

Decentralization and Political Reservations in India: Some evidence

Esther Dufo

April 3, 2003

INTRODUCTION

- How to effectively deliver public goods to the poor?
- Decentralization is one of the options that are being discussed.
- To be unfair to the debate, the trade off often boils down to this: a decentralized administration will better represent the preferences of the people, but may be at a greater danger of corruption and rent seeking.
- Moreover, with a decentralized government, it may be harder to ensure that the minorities within a village gets any share of the public goods
- Today, I will discuss some aspects of decentralization in India, and use some specific features of the system to answer a few questions:
 - ① Do elected official have any power?
 - ② Are they fully accountable to the people?
 - ③ Are public goods efficiently allocated by a decentralized government?

Slide 1

INSTITUTIONS: THE PANCHAYAT SYSTEM

- Panchayat: 3-tiered (village, block, district) system of councils elected by the people. Active since 1978 in WB, 1995 in Rajasthan
- Gram Panchayat (GP): 10-12 villages. Voters elect a counselor for their area. Council elects a chairperson (Pradhan).
- 1993: Decentralization effort (73d amendment) gave powers to the GP:
 - Local infrastructure (roads, water, ...)
 - Accountability to villagers (Gram Samsad)
 - Financed mostly through state

Slide 2

INSTITUTIONS: RESERVATIONS POLICIES

- 73rd amendment:
 - Reservation of 1/3 of all positions (counselors, Pradhans) to women, by rotation.
 - Reservation of positions to Scheduled Castes (SC) and Scheduled Tribes (ST) in proportion to share in population.
- West Bengal:
 - 1993: 1/3 of positions of counselors reserved. Only 6% of women were elected as Pradhans.
 - 1998: 1/3 of GP reserved for women, reservation for SC and ST.
- Rajasthan: Reservation for women and SC/ST since 1995.
- Selection (by district):
 - GP ranked by serial number. Table used to randomly select GP for SC and ST.
 - Within each list, GP ranked by serial number. Every third GP is reserved for a woman.

Slide 3

THE QUESTIONS

In two papers we examine the impact of reservation for women and for scheduled castes on the type and the location of public goods provisions.

Slide 4

- Reservations for Women:
 - Does the identity of the policy makers matter for public good provision
 - Does a female policy makers make decisions that better reflect women's policy preferences?
 - Does that reflect *voice* or *authority*?
- Reservations for Minorities:
 - Does a minority Pradhan put more goods in the minority hamlets?
 - Does he also change the *mix* of public goods provided in minorities hamlets
 - This will tell us about constrained efficiency.

IDENTIFICATION ISSUES

Slide 5

- There is a literature on the impact of politicians gender or race on political decisions:
 - Female legislators spend more time working on family and welfare legislations.
 - More legislations on workers's compensation, child support policy, in States where there are more women in the State legislature
- More black in municipal employment when the Mayor is Black
- More transfers to SC when there are more SC in the state assembly (India).
- There is a fundamental identification problem:
 - Comparative advantages of women
 - Places who like to have women as representatives may independently have different policy preferences.
 - It is the same for minorities.

HOW THE INDIAN EXPERIMENT SOLVES THE IDENTIFICATION ISSUE?

Reservations to women and minorities were randomly assigned. Therefore, there should be no difference between places which are now reserved for women or minorities and places who are not in either the *type of goods provided* or *where* they would be located.

Slide 6

→ When we compare the decisions in in places reserved for women or minorities an in other places, this should *only* reflect the impact of the policy.

We still need to be careful when interpreting the results: introducing quotas change many things about the political game. The policy may affect the decisions *in other ways* than just changing the gender of the policy maker.

DATA COLLECTION

Setting:

Birbhum district in West Bengal (125 Miles from Calcutta, 2.57 Million inhabitants in 1991, mostly rural, poorer than the rest of West Bengal). 166 GP, 161 in the study.

Slide 7

- ① GP composition and reservation.
- ② 1991 Census (village level data).
- ③ GP Pradhan interview: background and GP level information
- ④ Resource and investment survey in two randomly selected villages: type and location of investments.

Udaipur districts in Rajasthan: 100 villages in a very poor areas.

- ① GP composition and reservation.
- ② Resource and investment survey in one hamlet in one village: type of investments.

EMPIRICAL STRATEGY: EFFECT OF RESERVATION

→ Impact of reservation for women or SC on the *type* of investment:

$$E[Y_i | R_i = 1] - E[Y_i | R_i = 0]$$

Randomization ensures that effect of policy is consistently estimated.

Slide 8 → Impact on the *location* of investment.
Non normalized:

$$E[Y_{is}/Y_i | R_i = 1] - E[Y_{is}/Y_i | R_i = 0]$$

Normalized by population:

$$E[Y_{is}/Y_i * (P_{is}/P_i)^{-1} | R_i = 1] - E[Y_{is}/Y_i * (P_{is}/P_i)^{-1} | R_i = 0]$$

RESULTS: RESERVATIONS FOR WOMEN

- Women participate more in Panchayats reserved for women
 - Women and men have different interests: requests.
 - Public good provision is different: more water, more roads in West Bengal. More water in Rajasthan.
 - It seems to be power, not voice: results in Rajasthan.
 - Gender or something else : look at women characteristics
 - Newcomers
 - Lame ducks
 - Poorer
 - How can we distinguish these alternative explanations from the explanations that gender matters?
 - Other newcomers
 - Other lame duck
 - Other poor people
-

RESULTS: RESERVATION FOR MINORITIES

- ① Randomization insured that SC-reserved villages and non SC-reserved villages are comparable. Differences across goods.
 - ② Types of public goods provided not affected (except schools)
 - ③ On average, 10% more of the public investment take place in SC hamlet in places that are reserved for SC (14% more when normalizing by population share).
 - ④ Private goods compensate for public goods.
-

Slide 10

IS THE LOCAL GOVERNMENT EFFICIENT ?

- ① Impact of the politician identity: not Coasian efficient
 - ② Assume that transfers are not allowed: can we test for efficiency in this more limited sense: ability of the politicians to understand people's needs.
 - ③ Consider goods that are used locally. When the Pradhan becomes SC, is it only the *location* of goods that change, or also the mix of goods in SC hamlets. e.g does the SC hamlet get 20% more of every good than what they would have gotten otherwise, or less of some things and more of others?
-

Slide 11

A TEST OF CONSTRAINED EFFICIENCY FOR THE LOCAL GOVERNMENT

Assume preferences over two goods (schools and wells).
Panchayat maximizes $u^g(E^g, W^g) + \lambda u^{sc}(E^{sc}, W^{sc})$, subject to
the budget constraints for the panchayat:

$$p_E(E^g + E^{sc}) + p_W(W^g + W^{sc}) \leq B$$

Slide 12 Reservation leads to an increase in bargaining power to $\lambda' > \lambda$. With homothetic preferences, this should lead to a proportional increase in E^{sc} and W^{sc} .

Test:

$$\frac{E[Y_{is}^1/Y_i^1 * (P_{is}/P_i)^{-1} | R_i = 1]}{E[Y_{is}^1/Y_i^1 * (P_{is}/P_i)^{-1} | R_i = 0]} = \frac{E[Y_{is}^2/Y_i^2 * (P_{is}/P_i)^{-1} | R_i = 1]}{E[Y_{is}^2/Y_i^2 * (P_{is}/P_i)^{-1} | R_i = 0]}$$

The test is **not** rejected.

CONCLUSIONS

- Politician's identity matters : politicians are not fully accountable (and not fully powerless).
 - Decentralized government is not efficient in a Coasian sense
 - However, local government seems to be able to understand people's need.
 - Decentralization is an effective tool to elicit local preferences, but local bargaining power determines outcomes. Decentralization without reservation may have adverse distributional effects.
 - More work is needed on the trade-off between greed and efficiency.
-