

hindustantimes

■ ■ Tuesday, April 10, 2012

[Abhijit Banerjee](#), Hindustan Times

December 27, 2011

First Published: 23:33 IST(27/12/2011)

Last Updated: 23:38 IST(27/12/2011)

This is tunnel vision

Remember the Six Blind Men of Hindoostan? In that old Jain fable, which was introduced to us 10 year olds as an 'English' poem, six blind scholars try to discover the essence of an elephant by touching little parts of him. The one who happened upon the tail thought it was like a snake, while the one who got the ear was struck by the resemblance to a fan. And so on.

I am afraid that Anna Hazare might be one of those blind men. Having struggled all his life, often with great courage and determination, against a petty bureaucracy that routinely preys upon the lives of the villagers in his area, he seems to have concluded that the State primarily exists to blight the lives of people, and hence we must try and do our best to throw the fear of God into its representatives.

The problem is that we also need the State: someone needs to decide where bridges need to be built, how best to clean drinking water, what it takes to get the nutrients into would-be mothers. Taxes have to be collected, education policy has to be decided, female infanticide has to be resisted and punished. While a lot can be done to simplify and limit what the government does - is there anyone who knows the names (just the names!) of all the 'anti-poverty' schemes we have on the books - what remains is an immense and enduring set of tasks that have to be done and done well.

Sadly, there is absolutely no reason to believe that fighting corruption is all that we need to do to ensure that this happens. Indeed, it will probably make things worse in some ways.

A recent paper in the very prestigious American Economic Review by Oriana Bandiera, Andrea Prat and Tommaso Valetti, provides important insights into what can go wrong. They study waste in government procurement in Italy, which is often rated as one of the most corrupt countries in Europe. It turns out that in Italy, different branches of the government pay very different prices for the exact same product (down to the brand and the colour). Differences can be as large as 50% or more - they estimate that the government could save up to 2% of GDP if it could get most purchase officers to pay the prices some of the more aggressive among them pay.

Now it turns out that government bodies in Italy can get their supplies either from the market or from an approved supplier, Consip. Consip charges a publicly announced price - no scope for kickbacks. If you go to the market, you can negotiate your own deal, which might very well include something to make you happy.

One would imagine that the most corrupt government offices would be the ones who would be least inclined to turn to Consip when a good comes on the Consip list. In fact we see the opposite - the ones who switch tend to be the ones that were already paying very high prices for the product, and moreover, those were precisely the ones that were, by all accounts, the best monitored - the centralised bureaucracies rather than the more autonomous hospitals and universities. It seems the main reason why some departments pay much higher prices than others is not so much because they are corrupt (though that is there too) but because they cannot be bothered to find the lowest-priced supplier and deal with the questions that inevitably arise when one buys from some no-name vendor (who just happens to be cheap). For these people, the option of switching to Consip was irresistible. Buying from the official supplier requires no justification - and no effort. Why not enjoy your leisure?

I fear that this is how large parts of our bureaucracy will react when the cold gaze of the lokpal is turned upon them. Why try to do anything innovative when sticking to tried-and-true is less likely to raise questions? Why try to save money by using unorthodox strategies when the lokpal is liable to be asking questions? Indeed, why do anything when sitting on your hands is an option - after all our bureaucrats are not paid based on what they get done - and it is easy to get into trouble. In my own work, I have written about how our public sector bank officials avoid making any new lending decisions - because lending always exposes them to some (infinitesimal) risk of being blamed for the loan going wrong.

This is not an argument for not doing anything about corruption. Corruption is a huge problem and the poor and the powerless are often its most egregious victims. But it is not an accident that the most effective bureaucracies in the world rely much more on internal controls rather than on independent ombudsmen. People in the department tend to know who is bending the rules to do his job better and who is just lining his pockets; the ombudsman can only see that the rules were not followed. We need to find ways to strengthen our control systems, but the lokpal is the wrong answer to the question of how to make the local irrigation office or postal department run better. We will end up stifling all initiative and discouraging talented people from taking the jobs. Let us keep the lokpal for where we really need it, to fight those whose wrongdoing is apparent, who only survive because they are too powerful to be taken down.

Abhijit Banerjee is Ford Foundation International Professor of Economics and Director, Abdul Latif Jameel Poverty Action Lab, MIT. The views expressed by the author are personal.

<http://www.hindustantimes.com/StoryPage/Print/788027.aspx>

© Copyright © 2012 HT Media Limited. All Rights Reserved.