

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

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### **Abstract**

This paper studies the role played by education in the public provision of private 'merit goods', such as healthcare, schooling, security 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 income which allow them to opt out of public provisioning and form a private club that delivers the merit good/service to its members. This may lead to deterioration of public provisioning. Depending on parametric conditions, several equilibrium configurations exist, some exhibiting multiple equilibria – 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.

Speaker Profile

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