A Global Forum

Lant Pritchett

in conversation with
Ann Bernstein

In November 2020, CDE initiated a series of events to celebrate 25 years since its launch in August 1995. The series focuses on global conversations on democracy, business, markets, and development.

This is the sixth conversation in the CDE@25 series. Professor Lant Pritchett is a renowned development economist and is currently research director at Research in Systems Education (RISE) at Oxford University's Blavatnik School of Government. He worked at the World Bank for many years participating in the writing of some of the most important publications from the Bank of the last 25 years. He is the author (or co-author) of more than a hundred journal articles, and ground-breaking books such as The Rebirth of Education: Schooling Ain't Learning, Let Their People Come: Breaking the Gridlock on Global Labour Mobility, and Building State Capability: Evidence, Analysis, Action. He blogs on his personal website, lantpritchett.org

Reverend Frank Chikane, anti-apartheid stalwart, opened the event: "CDE is to be congratulated for the great work you have been doing for the last 25 years. You have become a national resource, independent and intent on influencing policy. The value of independent think tanks in a democracy is that they have the freedom to think, to express themselves, and to make contributions to the country. We must thank those who fought for our liberation and established a constitutional democracy for us to be able to share our views the way we do. Your annual report says that CDE's biggest challenges are not to get access to politicians and decision makers but to get sufficient capacity to maximize on the opportunities that open up for influence. These are critical issues, not just for CDE. The country needs independent think tanks to be stronger and get better at preventing our politicians from taking us in the wrong direction, as was certainly the case during the Zuma years. Lastly, let me stress that improving the education system is particularly important because without education, we cannot be free, and we cannot achieve the objectives we struggled for."

Ann Bernstein: Thanks to the Reverend Frank Chikane for a thoughtful introduction to our talk today. You can count on CDE in the campaign to defend democracy, and we look forward to strategising with you in the future.

Lant Pritchett is one of the most brilliant academics I have encountered. He is a social scientist who asks big questions about development and then delights in exploring or developing the evidence to show that our core assumptions are wrong. Lant has lived and worked in India and Indonesia, and for a long time was a professor at Harvard University's Kennedy School of Government and is a close associate of someone South Africans know well: Professor Ricardo Hausmann.

I want to cover a lot of ground tonight, from Lant's notion that 'schooling ain't learning', to why the popularity of AK47s provides important lessons for development. So, stay with me everyone, this is going to be fun, and you will think differently about many things afterwards!

Lant, how do you understand what you refer to as the four transformations that comprise development, and why do you think we should all focus on national development, however hard it is, and not divert attention to projects that alleviate poverty for small groups of people?

Lant Pritchett: Development is a process that happens at the level of countries. The four transformations a country should make are: (1) to a productive economy, (2) to a capable state, so that it is able to do what it sets out to do, (3) to a government responsive to the needs and wishes of citizens, and (4) to a society where equal treatment of all before the law and of each other is a bedrock principle. I think those four characterise the transformation that takes a country from chaos and poverty to the levels of prosperity and well-being that we see in developed countries.

I strongly favour a focus on prosperity over a focus on poverty. You often hear the phrase 'this or that isn't a panacea'. My argument is: national development is a panacea. If your country manages to undergo the four transformations of national development, then all problems get solved because that is a machinery for nominating and solving problems.

Yet the current focus in development is on what I call 'kinky development', which involves tinkering on the margins to help the poorest of the poor. That is the wrong focus. If you achieve national development, you will solve poverty and provide prosperity for the general population, whereas focusing on poverty alone often is at odds with getting you to desirable levels of prosperity. We should ask ourselves with everything we do: "Is this contributing to one of the four transformations we need to do, and if so, how?"

Ann Bernstein: Why is it so hard to persuade people of this position when it seems so rational and compelling?

Lant Pritchett: Given limited time, resources, and attention, it sometimes seems reasonable to prioritise by focusing on small-scale stuff, but a series of small-scale interventions doesn't add up to real transformation and often presupposes that the big changes are already in place. It presupposes a capable state, for example, which is often lacking. It also presupposes that the government is responsive and is concerned about the problems that you want to address.

I object to the current trend that says large-scale change is too difficult to assess scientifically, so we should focus on small changes. That's not how the rich countries became rich. They went through a messy, difficult, extended, contested process regarding the four transformations. No country has high levels of human well-being without having achieved national development; and every country that has high national development achieves very high levels of human well-being. So, the only path to high human well-being is through national development.

Ann Bernstein: Let's move to education now. You've made a controversial statement, which forms part of the title of your book, that 'schooling ain't learning'. And more recently, you've followed that up with 'spending ain't investment'. What do you mean by these phrases and why are they so important?

Lant Pritchett: In the post-World War II period, at the start of the 'development era', there was a UN Declaration of Human Rights, which declared in Article 26 that every child had a right to education. What everyone meant by 'education' was that children would acquire the skills and capabilities they needed to be successful adults in their society: literacy, numeracy, thinking skills, and an array of other skills.

Subsequently, in countries around the world, there have been huge successes in putting 'butts in seats'. Unfortunately, this has not, by and large, been accompanied by increases in the levels of education. There are many countries in the world where the skills acquired per unit of time in school is so small that children emerge from up to 10 years of schooling fundamentally ill-equipped for the world they face. So, we cannot simply assume that schooling is learning.

The extension of that idea is 'spending ain't investment'. It is only 'investment' if it works. If I worship a god of the ocean, and I throw gold into the ocean, and call that investment in my prosperity, I have made a mistake because there is no causal link between my spending and my prosperity. Unless you are causally right about the chain of events that leads from your spending to the desired outcomes, you can spend all you want and not actually improve outcomes. In Indonesia, which is a reasonably well functioning country, teacher's pay was doubled and the amount of spending per child tripled over the past 20 years, yet learning has not budged a bit; if anything, it has deteriorated. I think people have confused ticking the box of spending money on a budget item called 'Education', with true investment in human beings.

Ann Bernstein: From your knowledge of India and Indonesia, what are the core causes of their lack of educational progress? These are places with highly qualified civil servants and, at least in India's case, a democratic government. How do you see this problem? How do we get out of this trap?

Lant Pritchett: I'm head of this very large research project called RISE and we're spending millions of dollars to find out the answer to that question. One of the countries where education improvements have been dramatic is Vietnam. At a tiny fraction of the spending in most countries – including South Africa – Vietnam is achieving OECD levels of learning. When we asked our Vietnam team why the country has produced this amazing success, they told us: 'because they wanted it'.

On one level, that seems silly; on another level, it is the key. Unless, as a society, you agree on a set of achievable objectives and actually act in a way that reveals that you really want those objectives, you cannot achieve anything.

So, let me talk briefly about the two different experiences of India and Indonesia, because I think they both illustrate ways you can go wrong.

India never changed its mind about having a selection system rather than an education system. A selection system is where you put all children in a classroom, but provide a poor or indifferent environment for learning, and see what happens. The students that learn in that environment must be brilliant. As for those who do not learn, teachers will say they must be the type of children who cannot learn. India took that option because they expected that 2-3% of the population would be an educated elite, and that would be good enough. And so, they committed themselves to selection rather than education. Things will only change once they fundamentally change their ideas, which they are hopefully in the process of doing now.

Indonesia was different. They decided to provide a standardised product for all learners at a fairly low level, and they reached a decent level of learning where most kids learned some basics. In fact, they were superior to India. Many people think of India as doing better, but India does worse for the average person while also producing a smart elite whose members sometime win a Nobel Prize. Indonesia did far better at covering the basics for everyone as a way of building national unity around a common language. But they never really provoked themselves to go further. Now, they're stuck at this low-level equilibrium of mediocrity, and they haven't been able to budge past it in spite of making an important transition to democracy.

The fundamental issue is commitment. Do we have a clear vision of what we expect every child to know and do? Is it a reasonable set of commitments? Can we actually achieve it with the resources we have and the teaching force we have, and what we know how to do? And are we really committed to achieving it? Are we going to hold ourselves to account for achieving the reasonable and important objectives we've set? Once you get that right, there are some other things that need to happen, but those are minor details.

Ann Bernstein: Ricardo Hausmann once asked you why poorly educated people from developing countries become so much more productive when they move to a rich, industrialised country. Is it perhaps the broader society and not the education system that is at fault?

Lant Pritchett: I wrote a paper called The Place Premium where I argued that a society becomes productive by linking together lots of different inputs and being able to do more and more things with them. The productivity of a person is therefore influenced by the person's characteristics, skills, capabilities, ambition, and so on; but is also limited by the productivity of the place they are in. So, when you take a worker from a low productivity place and you put them in a high productivity place, their productivity goes up by a factor of four, simply because they are now in a productive place.

For development to happen, your education system has to produce more innate skills and capabilities, but at the same time, you have to worry about the productivity of the economy. You can have high levels of skills, but if those skills are badly deployed – into rent-seeking, crime, or other unproductive activities – then you won't have development. A famous economist, Douglass North, used to say that piracy is a highly skills-intensive activity. To be a successful pirate, you have to know armaments, sailing, trade routes, and where the treasure is. The only problem is that it makes everybody else worse off to have good pirates. The point is that we need to be careful that the skills and capabilities we're creating are linked to a productive economy.

Ann Bernstein: Let's move to Covid. You've said that there is a very large risk that the temporary shock to schooling from Covid will turn into large, lifetime losses for today's children if schools reopen in a 'business-as-usual' mode. What are you saying? What should countries do instead?

Lant Pritchett: Many countries suffer from an over-ambitious curriculum, which ends up leaving children behind in a cumulative way. So, if third grade is too hard for most third graders, then most will enter fourth grade behind, which means they learn less then, and by fifth grade they're even further behind. A vicious cycle emerges when the curriculum races ahead and leaves the children behind.

If you take kids out of school for a year, then this cycle is likely to be hugely intensified. That's the big risk from Covid right now. When schools restart the temptation will be to resume business as usual, which means the children who enter grade four without having had any education in grade three will fall further and further behind, which will be a disaster. At the same time, there is a real opportunity to reset and rethink what will be taught. The thing to assess is where children are, and then try to teach at that level.

Ann Bernstein: Let me ask my last question on education, which touches on something I know you feel strongly about. A lot of people in South Africa and other countries put their faith in the idea that we can fix our education system by giving every child a computer or tablet. You've compared this process to pumping air into a punctured tyre. Take us through this.

Lant Pritchett: Let me give you a straightforward example of the problem. Countries around the world have in-service teacher training programs, which are potentially communicating valuable information about how teachers can teach better, but often that information is disconnected from actual classroom practice. The practices taught in the in-service teacher training programme is so divorced from their actual reality that it is rendered meaningless when teachers return to the classroom. Second, in-service teacher training is often not connected to concrete goals on which the teachers are monitored and accountable, so they get taught one kind of pedagogy, but when they go back to the school, instruction reverts back to established practices. And third, they often don't have access to the teaching materials they used during the training. These are just three examples where, if the teacher training isn't aligned with the broader system, then it won't make a difference. The same is true for more tablets, teacher salary increases, and adding other inputs. Unless the whole system coheres and aligns, changing those inputs won't work.

Doing rigorous experiments to figure out how much further you can travel with an extra gallon of gas is meaningless if the transmission is broken and the tyres are flat. Things work as systems and thinking that you can solve them piecemeal without a diagnostic of the overall functioning of the system is just madness.

Ann Bernstein: I want to move now to the Ease of Doing Business indicators, one of the World Bank's most popular and, some would argue, successful programmes. In 2018, our President said that in the following three years we will be in the top 50 countries on this list. Currently we are 84th and we have been going in the wrong direction. What do you think of this ambition?

Lant Pritchett: I think it is a great ambition, but the much more important issue is to think systematically about how to make investors feel that putting resources into the country will be productive for them.

The problem is that the Doing Business indicators measure the wrong thing. They measure the de jure situation. They ask: if you were to follow the law, how long would it take you to, say, get a permit to build a warehouse. That would be super interesting if, in fact, people followed the law. Luckily, the World Bank also does the Enterprise Survey. This measures de facto realities, by asking firms what happens when they apply for permits to build warehouses. What you find when you compare these two measurements is that where the time to get a construction permit is measured as six months on the Doing Business metric, the Enterprise Survey shows that for a third of firms, it takes fewer than two weeks, another took fewer than 45 days, and the rest took longer, but not six months.

The way that businesses is done in the world is not what the Doing Business indicators measure. In Sudan, for example, the Doing Business indicator says that it would take 470 days to get a construction permit. Nobody is building anything in Sudan and taking 470 days to do it.

Ann Bernstein: I like your quote from a former President of Peru, which is relevant here, where he said, "For my friends anything, for my enemies, the law." That is exactly what you're pointing out here. In essence, what you are saying is it is a world of deals, so you have to look at the deals, not the rules, especially when exploring the dynamics of capitalism in countries with weak institutions. What is your advice, then, for a country that is over-regulated? How do you get rid of regulations and avoid the trap that you're describing?

Lant Pritchett: Let me take a step back before I answer that question. It is very dangerous to have 'gold-plated laws' that look terrific, but businesses cannot comply with, so they set up deals outside the law. Once that happens too many people will stop worrying about the law. There is no pressure from the major business houses in powerful countries like India or Indonesia to change the laws because they are not abiding by it.

Everybody thinks business is against regulation. That is nonsense. Capitalists can be ardent opponents of capitalism when they achieve a favoured position, while the law sets up obstacles for everyone else seeking to compete. In that situation, a coalition can emerge between advocates for labour and the environment, and firms not abiding by the law but perfectly happy with the gold-plated law. Then, if you also end up with institutions with no ability to enforce the law, you find yourself in a nasty equilibrium.

If you find yourself in that situation, what do you do? The first thing is to think how to get out of this incrementally and remember what the real purpose of the law was. Often, protecting labour or the environment can be better served by a more realistic set of policies that grows endogenously and organically out of the processes of experimentation. I think good policy comes from good practice rather than good practice coming from good policy.

Think tanks can make an enormous difference

The case of ICRIER in India

Following a balance of payments crisis in the early 1990s, the Indian government took a series of measures that involved handling the crisis well in the short run while making a decisive break with previous economic strategy, as was documented by CDE in its interview with Montek Singh Ahluwalia. (Read the report here.)

A study recently conducted by Lant Pritchett found that India created an additional US$1.1 trillion in GDP from 1993 onwards as a result of reform. Then, there was another growth acceleration in 2002 that created another US$2.5 trillion. Together, relative to the 'business as usual' trajectory, India saw gains worth US$3.6 trillion thanks to macroeconomic shifts and a new strategy that placed greater reliance on markets and more openness to the global economy.

Who caused this additional gain? Such a national policy shift involves hundreds, if not thousands, of people who participated in producing evidence, disputing explanations of India's past growth, examining alternatives for the future. One set of institutions that probably had an important influence was think tanks, like the India Council on Research on International Economic Relations (ICRIER), which sought to encourage policy debate and to influence the broad direction of Indian policy making.

ICRIER was established in August 1981 and the Ford Foundation provided it with initial funding in 1982. Suppose the Ford Foundation gave US$36 million to support ICRIER and suppose this gift increased by 50 percent the chance ICRIER was created and became an effective think tank. Then suppose that the existence and actions of ICRIER increased by 10 percent the odds that India adopted growth-accelerating policies. The expected value of Ford Foundation's US$36 million would then be US$180 billion, a 5000-fold return on investment. Pessimistically, suppose that Ford Foundation funding only increased the likelihood of an effective think tank by 10 percent, and the impact of ICRIER on the likelihood of a growth accelerating policy outcome was only 1 percent. The investment would still have a 100-fold return.

Lastly, suppose instead that the Ford Foundation had given US$36 million for a focused intervention: girl's education. Research shows a somewhat positive return both to wages and to other outcomes: fertility, child survival, empowerment, etc. Suppose, very optimistically, that the return on this investment was 20 percent. That would mean an additional US$7.2 million, only a fifth of the pessimistic scenario of think tank support.

In a very strange turn of events development actors are being pressured to do only actions for which donors and external development actors can take direct causal credit. As a result there are real dangers that development agencies will care more about what they can take credit for than whether interventions produce the kind of national development that will solve poverty and provide prosperity for the general population

*Adapted from Lant Pritchett, 'The Perils of Partial Attribution: Let's All Play for Team Development', Center for Global Development (27 October 2016).

Ann Bernstein: Let me ask a related question. How should a developing country think about corruption and its impact on development? This is obviously germane to South Africa, but many other countries as well, including some rich countries?

Lant Pritchett: Hyper regulation necessarily creates corruption. If you create a set of laws that people cannot abide by, you will generate corruption, because you basically create an environment in which the state, and whoever controls the apparatus of the state, can sell differential enforcement to the highest bidder. Thus, corruption is the natural result of a set of laws that are beyond the capacity of a state to enforce. If you borrow best practice law from a country that can enforce it, and you put it in a place that cannot enforce it, corruption is guaranteed.

And it is almost impossible to eliminate because everybody with power and influence is benefitting, including politicians and business insiders. For politicians, this situation creates a 'come see me' environment. Anyone

who wants something done has to go and see someone with influence and make a deal. It is very unlikely that any country will move immediately from a place of high corruption levels to some ideal rule of law, with strong capability and good institutions.

The problem is that there are two bad things about deals: that they are not honoured and that they are closed to some people – not everybody can access the deal – and by being closed, they are not transparent. If the goal is to create more openness about the deals that are being cut, then any deal, to survive scrutiny, will have to be done honourably. The tendency to prioritise laws over practice should be reversed, in other words.

In totally corrupt societies the prosecution of corruption is a mug's game. In some sense, you have to do it. But what it does is create political opportunities for politicians. If everyone is corrupt, all a politician needs to do to get rid of an opponent is to accuse them of corruption and pay off a judge to find them guilty. In a corrupt society, attacks on corruption just lead to more corruption, because every process of anti-corruption is corrupted. In Indonesia, after Suharto fell, they appointed this Attorney General, who was one of the least corrupt and most progressive forces in Indonesia during the Suharto era. He announced that he was going to undertake a big anti-corruption effort. The first thing the legislature did was lodge a corruption charge against him. Since everybody had been part of the system in the days of Suharto, he could be found guilty of some corruption, and he was removed. It is a morass, and the way out of a morass is not by throwing more dirt on everybody else inside the morass. How do you work your way out of a morass? Through a long, complicated, messy process.

Ann Bernstein: That is food for thought. Thankfully, South Africa is not in that kind of situation yet. Let me move to a related issue. I often say that we South Africans like to introduce Rolls Royce policies and laws when as a country we drive Toyotas. You have thought about this issue a lot and you have written that development practice can learn a lot from the AK47. Can you explain this controversial remark?

Lant Pritchett: The AK47 is the world's most popular weapon. The M16, which is the standard weapon in the US army, is far and away a more accurate weapon than the AK47, which beyond a few hundred yards, cannot hit a thing. The AK47 emerged from the Soviet Union, where they designed their weapons for the soldiers they had, low capability with little training. They also designed the AK47 to be unbelievably robust; no matter what you do to it, when you pull the trigger, it fires. You can basically hand anybody an AK47 and it will be a reasonably effective weapon. The United States took the opposite approach of designing the best possible weapon and training soldiers to match the weapon. It is an excellent weapon, but if you do not keep it clean and in good functioning order, it will misfire.

The problem is when you give the M16 with its perfect design to a poor soldier it won't work. This mirrors a lot of what has happened in development – the desire to adopt best practice, leads to a gap between practice design and the capability for implementation. Rather than organically building designs that work in a low-implementation environment, policymakers have tried to borrow designs and fit them into countries, and it just does not work. When well-designed programmes are poorly implemented the reason is obvious, but the problem repeats itself, because no one ever admits that what they need is an AK47. You need to design the programme for the soldiers you have.

Ann Bernstein: There is a lot of talk in South Africa today on how weak our state is – for a whole host of reasons – and that we have to rebuild the state. You have spent a lot of time thinking about this issue. What should we NOT do when thinking about rebuilding the state?

Lant Pritchett: I think there are two things you shouldn't do, and I'll even get to one thing you should. The first thing is you should not adopt best practices. Evolve your own organic South African practice that is tailored to South African conditions. A lot of countries sent their education experts to Finland because they had wonderful education results. That is why I say: "If you learn from the Finnish, you're finished." You are in a fantasy world if you take that approach.

The second thing to avoid is what I call isomorphic mimicry, which is what business consultants will tell you to do when they advise government on how to become an effective organization. What they do is they study effective organisations and they tell governments to adopt the same form; that is, to look like an effective organisation. The point is this: in every country, the police wear uniforms; but that does not stop the police from being part of organised crime in many countries. So, looking like a police force does not make you a police force.

You should nominate and work on problems that people really want to solve. The way you build capability is by solving problems. The way you get ahead is by working on problems where there is a broad consensus about what needs to be solved, and then you get people to work on that problem. Once you have a well-defined problem, then you can begin to work organically on a solution. In every historical example I know of, countries became successful by means of an ugly, messy, contested, hard slog that took decades. And then, after they become successful, they create myths about how wonderful it was and the reasons why they did it, when the reality was just that it was a hard slog.

Ann Bernstein: I'm afraid we have come to the end of our hour. This has been really fantastic, thought-provoking, and directly relevant to South Africa today. Thank you so much for giving us your interesting views. I am sure it has made many people think differently, or at least feel uncomfortable about what they currently think. It has been a real pleasure to talk with you.

Lant Pritchett: Thank you very much for inviting me.

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