

People's power and India's potential

India was an economic under-achiever for four decades after Independence, but that has changed. While the debate on economic reforms is still on, many mindsets have changed. As early as 1994, Goh Chok Tong, then Singapore's Prime Minister, saw India's economic and strategic potential emerging from the new policy direction. Ten years later, one consequence of Mr Goh's vision was a new Institute for South Asian Studies (ISAS), established at the National University of Singapore. The institute has already hosted the Prime Ministers of Bangladesh and Pakistan.

India was represented by finance minister P Chidambaram in March this year, who spoke on "The Decade Ahead for the Indian Economy." His assessment was expectedly upbeat, stressing achievements in the economy. He noted infrastructure deficit as "India's biggest deficiency." As he put it: "Public-private partnerships are an accepted norm." Mr Chidambaram also remarked on the "less well-known...concealed strength in the demographic dynamics of the coming decade." India is poised to increase its percentage of working age population. He stressed the determination to "accelerate our achievements in the fields of education, basic health and skill formation," to make this increasing labour force more productive, but didn't go into the specifics.

Human capital is, in some respects, a crucial resource for India. One can also argue that India's under-achievement in economic development been epitomised, and caused, by its failures in human development. Primary education and basic health are examples of government failure. Yet, higher education presents a different case. This difference has not been sufficiently recognised in India. As a result, the higher education policy has floundered.

In his ISAS speech, the FM detailed successes in developing the financial sector, and in attracting foreign direct investment (FDI). These are areas where there has been a major shift in policy consensus after reforms. The implications of this shift for higher education need to be worked out.

The mid-term appraisal (MTA) of the Tenth Plan, after noting shortfalls in numbers (only 9.2 million enrolled, or well under 10% of the relevant age group) and quality (no institution in the global top 200) with respect to higher education in India, makes a significant recommendation: "The Planning Commission has carefully considered the issue, and feels that a substantial increase in fees, combined with an aggressive means-based scholarship and loan programme, is the need of the hour."

Economically, this makes perfect sense. Higher education is a private, not a public good, and students should not be subsidised, without consideration of return on investment or ability to pay. The financial sector, if it is as strong as Mr Chidambaram argues, can and should be a source of funds for investment in human capital, not just for physical investment and consumer durable loans. No doubt, there will be opposition to the reduction of the higher education subsidy, but it is refreshing to see it on the policy agenda.

The MTA states another policy goal: “A clear policy for inviting private sector investments in education should also be formulated.” The Chhattisgarh fiasco, where a Supreme Court ruling in February in response to public interest legislation led to 110 of 117 private universities in the state being deregistered, is relevant here. The SC’s decision was based on its perception of the need for national standards, according to the constitutional assignment of authority over higher education. It stated: “It is the responsibility of the Parliament to ensure that proper standards are maintained in institutions for higher education or research throughout the country and also uniformity in standards is maintained.” The MTA has a similar theme, calling on the newly formed National Knowledge Commission to come up with ways to “reduce the disparities in academic standards of various Universities.”

There are serious conceptual deficiencies in these statements. Parliament is not really competent to directly set, monitor or maintain standards. Delegated national bodies, such as the University Grants Commission (UGC), have serious deficiencies. Before we give the UGC more regulatory authority, when it has not proved competent in the past, we should consider alternatives. Regulation is always important with respect to fraud and malfeasance. In the financial sector, the potential for systemic failures requires careful regulation. Health and safety for consumers and workers also need government regulation. But in higher education, the principle of caveat emptor— buyer beware—may be more applicable.

Furthermore, there is a huge difference between minimum standards and uniformity. The former is more relevant and desirable than the latter. Even for the former, competition, reputation maintenance, self-regulation and independent certification are more likely to support successful private investment in higher education than continued incompetent, self-serving government regulation.

FDI in higher education also deserves more consideration, as a source of funds and know-how. Interestingly, both the Left and the Right have been suspicious of such investment, using spurious cultural pollution arguments (going abroad to study is all right, though!).

Singapore is acting fast on its vision of being a regional knowledge hub, attracting universities from all over the globe. India’s current policies toward foreign investment in higher education are wrong-headed, unduly restrictive, and a drag on the future. A confident and optimistic India can do better on this front. Let’s see if the CNR Rao committee on this topic agrees, when its report comes out.

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