

**Economics
Seminar
Series
2015**



FACULTY OF ECONOMICS

Seminar

***Public versus Private Provisioning: Role of
Education and Political Participation***

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Date: **March 19, 2015**
(Thursday)

Time: 2 :30 p.m.

Venue: FSI Hall, Akbar Bhawan
Satya Marg, Chanakyapuri
New Delhi

Abstract:

This paper studies the role played by education in the public provision of private 'merit goods', such as healthcare, schooling, public utilities, public infrastructure, and so on. Corruption is endemic in public provision. Better educated individuals are more effective at exerting political pressure, which reduces corruption and improves quality of the merit goods delivered. At the same time, educated elite have higher incomes which allows them to opt out of public provisioning and form a private club that delivers the merit good/service to its members. While the exit of educated elite from public provisioning negatively impacts on the quality of the public good provided, it also reduces congestion in public provisioning. Thus there is a trade off, generating the possibility of multiple equilibria. Depending on parametric conditions, several equilibrium configurations exist — with different degrees of corruption and concomitant variation in the quality of public provision and welfare of people. Under a stochastic adaptive dynamic process, almost surely a unique equilibrium will be selected, which need not be the one which is least corrupt or most efficient. This brings in the scope for effective policy intervention.