study.

**Examination:** The Indian Forest Service Examination is conducted by the Union Public Service Commission (UPSC). It provides the opportunity for direct entry into employment. The candidates are trained by the government to play a vibrant role at the grassroots level as also in policy formulation. Within the specified age slot (upper age limits are relaxed for SC/ST/ OBC and other categories), a general candidate may get up to four attempts. An OBC candidate is allowed a maximum of seven attempts and there are no limitations on number of attempts for SC/ST candidates.

**Interview:** As with all conversation rather than a stress exercise. Expected questions could revolve around subjects of academics; current affairs; basic knowledge of forest-related issues / policies and status of their implementation; knowledge of one's state of domicile with respect to geographical features, forest cover, wildlife, economic status, cultural outlook. The interview board wishes to see evidence of leadership qualities, tact, diplomacy, initiative, alertness, observation, mental and physical energy and enthusiasm, love for the outdoors, a sense of adventure, curiosity in surroundings and balance of judgement.

**After Selection:** Selected candidates are sent for foundation training at the Lal Bahadur Shastri National Academy of Administration, Mussourie which is followed by specialised orientation for the Forest Service at the Indira Gandhi National Forest Academy, Dehradun with inputs on forests management, wildlife management, soil conservation, engineering survey, tribal welfare and weapon handling. After this comes one year "on the job" field training in the particular state to which the candidate is allotted and on successful completion of probation period on completion of four years of service with reference to the Year of Allotment, the officers are appointed to the Senior Time Scale. On getting the Senior Time Scale the officers are entitled to be posted as the Deputy Conservators of Forests or Divisional Forest Officers in charge of Districts/Forest Divisions.



## Indian Foreign Service

The Indian Foreign Service (IFS) is one of the Services of the Government of India; other important services being the Indian Administrative Service (IAS), Indian Police Service (IPS), Indian Forest Service (IFS) and Indian Revenue Service (IRS).

In September 1946, on the eve of India's independence, the Government of India decided to create a service called the Indian Foreign Service for India's diplomatic, consular and commercial representation overseas.

The precursor to Indian Foreign Service can be traced back to September 1783 when Foreign Department was established by the British Raj to conduct business with foreign European powers.

In 1947, there was a near seamless transformation of the Foreign department of the British India government into what then became the new Ministry of External Affairs and in 1948 the first batch recruited under the combined Civil service examination system of the Union Public Service Commission joined the service. This system of entry has remained the staple mode of intake into the IFS to this day.

The Indian Foreign Service is not one of the All India Services but still enjoys an equivalent prestige. The three types of civil services in India are the *All India Services*, *Central Services* and *State Services*. It belongs to the Central Services.

**Training:** On selection to the Indian Foreign Service through the combined Civil Services examination, the new entrants undergo a multifaceted and comprehensive training programme intended to give them a thorough grounding in diplomatic knowledge, diplomatic qualities and diplomatic skills. First, the probationers will undergo orientation training at the Lal Bahadur Shastri National Academy of Administration, Mussourie and then focused training at the Foreign Service Institute in New Delhi. The course involves lectures, attachments with various wings of the Government as well as familiarisation tours both within the country and abroad. The training programme will be for 36 months as a whole.

## Indian Revenue Service

The Indian Revenue Service (IRS) is one of the Premier Civil Services (Class-I) of India. IRS comprises of IRS (C&CE) & IRS (IT). IRS officers are concerned with the collection, administration and policy formation of direct (viz. Income, Corporate, Wealth, FBT etc.) & indirect (viz. Central Excise, Service Tax and even Customs Duty) taxes. These officers are the tax administrators of the union of India. They are either under the CBDT (Central board of direct taxes) or CBEC (Central board of Excise & Customs) in the Department of Revenue under the Ministry of Finance.

**Selection:** Selection is through the *combined civil services examination* conducted by Union Public Service Commission (UPSC) every year. About 400,000 candidates apply, and after a three stage selection process only 400 are selected. Thus only 0.1% pass through, making it one of the most competitive and prestigious examinations of the country. Amongst these 400, the top 200 ranks get the option of choosing between the top 4 Civil Services viz. IAS, IPS, IFS and IRS(IT)/IRS(C&CE).

**Training:** IRS Officer Trainees (*OTs*, as they are fondly referred to) undergo a 3 month foundational training with their fellow officers from All India Services and other Central Services (Group A) at Mussorie (Uttaranchal) followed by a 15 month rigorous professional training in NACEN Faridabad or NADT Nagpur, where they are intensively trained in principles, concepts and advances in Management, Taxation, Public Policy and Law.

**Postings:** Starting with the prestigious post of Assistant Commissioner, IRS officers rise up to Chief Commissioner level with some fortunate ones reaching the post of Member/Chairperson-CBDT / CBEC. The Revenue Secretary who heads the Department of Revenue in the Ministry of Finance is usually an IAS officer. They are also deputed to the Vigilance Department, Enforcement Directorate, SEBI, Directorate of Revenue Intelligence, Narcotics Control Bureau, etc. apart from heading various cells in the Ministry of Finance. However the administrative acumen of the service has now started getting

recognition of late. One of the previous Chief Election Commissioner was an IRS officer. One of the present member of Union Public Service Commission (UPSC) is also a member of IRS.

**Career Prospects:** Though the pay is much lower than in private sector, given the high talent and intelligence of the recruits, the unparalleled power, perks, and prestige make up for it. Officers also feel an added sense of satisfaction that comes from directly contributing to the development of the country, revenue being the source of all developmental works of a government. Their contribution can be judged from the fact that with a total strength of around 5000 officers (in direct taxes) and an added 2500 (in indirect taxes), the IRS are responsible for collection of direct/indirect taxes worth tens of thousands of crores of rupees( 1 crore = 10 million).

Presently only 3% of Indian population comes in the direct tax bracket. Similarly the Service Tax has only started picking up of late due to very few services in the tax net. With the economy booming, the IRS is bound to play an increasingly important role in the affairs of the state. As the country liberalises further, the economic power will shift into private hands with the public-private participation being the keyword.

Hence the IRS officers will be at the interaction point between the private industry and the government. This is being recognised in one of the reports of The *Economic Times* which foresees a high demand for IRS officers in the private sector considering their wide range of experience in manning various fiscal and monetary policy centres as well as field formations.

Candidates prefer the IRS above other premier services due to relatively low political interference, greater leisure time, stable tenures, and postings to big cities.

**Challenges:** As with other government service there are many allegations of corruption. However, even Kautilya/Chanakya, the Author of Arthashastra mentions that just as it is difficult to prevent a honeybee from tasting honey while collecting it, it is difficult for a revenue collector to remain away

from money while collecting it. That apart, however, most of these allegations do not have merit. And even in case of those that have, the system is not beyond repair. The introduction of automated interfaces using electronic technologies have the potential of reducing such shortcomings in the system.

The IRS needs bright, young, honest, and dedicated people with a high sense of morality, integrity and love for the country. The nature of job brings out the jewel in him. An IRS officer on posting is entrusted with the task of completing the Assessment of the tax returns (as in Income Tax, Central Excise and Service Tax) or inter-border physical movements (as in Customs). It requires prolonged verifications and inquiries. An IRS officer gets limited staff to assist him. The reduction of manpower at the cutting edge in recent years has had a bearing on this.



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