The *Randomista* Rampage in Development Economics: A View from the Trenches

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Introduction

The use of Randomized Control Trials (RCTs) in developing country policy research has been proclaimed as a revolution in development economics.[1] The application of RCTs in public policy research is not itself new. Leao and Eyal (2019) characterise the upsurge of RCTs since the turn of the millennium as a second wave.[2] The first wave is from the 1960s to the 1980s, and the current second wave from then to date. Their survey of the literature reveals that economists are responsible for 80 percent of this second wave of RCT up from zero in the first wave. This finding invites the conclusion that the novelty of RCTs is primarily about adoption by economists.

Within and outside economics, RCTs are on the spotlight for several reasons including contested scientific authority, research quality issues with many RCT studies, and perhaps most importantly, ethics. These concerns are the subject of other essays in this and a previous issue of *CODESRIA Bulletin* (No. 1, 2020); however, this paper takes a different tack. It reflects on the claim that *randomistas* have overrun development economics.

RCTs are primarily an impact evaluation methodology, whose main theatre of action is foreign aid programmes. Development economics, since its advent in the middle of the last century, has been a "big picture" domain concerned with growth, trade policy, public finance, industrial policy, etc. There is thus a paradox, as to how such a broad field can be revolutionised by a not particularly novel or profound methodology with rather limited applicability. Moreover, intellectual revolutions, paradigm shifts if you like, are characterised by fierce contests between old and new ideas. But no such contest has occurred in the resurgent application of RCTs in development economics. Indeed, the proclamation itself acknowledges that it has come unheralded. This paper contends that this is because development economics as a distinct sub-discipline no longer exists, and in effect, the proclaimed revolution is little more than tilting at windmills.

The paper is organised as follows. First, it provides a synopsis of the economics critique of RCTs; secondly, it chronicles the rise and demise of development economics; thirdly, it comments on the nexus between RCTs and foreign aid; and finally, the paper concludes on the possibility of a new decolonised development economics.

Economics critique of RCTs

The proclamation of a RCT revolution in development economics rests on two equally heroic claims namely that RCTs solved the causality problem in social science research, and consequent to this, that RCTs portend transformation of policy into an exact science as asserted by Duflo:

> "It's not the Middle Ages anymore, it's the 21st century. And in the 20th century, randomized controlled trials have revolutionized medicine by allowing us to distinguish between drugs that work and drugs that don't work. And you can do the same, randomized controlled trial for social policy. You can put social innovation through the same rigorous, scientific tests that we use for drugs. And in this way, you can take the guesswork out of policymaking by knowing what works, what doesn't work and why."[3]

The proclamation is also reflected in the mission statement of The Abdul Latif Jameel Poverty Action Lab (J-PAL), the RCT citadel, which reads in part "to reduce poverty by ensuring that policy is informed by scientific evidence."[4] I comment on each briefly.

Gold standard

Research with non-experimental data such as is used in empirical economics, quantitative social science research and epidemiology is plagued by correlation–causality conundrums. Is it investment that causes growth, or growth that stimulates investment, or is the observed correlation between them caused by other unobserved factors? Why do corruption indicators correlate so strongly with per capita incomes? Is corruption cause or consequence of poverty? Occasionally, social scientists are lucky; they stumble on natural experiments, for example, twins separated at birth enable psychologists to disentangle the effects of nature and nurture on child development.

Randomistas assert that RCTs evidence is of the same standard as the clinical trials that they seek to mimic, which is to say that if observed statistically that significant difference between the treatment and control group exists, the treatment is the only probable cause. This then implies that RCT evidence should invalidate the findings of any other research methodology that is contrary, hence the "gold standard."

The gold standard claim has been vigorously contested notably by Ravallion (2018) and Deaton (2019). Ravallion provides a particularly poignant counter-example, a "mock" RCT in Denmark that randomly assigned 860 elderly people into a "treatment" and "control" group but no intervention was administered. Eighteen months later, there was a statistically significant difference in mortality rates between the two groups.[5] Suffice it to say that the field conditions where the claimed gold standard RCTs are conducted are nowhere near as ideal as this. More generally, Deaton argues an epistemological case against evidential hierarchy as being dangerous and unscientific.

> "The imposition of a hierarchy of evidence is both dangerous and unscientific. Dangerous because it automatically discards evidence that may need to be considered, evidence that might be critical. Hierarchies are unscientific because the profession is collectively absolved from reconciling results across studies; the observational study is wrong simply because there was no randomization. The practice of RCT itself has not stood well to scrutiny in terms of research execution but more importantly ethics."[6]

Policy science

In academic policy research circles, evidence-based policy (EBP) is an article of faith.Thus, within the discourse of RCTs, it is implicit that evidence-based policy is desirable. Even as the hierarchy of evidence is challenged, a hierarchy of knowledge where research evidence is privileged over other types of knowledge such as experiential, local and traditional knowledge is taken for granted. This is an ivory tower delusion. Consider the following two contrasting examples.

<u>Case study #1 US healthcare reform</u>: For close to a decade now the U.S has been grappling with highly charged health care reform debates which befuddle many people unfamiliar with the country's underlying ideological and cultural politics. Its scientific and policy research establishment is unrivalled globally. Still, the US stands out among wealthy countries in its inability to build consensus on how to fix a very broken health care system.

<u>Case study #2 Period poverty</u>: Period poverty has in recent years emerged as a serious policy issue that has been undermining girls' education and wellbeing for a long time. While it came to global attention as a problem of poverty in developing countries, it has become evident that it is a challenge in rich and poor countries alike. New Zealand has for example recently announced to provide free menstrual hygiene management (MHM) products to all school girls, where reportedly 95,000 girls are affected. This is a huge number, given that there are 300,000 teenage (age 13–19) in the country, this figure suggests more than 60 percent of girls are affected.[7]

Kenya began providing free MHM products to disadvantaged girls through the school system a decade ago. In 2016, the education law was amended making universal provision of menstrual hygiene management in public schools. The amendment obliges the State to "provide free, sufficient and quality sanitary towels to every girl child registered and enrolled in a public basic education institution who has reached puberty and provide a safe and environmentally sound mechanism for disposal of the sanitary towels."[8] The Government reports spending Sh420m ($4.2m) on MHM products for 3.7 million girls in 2017/18 financial year.[9]

We are confronted here with two counter-intuitive situations. Mountains of evidence has not helped the US agree that its health system is broken, let alone how to fix it. On the other hand, a poor country, persuaded by moral-ethical sensibility, pioneers a progressive menstrual hygiene management policy, unimpeded by the lack of scientific evidence.

There is an insightful, if unseemly, RCT twist to Kenya's menstrual hygiene management policy. In an RCT conducted in western Kenya (one of the RCT "epicentres') reports evaluating impact of "quality" MHM products against a control group that used "usual methods" (the usual methods are not specified) found that quality products had a positive impact on health outcomes but no effect on school attendance. This study is intriguing and disturbing, for at least four reasons. First, as already observed, the Kenya government provides free products, as does many charitable organisations, begging the question what was categorized as "usual methods" of the control group. Second, it begs the question as to how the study ensured and verified that the control group only used the "usual methods." Third, the ethics of such an experiment that would have a control group use unsanitary products given the prior knowledge that it entails risk of infection. Fourth, what policy value was envisaged. If gold standard scientific evidence posited that quality MHM products has no impact on health or education, would the *randomistas* recommend public provision of MHM products be withdrawn?[10]

The rise and fall of development economics

Development economics refers to a domain of study and practice originating from the diplomatic initiative that shaped the post-war world order, as captured in this reminiscence by one of its pioneers, Paul Rosenstein-Rodan:

> "During the Second World War, I proposed in London the formation of a group to study the problems of economically underdeveloped countries instead of the more usual work on current economic problems related to the war. If we were to emerge alive, we should want not to return to the previous status quo but to form a better world. A study group was organized at the Royal Institute for International Affairs (Chatham House) and worked from 1942 till 1945 on problems of "underdeveloped countries." This term appeared then for the first time. My 1943 article in the *Economic Journal* served as a basic document for the group and is now in many anthologies of economic studies of the Third World."[11]

The development economics that emerged had two strands. The classical school kicked off by Rosenstein-Rodan framed underdevelopment as capital shortage—a low income, low saving, low investment poverty trap. Rosenstein-Rodan's "big push" theory was followed by influential contributions in the same vein by Ragnar Nurkse, Arthur Lewis, Albert Hirschman, and Harvey Liebenstein, among others. They saw the problem of development economics then, was how to finance rapid capital accumulation. It should not surprise, as these pioneers were part of the thinking that culminated in the Marshall Plan and Bretton Woods institutions. Nurkse was an economist with the League of Nations while Rosenstein-Rodan was one of the World Bank's pioneer economists at establishment in 1947.

The second strand situated underdevelopment in the international trade arena. It was seeded by the Prebisch-Singer hypothesis named after Raul Prebisch and Hans Singer who, in 1950, separately published studies showing long term movement of terms of trade against primary commodities vis a vis manufactured goods. Other pioneering contributors include Gunnar Myrdal, Simon Kuznets and Hollis Chenery. This strand grew into the structuralist economics school associated with "heterodox" macroeconomics and fed dependency theory. It gave birth to import substitution industrialisation (ISI) and dependency; although it is far from clear that the pioneers themselves subscribed to the progeny—Prebisch was certainly critical of the protectionism associated with ISI. Like the classical school pioneers, the structuralists were also pioneer internationalists. Prebisch published his terms of trade study shortly after becoming Executive Director of the Latin America Economic Commission. He went on to become the founding Secretary General of UNCTAD. Singer was one of the first economists to join the newly established UN in 1947 and went on be UNIDO's chief economist.

The two strands shared three foundational principles. First, that economic development as they envisaged it was an imperative for disruptive change, and such a process could not be studied using the tools of the classical/neoclassical economics which was concerned with the workings of the "invisible hand." Second, they also agreed that jump-starting the process required a visible hand—the visible hand of government. Third, they were both structuralist. While the terms of trade school is most associated with "structuralism", the classical school also turned on a particular structural element—dualism—that postulated the coexistence of traditional/backward and capitalist/modern sectors, the former characterised by surplus labour that could be tapped by the latter at subsistence wages, thereby enabling capitalists to generate a larger investible surplus that a competitive market economy would allow.

By the mid-1960s several developing countries pursuing State-led import substitution industrialisation were running into macroeconomic crises. South Korea was among the first to change course, implementing between 1961 and 1964, the reforms that decades later become known as structural adjustment, setting in motion the trajectory that became the Asian Tigers "economic miracle." The massive eight-country case study of industrialisation in developing countries by Little *et. al*. (1970) challenged import substitution, and can be said to have marked the beginning of the end of the post-war development economics.[12] This was followed in quick succession by assaults from mainstream liberal economists notably Anne Krueger and Jagdish Baghwati on protectionism and Ronald McKinnon and Edward Shaw on financial repression, among others.

The economic crisis of the post-1973 oil shock engulfed both developed and developing countries. Margaret Thatcher was elected UK Prime Minister in 1979 amidst a severe stagflation (stagnation and inflation), and Ronald Reagan was elected US President the following year, setting in motion the ascent of the policy regime now known as neoliberalism. It also gave impetus to the liberal development economics, culminating in the "Washington Consensus." Anne Krueger took over from Hollis Chenery, the last of the pioneer development economists, as the Chief Economist of The World Bank.

The 1990s saw a resurgence of academic interest in economic growth, following the seminal contributions by Romer (1986, 1990) and Lucas (1988) to what is now referred to as new or "endogenous" growth theory.[13] Solow's (1957) neoclassical growth model demonstrated that technical progress was the dominant factor in economic growth in the long run but in his model, technology was "exogenous", something that happened outside the market system. The new growth theory tweaked Solow's growth model in ways that made the rate of technical progress a feature of the market system.[14] Thus emerged a unified tractable theory of long run growth. It spawned a huge empirical research enterprise that could explain income differences across countries without recourse to structure and other peculiarities of backwardness—another nail in the development economics coffin. Bevan, Collier and Gunning's 1994 book *Controlled Open Economies: A Neoclassical Approach to Structuralism* more or less completed the "liberalisation" of development macroeconomics.[15]

Lastly, globalisation has disrupted many things and economics is no exception. Development economics was for the most part a discourse on Southern disadvantage whether in terms of trade, access to capital, market efficiency and backwardness. By contrast, economics discourse on globalisation is less about North–South inequality and more about (rich) winners and (poor) losers in rich and poor countries alike, making for such unlikely global bestsellers as Thomas Piketty's *Capital in the 21st Century* and Angus Deaton's *The Great Escape: Health, Wealth and the Origins of Inequality*.

Aid (in)effectiveness

Foreign aid lives in the shadow of failure. It is now firmly established that sustained economic growth is the most effective means of reducing poverty, yet decades of studies have failed to establish a definitive impact of aid on growth.

As evidence of failure mounted, the aid sector set about looking for alternatives to development assistance (ODA). At the turn of the millennium, microcredit emerged as the "silver bullet." The UN declared 2005 the International Year of Microcredit. The following year, Mohammed Yunus and Grameen Bank, the microcredit bank he founded, were awarded the Nobel Peace Prize. Donors poured in money. It did not take very long for diminishing returns to set in. Although microcredit is still a vibrant sector, it has certainly not delivered on the expectations in its halcyon days.

In recent years, the alternative aid sector has been boosted by the entry of the world's super rich—the phenomenon now known as "philanthrocapitalism. The ideal behind philanthrocapitalism is that instead of passive giving, the entrepreneurial acumen of the super rich can be deployed to add value to philanthropy. Philanthrocapitalists are a big funder and user of RCTs. More importantly, they have become an important source of foreign aid. In 2019, the Global Fund sixth replenishment raised a record US$14b. Private donors pledged $1.2b, ranking third after US, UK, and France, more than such big donor countries as Germany and Japan, as well as the European Commission. The Gates Foundation alone pledged $760m more than Canada ($700m), the European Commission ($606m) or Sweden, Norway, Netherlands & Denmark combined ($738m).[16]

Foreign aid has always been ill at ease with the political dimensions of development. Up until the early 1990s, the IMF and World Bank steered clear of corruption citing political non-interference provisions in their articles of association. In truth it was a fig leaf covering their financing of US allied kleptocrats such as Mobutu and Suharto. After the cold war, "governance" (read political) conditionalities became obligatory without amendment of the hitherto forbidding articles. As individual citizens of foreign countries, the philanthrocapitalists are even more constrained to be non-political than either IFIs or bilateral ODA. This imperative dovetails with the *randomistas* gospel of "policy science." The narrow focus on aid impact evaluation is manifestation of diminished policy leverage of the edifice that Teju Cole has aptly christened the white saviour industrial complex.[17] Seen from this vantage point, the Randomista rampage in development economics is no revolution. It is its last rites.

Conclusion

Thirty years ago, Vernon Ruttan set out the challenge of the study of development as that of integrating the study of political and economic development, to wit:

> "The subject matter of economic development and political development intersect over a broad front. Economic policy is made by incumbent politicians in the context of political institutions. The analysis of the economic impact of alternative policies is the stock in trade of the economist. The choice of the alternative policies that are subjected to economic analysis is influenced by the agendas of political parties and interests. The subject matter of political science includes the political decision process by which policies are adopted and implemented. It also includes the social consequences and the public response to policy. There is a deep fault line that divides scholarship in the two fields. Each field tends to treat the knowledge it draws on from the other as implicit rather than explicit. It seems apparent that the implicit theorising by economists about political development and of political scientists about economic development should be replaced by more explicit attempts to develop an integrated theory of political and economic development.[18]

This seems to be the place to start the conversation on a new decolonised development economics.

Notes

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