The ‘rent-seeking’ perspective of policy making tells us that in reality there is no benevolent welfare maximizing government, as taught in the basic texts of economics; only those policies are adopted which maximize the incumbent politician’s or bureaucrat’s rent. On endorsement of this view, economic reforms adopted in developing countries like India, which had been persistently corrupt, remains an enigma because it is traditionally thought in the ‘rent-seeking’ literature [Krueger (1974), Buchanan (1980)] that economic reforms by introducing competition in the economy bring down rent. Bussell in her book makes an important contribution to the ‘rent-seeking’ literature by going deeper into the issue and explaining to us through an Indian case study how the rent-seeking objectives shape a reform. For her purpose she concentrates on a particular type of reform which is the establishment of one-stop computerized service centers (CSCs)
to the state-specific characteristics. Among all the characteristics it turned out that the nature of corruption (petty and grand corruption) and the nature of politics for delivery of various public services by the state governments in Indian federation. She analyzes both policy initiation and the scope of this reform and tries to relate it (ruling government cohesion) have significant role in the choice of the reform in the states.

The red tapes and the associated delay in delivery of public services is thought to be the main reason for petty corruption as bribes are paid both to get ‘things done’ and to speed up the process. The introduction of CSCs reduces the rent generated from petty corruption by minimizing the scope of interaction between the government officials and the general public seeking the service. So the reform entails a cost to the implementing politician in terms of forgone rent. The incumbent politician implements the reform if and only if there is a countervailing benefit. Bussell argues that the benefit comes from the increased vote share from the beneficiaries of reform. The shape of reform is chosen strategically in such a way that minimizes the abovementioned cost and maximizes the abovementioned benefit. Bussell hypothesizes that a widespread reform is more likely to be initiated in states where the incidence of petty corruption is low and therefore the cost of forgone rent is also low. The concern for vote determines the scope of reform i.e. number of services included in CSCs for delivery. It can either be very specific and well targeted to a particular constituency whose vote matters for the incumbent politician. For example delivery of BPL ration cards through CSCs will target poor, but delivery of trade licenses will target the trading community; delivery of birth and death certificates however will serve all constituencies equally. However the decision of opening of CSCs may create a new opportunity of corruption at higher level of government in terms of awarding contracts for operating the CSCs to private providers. Whether the CSCs will be government-owned, run by small entrepreneurs or by a private company (in Public-private partnership (PPP) mode) according to Bussell depends on the level of ‘grand’ corruption in the states. She hypothesizes that governments in the states having higher level of grand corruption will indulge more in PPP model as it provides higher scope for rent extraction to the incumbent politicians. Bussell also hypothesizes that implementation of such a reform is more difficult in a coalition government since the cost and benefit of reform may accrue to different constituents of the incumbent government; these externalities will be internalized within a single party government.
Bussell finds empirical support in favor of the hypotheses discussed above. For petty corruption in Indian states she uses the data provided by Transparency International India and Centre for Policy Research. The data on grand corruption she collects using the Comptroller and Auditor General of India (CAG) report on inappropriate use of the local area development fund by the members of parliaments in India (MPLAD Scheme), which is a new and innovative way to collect data on grand corruption. But one should keep in mind that this is a very limited measure of the level of grand corruption in the states. The low positive correlation between the index of petty corruption and grand corruption in the states explains various combinations of choice of service providers, initiation and scope of reform as it is observed in different states.

Theoretically the reform should have increased the citizen’s welfare. Has it actually happened? Bussell tries to find answer to this question through a survey conducted in the state of Karnataka. Interestingly a section of people did not like the reform because for them it stripped the opportunity of speeding the service delivery through payment of bribes. The observation points out that in a persistently corrupt society even a broad based reform for delivery of public services may not find support from all sections of the society.

In this book Bussell nicely points out how existing corruption in an economy puts bound on the nature of reform chosen in it. The nature of reform chosen may not always be beneficial to all and welfare improving. The insights are important for understanding policy making in persistently corrupt economies with the presence of both petty and grand corruption like India. But it seems that the question of welfare needs more investigation. Sometimes the benefits of the kind of reforms discussed by Bussell may depend on laws of the country........if too many unnecessary documents are to be submitted (which are sometimes difficult to accumulate) along with the application for a particular service even computerization of service delivery in entrepreneurial model (which allows for competition among service providers) may not reduce petty corruption and may not improve the welfare of the economy. In such a situation the relation between petty corruption and grand corruption may need a fresh look.

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2 See Drugov (2010).
References

