

McKinsey, Bureaucracy and Efficiency

Bharat Jhunjunwala

In his address to the McKinsey Board Meeting in October, 2007 Prime Minister Dr Manmohan Singh stressed on inclusive and efficient growth. He said that the Government had stepped up investments in agriculture, rural development, education and health care, urban renewal, poverty removal, rural infrastructure and rural employment generation in order to "make the growth process more inclusive." Simultaneously he called for economic efficiency. "In an open economy we cannot ignore or neglect the efficiency dimension... we have to ensure that competitive pressures are maintained in all markets," he said.

But the other dimension of efficiency is that it is best secured by big companies. Automatic looms can produce more cloth from a kilo of cotton and of better strength than the handloom. Thus the Prime Minister has given free play to big companies as is happening in forcible acquisition of land for big companies in Singur and Nandigram and hydropower projects across the country. Small producers are losing their livelihood across all sectors. Bottled soft drinks have killed the Rasvanti. The harvester has taken away the most lucrative jobs from the hands of the farm worker, Plastic chappals have left the village cobbler without work. The quest of efficient production, therefore, has two simultaneous effects-*higher production and higher unemployment.*

The Prime Minister is genuinely interested in promoting inclusive growth, though. He has launched many schemes to save the poor, in part, from the ill-effects of the economic policies implemented by him to generate efficiency in the economy. Following the age old programmes of providing free education and health services, he has initiated the National Employment Guarantee Scheme. Whether these programmes provide relief to the people is a matter of discussion and study but it is clear as a crystal that these programmes provide immense benefits to the government employees. Studies have shown that the average duration of in-house treatment in government hospitals is much more than in private hospitals. Government teachers get four times the salary of their private counterparts but produce one-half the results. At present the Employment Guarantee Scheme is operating better. But this is only in the initial period. It takes time for the Government machinery to decay. Government schools were providing high quality education in the seventies that was in the past. So also the Employment Guarantee Scheme is likely to decay in time. The 'inclusive' growth that the Prime Minister wishes to create through such bureaucratic stratagems is therefore, dicey.

It is strange that the Prime Minister sings praises of 'competitive pressures' in all markets, yet wants to keep social services out of those same competitive pressures. The opening up the economy to cheaper imports; to competition from Multinational Companies; and reduced government control have all contributed immensely to improving efficiency of production in the country. But the Prime Minister keeps the government employees outside the competitive pressures as seen clearly in health and education sectors. The welfare bureaucracy has grown along with increased opportunities available to it day by day. This bureaucracy does not deliver because there is no competitive pressure. In the result, Dr

Manmohan Singh is promoting the interests of government servants behind the smokescreen of efficiency and inclusive growth. He is like the doctor who administers experimental drugs to the unsuspecting patients for undertaking research. The patient suffers but the research is successful and benefits all humanity. Then the doctor gets many tests done to save the patient from the ill-effects of the drugs he has administered. The patient sinks or dies but the doctor prospers. In the same way Dr Manmohan Singh is administering efficiency to the unsuspecting people of the country. The people are suffering. Then Dr Singh creates new schemes to save the poor from the ill-effects of the policies he has implemented. The people die but the economy prospers and Dr Singh gets kudos from McKinsey Board.

Efficient production and inefficient relief move hand-in-hand in the Prime Minister's dispensation. He should consider an alternative approach. Instead of first creating unemployment in the quest of efficient production and then creating an inefficient system to remove the ill-effects, the Prime Minister should consider imposing selected restrictions on efficient production. That will create employment and there will not remain the need to alleviate poverty. For example, higher taxes on textile mills will generate employment in handloom weaving ; taxes on soft drinks will revive the rasvanti; and on harvester will protect jobs of the farm worker. But the handloom, rasvanti and farm worker will produce less efficiently than machines hence Dr Singh is promoting them. But he forgets that efficient production by machines and big companies comes along with inefficiency in government programmes of poverty alleviation.

It is clear that people's welfare necessarily creates some inefficiency. This inefficiency is created in poverty alleviation programmes in Dr Manmohan Singh's dispensation. It is created inefficient production by handlooms and rasvanti in the alternative policy. The central question is which of the two inefficiencies people accept? Gandhiji said that people do not need distribution of free clothes to cover their naked bodies, they needed work. And 'work' here refers to that undertaken with self-respect and does not involve dependence on government largesse as in Employment Guarantee Scheme.

Dr Manmohan Singh does not want the common man to earn his livelihood in the market. He wants to make the common man dependent upon the government for his livelihood. Moreover, the government servants gain hugely in the process of running welfare schemes. Dr Singh chooses to ignore the character of government servants. He has been a sincere government employee throughout his life. He would know that Karl Marx's guru Hegel said that the middle class uses its education to exploit the poor. Sociologist Max Weber said that individually honest government servants wind up collectively doing dishonest works. Manu Smriti says that government servants are mostly cheats and gobble up the property of ordinary people. Kautilya says that corruption by government employees is as difficult to detect as to find out how much water the fish has drunk from the pool. Dr Singh, however, chooses to ignore this guidance. In the result he promotes three things-efficiency by business, benefits to government servants; and loss of livelihood of the people.

It is unfortunate that the socialists, communists and BJP suffer as much from this disease of promoting government servants in the name of people's welfare.

Only Mayawati seems to have an appreciation of the true character of government servants. One can only hope that the next government at the Centre will reach benefits to the people by limiting the play of the market so that livelihood of the people is protected and the huge 'welfare' bureaucracy can be dismantled. □□□