

# Is small beautiful? Do small districts lead to better outcomes?

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Is there an optimal size for local government systems? Aristotle in his treatise ‘Politics’ argued that political entities needed to balance the twin considerations of economic viability and effective citizenship (Aristotle 1984). In modern democracies, debates on the topic are framed in a similar language with two sets of normative criteria. The first one is *output legitimacy*. The function of local governments is to provide a set of public goods and services to its citizens and promote public welfare. A government that fulfils this duty better has higher output legitimacy. The other normative concern is ‘citizen effectiveness’ or the capability and willingness of citizens to control the decisions made on their behalf (Dahl and Tufte 1973). Enhancing citizen effectiveness raises the *input legitimacy* of the system. Both output and input legitimacy are prerequisites to democratic legitimacy (Scharpf 1999). The fundamental assumption in these debates is that changing the size of political units is likely to affect the democratic quality (input legitimacy) and functional effectiveness (output legitimacy) of governments.

Recent debates attribute considerable virtues to small jurisdictions. In democratic societies, the economic and political arguments tend to converge. Small jurisdictions are believed to enhance political participation, make politics less abstract, politicians more responsive, and facilitate exit-based empowerment of citizens (Blom-Hansen, Houlberg, and Serritzlew 2014). Decentralisation will also increase economic efficiency as the local governments have an information advantage and can respond better to variance in preferences at the local level (Oates 1972), and population mobility will lead to competition between local authorities and better provision of public goods. Decentralised service delivery especially when citizens directly elect the local governments is expected to provide better coverage, quality and efficiency (Smoke 2015). Competing local governments may experiment with various ways to provide public goods and lead to innovations that can be applied elsewhere. These considerations suggest that public goods that are (1) sensitive to local preferences and (2) do not have large spillover (3) nor scale

effects: infrastructure, public education, etc. are better provided under decentralisation (Tiebout 1960, Oates 1972). It is the third argument, scale effects, that is considered further in this paper.

This argument requires further exploration because in a country like India, decentralization at the local government level is a step that is frequently taken - often without the backup of empirical examination of its effectiveness. For example, West Bengal has created five new districts since 2015. The rationale for creating of new districts was stated to be - "...for better administrative control and so that public service can be delivered at the door steps of the people staying at remote areas" (Konar 2015). Similarly, Telangana state is contemplating the creation of 14 - 15 new districts (Balakrishna 2016) and Haryana state is considering 3 more districts (PTI 2016). In all these cases, the stated rationale for district bifurcation is decentralisation of administration and better public service. Between 1991 and 2011, 173 new districts were created in India (**Cite Census 1991, 2011**). But does creation of new districts enhance public service outcomes?

There are those who argue that it does not. The critics of decentralisation argue that its effectiveness is often greatly hampered by the particular context of its implementation. Vito Tanzi offers an argument for corruption to be higher at local levels than at central government levels, because of closer interaction at the local level between the bureaucrats and citizens that can enable nepotism and personal favours (Tanzi 1996). Also, local bureaucracies may be poorly staffed and ill-equipped to handle the responsibilities associated with the decentralised provision of public goods (Prud'Homme 1995). The precise nature of decentralisation, such as the financial autonomy of the local government may also play a role in determining whether the benefits can be reaped. These factors caution against the implementation of decentralisation as a panacea for administrative ills. It also means that any instance of decentralisation can be explored further to understand the context of success or failure.

In this paper, I propose to study the reorganisation of local government and relate it to the quality of public service delivery - specifically, the quality of public education. Public education is not seen as imposing strong externalities on neighbouring regions, nor does it have large scale effects. Therefore, under the classic explanation, a smaller district should be able to provide better service. At the same time, we might need to build administrative capacity when a larger district is split into two or more before any benefits can be reaped. Also, if the districts are too small in the first place, there might be some benefit in consolidating two or more districts and managing them together. There is evidence from the decentralisation reforms in Bolivia and Columbia to suggest that decentralisation has enhanced the local allocative efficiency of public funds. Notably, it has resulted

in shifting resources towards education in regions where education performance has historically been worse. But data limitations prevent the authors from testing whether the improvement extends to education outcomes, such as literacy and test scores (Faguet and Sanchez 2008). Also, there is evidence from California state, to suggest that students in smaller districts perform better than those in larger districts in standardised tests after controlling for a variety of other factors (Driscoll, Halcoussis, and Svorny 2003).

In the period since the 1950s, India has seen administrative bifurcations at the local government level (district level) while much of Europe has seen consolidation (Mouritzen 2010, Bikker and Linde 2016). The United States has seen consolidation of education districts and a parallel creation of special purpose districts (Strang 1987, McCabe 2000). The effect of each of these policies - bifurcation or consolidation or a combination of both - depends on the particular context and capabilities of the local administrative body.

I propose a combination of comparative case study and quantitative methods to investigate the effect of district reorganization in the US and in India. Both the countries have a federal structure, a heterogeneous society, and are stable democracies. At the same time, they differ markedly in local government structure and level of economic development which enables a worthwhile comparison of the effectiveness of local government reorganization in their specific contexts. The proposed model compares the performance of districts that underwent a reorganisation to the districts that did not and includes explanatory variables that characterise the nature and rationale for the reorganisation, administrative capacity in the local government. The outcome of interest is the quality of public services, these variables are captured as coverage, utilisation of funds and reported health, education and poverty figures from secondary data sources. The rationale for reorganization and the actions taken towards capacity development in the local body after reorganization will be collected using a semi-structured questionnaire and interviews with the local government authorities - elected representatives as well as bureaucrats.

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