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OPENING REMARKS

Rachel Glennerster: […] that strives to appeal to ordinary people who feel that their concerns have been disregarded by established elite groups.

Yet we have seen populist movements introduce policies that we, as economists, admittedly elite expert economists, think actually hurt the lives of ordinary people. Should we conclude that evidence no longer matters? It will surprise nobody to hear that I think absolutely not. Evidence clearly explained is more important than ever. With lower aid budgets, we need to make sure that every single dollar is used as effectively as possible. But much more importantly, low- and middle-income country governments need ideas and practical ways to improve the lives of ordinary people with limited budgets. Obviously, it's naive to think that evidence is the only thing that influences politicians and bureaucrats' decisions. But, in general, I have found that policymakers are open to concrete suggestions of things that they can do cheaply to improve lives. Obviously, we have to take political realities into account when you make proposals.

Ideally, you concentrate your efforts where you think that your message is going to be most welcome. But there are still many policymakers looking for good ideas and many are keener than ever to find cost effective investments they can invest in. And that is what the next two days are about: providing practical, evidence-based suggestions of how to improve the lives of ordinary people in the areas of education, nutrition, health and social protection. Investments in human capital and social protection are not only good for driving income growth, they are things that ordinary people care a lot about, and they help protect people against the shocks that Mohamed El-Erian so eloquently in the first opening session explained were coming our way. Over the next few days, we will hear from some of the leading voices in developing economics. Their work spans countries, subfields and different methods. But what unites them is a commitment to using data to inform policy and putting human welfare at the heart of economic development. Our speakers will share insights into the critical role of safety nets in ensuring social protection in turbulent times and how political economy considerations can shape better policy outcomes.

We'll learn about scalable education interventions that improve learning outcomes, the long run effects of early life nutrition interventions and how these are linked to agricultural markets, and how migration can be shaped to help both the recipient and the sending countries. This conference agenda is a collective call to action to defend the idea that people are the real drivers of development, that there is no sustainable growth without human capital accumulation, and that even in an age of populism, evidence is our best tool for building a better world. Again, welcome and thank you for being here and for joining the conversation. I'd like to now turn to opening our first panel, which will delve into what the data tells us about poverty reduction, gains in education, health and fertility. Tom, you've got quite a long list of things you have to cover. It will discuss how safety nets remain a critical tool in our arsenal for poverty reduction. We'll hear about the political economy of service delivery and about how voter preferences and behavior can shape policy outcomes, not always for the best.

In this panel we have Tom Vogl, Associate Professor of Economics at the University of California-San Diego; Rema Hanna, Jeffrey Cheah Professor of South-East Asian Studies at the Harvard Kennedy School; Shanta Devarajan, who will join us remotely, Professor of the Practice of International Development at Georgetown University, and I should say a CGD nonresident fellow. And last but not least, Laura Schechter, Vilas Distinguished Achievement Professor of Economics Department at the University of Wisconsin - Madison.

With that, I'm going to ask Tom to come up and set the stage with an overview of mini trends. Thanks, Tom. I'm going to stay here because I'm going to be introducing people.

POVERTY, EDUCATION, AND HEALTH IN AN ERA OF UNILATERALISM, CONFLICT, AND CLIMATE CHANGE

Tom Vogl: Hi, everyone. Thank you very much to Eeshani for organizing this wonderful conference and to Rachel for moderating. I'm really looking forward to the conversation today. As Rachel already noted, Eeshani gave me a fairly broad set of topics to cover. And actually, Rachel, you added one. Nobody had said anything about fertility until you just spoke. I'm not going to cover fertility, although I would love to, but this is going to mean that I have to choose carefully and be selective in what I cover on each topic. Eeshani also asked me to focus a lot on my own research. I'm basically going to allow my selective treatment of these three very big topics to be guided by what I've been working on. What I'd like to do is talk about these three topics. Not in the order listed at the top, but health, education and poverty. Chronologically, the poverty work will come first. This is going to be a joint work that I've been doing with my colleague Paul Niehaus and our student Vincent Armentano that tries to lay out some new descriptive patterns on what happened during poverty decline from 1990 up to about 2015. And 2015 was actually like right around the moment when this current populist wave was emerging. So this is actually largely before the current populist wave that I think much of this conference is discussing. But I think there are going to be some important lessons that we can take to think about what's going to be happening in poverty decline in the future and how we relate causal estimates from development economics literature to these sorts of facts and so on. And so I hope those can spur some discussion. At that point, I want to switch to the post-2015 period. And here's where I'll have more to say about populism and unilateralism and how they affect programs that try to support the poor. I'm going to spend some time talking about my work with Susan Parker and Fernanda Márquez-Padilla on the rollback of Mexico's very famous conditional cash transfer program. I'll explain to you how it relates to the rise of populism in Mexico. And then I'll pontificate a bit on what's going to happen to global health now that USAID has been dismantled and PEPFAR is on the chopping block and NIH funds are being cut back as well to think about specifically about HIV programs. But what we can broaden the discussion when we get to the discussion component.

These two areas that I'll talk about in social program retrenchment I think relate to a broader phenomenon that is happening; there's a sociologist at Brown named Joseph Heller who has a nice article on what he calls "retrenchment populism." And this is sort of a turning of it. Back in the 80s, Reagan and Thatcher were trying to undo the welfare state and that was called retrenchment of the welfare state. And this is a new form of retrenchment that is associated with populism rather than with fiscally conservative politics. I'll talk a little bit more about how those politics work. I am obviously not an expert on those politics. I'll talk more about the data than about the theory of these politics. But I do think that they're going to be very important going forward for support of these programs.

Let me start with the sort of long run description of global poverty decline. I put up here a graph plotting the share of the world's population living in extremely poor households. This curve is actually for the slightly outdated poverty line of $2.15 per day per person in 2017, international dollars. Now it has shifted up to $3 per day in 2021 dollars. But regardless of which line you draw and which currency adjustment you use, you get basically the same line. And you see this really remarkable thing that happened over my lifetime. Back when I was an infant or a toddler, in the early 1980s, over 40% of the world's population lived in extreme poverty. Nowadays, that number is more like 10%. That is a really remarkable achievement. One that I'm sure many of the people in this room are familiar with and one that development economists have been studying for the past few decades. But one thing that is striking about the literature on these things is that there is sort of macro trends literature that looks at aggregates and then the micro literature, at least for the past two or two and a half decades, has really focused on particular programs or particular interventions and thought about their effects and tried to piece them together into understanding this trend and also thinking about what we can do going forward to get it from 10% down to zero. Vinnie, Paul, and I thought it would be nice to have a set of descriptive facts that were representative of some large populations that just told us some basic moments in the data that give context for these treatment effect estimates that will help us then think about their policy relevance in different contexts, their generalizability, and so on.

Our goal here was basically to do something similar. I don't know how many of you are familiar with this Banerjee and Duflo's paper called *The Economic Lives of the Poor*, which basically just lays out some descriptive facts about the poor in static conditions in a cross section. We basically want to build a similar thing with dynamics where we say what is happening to the lives of the poor over time as they exit poverty. We went out to try to find countries that had both panel data and repeated cross section data that allowed us to shed light on this question over a long period of time. Once we started thinking about this question, about what changes accompany the exit from poverty for people over their lives, we also then wondered how much poverty decline is happening over people's lives, as in the narrative I just put forward, as compared between parents and their children, in which there is generational replacement, with a less poor generation replacing a poor generation. The generational replacement question was going to require repeated snapshots of the population, which we call repeated cross sections. Within generation poverty change was going to require panel data where we follow individual households over time.

These five countries that you see listed here were the five countries where we could get both forms of survey data spanning many years in a way that we could try to harmonize across countries and try to get some general messages. You can see here that three of these five countries accounted for a very large share of global poverty decline since 1980. That was China, India and Indonesia. This is all data from the World Bank Group's World Development Indicators. If we try to reproduce the same graph using our repeated cross-sectional surveys, we get something that looks pretty similar. There are some minor differences, but you see here that we're able to match the general picture pretty well.

Let me walk you through a few quick results from these datasets. The first is from the repeated cross sections. We first want to ask how much poverty decline is happening within the lives of households or within the lives of people, as opposed to between different cohorts or different generations of people who are entering the population and exiting the population. What you see here is each line is a group of households whose head was born in a given year, that is a given birth cohort. And we're following them over time. What you can see here is that whenever poverty is falling, and indeed for all countries, it's a little hard to see from Mexico, but for all countries, it is indeed falling on average over time. Whenever poverty is falling, it's falling at roughly the same rate for all cohorts. They are all sort of clustered together quite tightly. This is saying that poverty is a shared experience across these different parts of the population, rather than being one about one less poor part of the population entering and displacing another poorer part of the population as they exit. We see this as being essentially a reinterpretation of the life cycle consumption profiles that economists have been studying for decades. But it brings up an important point that basically the whole population is clustered around a very similar poverty rate, regardless of how old they are, and that poverty rate moves down over time, at least in these countries that experienced this poverty decline.

So that let us ask, okay, as these changes were happening within people's lives or within the lives of households, what changes in their livelihood activities accompanied the changes in poverty? This is not a causal question. It's not trying to use the data to ask which changes in lively activities caused the decline in poverty, but just to lay out some facts on how frequent was it for people to exit poverty, while they changed sectors, or while they had a woman join the labor force, or while they obtained an asset or started a business. This can help us when we go to long run follow ups of randomized evaluations of specific interventions. Those long run follow ups often keep track of whether some of the gains in living standards might be attributable to leaving agriculture or moving to a city or starting a business or getting a wage paying job or something like that. It would be nice to have some facts from large population representative datasets about how common that is out there in the world.

There are a lot of facts to report here, so I'm not going to show you results graphically. I just want to list a few results that we get from the panel data. One very interesting result is that even though major changes in livelihood activities like moving to a city, leaving agriculture, getting a wage paying job, having a woman joining the labor force, even though many of those are associated with poverty decline, those changes are pretty rare in the data. Actually, the vast majority of poverty decline happens within major livelihood categories, so say within rural areas rather than in households that are moving from rural areas to cities. In an accounting sense, these changes, which play a very large role in theories of economic development, account for very little poverty decline.

I see this as sort of leading to a few possible interpretations. One interpretation is that we're just looking at the wrong big changes. Another interpretation is that actually poverty decline happens through a multitude of small changes in people's lives. Then the third is that general equilibrium is important so that urbanization brings up rural wages even if people don't leave rural areas. We can't take a stand on which of those stories is correct, but it at least puts some structure on how we think about these issues.

The other thing I want to mention… How am I doing on time? I don't know who is… I have five. Okay. The other thing I want to mention that I think is interesting is that if we think about how large a share government transfers are of people's incomes, we find that government transfers rise as households enter poverty and fall as households exit poverty. That aligns with a view of government transfers as a safety net and not as a sort of jet engine out of poverty, which I think is consistent with what we all know, but it was interesting to know.

Again, these do not represent causal effects of these different livelihood changes, but instead just spell out some basic facts that we can line up against causal evidence to try to think about which effective programs will work in which context.

I have just five minutes left, so I will try to do this quickly. I'd like to switch to thinking about programs in the age of populism and the retrenchment of these programs. I'm going to spend most of the remaining time talking about the rollback of Mexico's famous conditional cash transfer program, Progresa. This was a very widely known and widely studied program that essentially paid poor families to keep their kids in school. In 2019, just after Mexico's populist leader, AMLO, was newly elected, the program was axed and replaced with another program that was much less progressive. You can see here, the green dots are benefits per household applauded against how poor a locality was. You see a very steep slope for the green lines. Then in the new program, it basically flattened out so that rich kids in cities were getting as much money as poor kids in poor areas.

We studied the effects of this rollback and replacement using differences in design. We find that in these poor places that lost over half of the funding that they've been receiving from the program, there were large declines in school enrollment, large increases in work among boys of high school age. Twelve percent of boys of high school age dropped out of high school, and 8% of them joined the labor force. And they got jobs that paid well for the first decade of one's career, but do not pay so well afterward. Which is exactly in line with the motivations of designing these conditional cash transfer programs to try to alleviate credit constraints and to try to push back, possibly against present bias that might make teenagers not value fully the benefits they'll get down the line from having more education. We can think that it is one form of retrenchment. It was very closely linked with the populist movement in Mexico. If we think more broadly about populism and unilateralism, we can think also about the current cuts to foreign aid and to global health research here in the U.S. As I mentioned, USAID is now gone. PEPFAR, sort of. Its fate depends on which day you look at the newspaper. Two days ago, it looked good. Today it didn’t look so good. This big effect on global health is what I want to conclude with, just a graph plotting HIV/AIDS incidence and mortality in

South Africa over time. What you can see here is that in the late 90s, there was a big push for behavior change in South Africa. You can see that in the late 90s, there were new HIV/AIDS cases for adults. That's this red or pink line takes a turn downward. There was effective communication about behavior change, but it wasn't until antiretrovirals became available in 2004 that you saw any action in any of these other times seen. When antiretrovirals became available, new HIV cases in children started falling and that's because they prevented mother-to-child transmission. Similarly, right around the same time, HIV deaths started falling for both adults and children. This really underscores how important the access to treatment was over and above any messaging about behavior change. In South Africa, PEPFAR was not super important for funding this, but there were lots of other ways in which U.S. foreign aid and U.S. research funding helped fund the South African program. And in other parts of Sub-Saharan Africa, PEPFAR is the main deal in town and it's, it's at risk now and the NIH dollars that funded the research that produced this in South Africa are at risk or gone. This does not paint a good picture for the future of HIV and aids. One can probably go into other domains of global health and find similar stories there as well. I think I'm out of time, so I will stop there and just say thank you and I'm looking forward to the conversation after.

Rachel Glennerster: Thanks, Tom, for that overview. It's great to see people matching up the micro and the macro data on these issues. Let me now turn to Rema Hanna to talk about, to do a similar sort of overview on social protection and we will get to ask some questions later. Thanks.

Rena Hanna: Hello, thank you guys for all being here. I know everyone's very busy with their days, so it's nice to see you all turn up for such an important topic. This is a topic that I care a lot about and can spend enormous amount of time talking about. But I just wanted to give a brief overview in the minutes I have here today and really talk about why do we care about social protection, what are the myths about it and why should we care about it more, particularly in these times. I think it's a good reminder that social protection touches everybody's lives in many different ways. Both the very poor, also the middle class. Cash transfer and food support programs help people meet their basic needs. We've got lots of these conditional cash transfer programs like we were just talking about that really help make investments in the health and education of kids and try to level the playing field and reduce intergenerational poverty. But we also have pension programs that help. We worry about the old age, which is a very big issue in a lot of low- and middle-income countries right now; they are thinking about pension programs and how do we prevent the elderly from falling into poverty. Health insurance programs that help people get basic care, but also, to make sure that just one health emergency doesn't knock you back down to poverty. These programs are… We sometimes forget that they really play a role in many of our lives. For many of the poor, they are a lifesaver. But also, for many of us who are included in this room, they are. It's funny because despite the many benefits of these programs, they are particularly contentious. And as we just talked about, there's been a retrenchment around the world, not just in the US in terms of these programs. For me, there's a big debate about this and some of it's perpetuated by a couple of myths. I want to talk about both of these, what do policymakers think about these things? What is the state of the debate? But also, what does the evidence say?

I think the first one is that these programs create negative incentives. You often hear that people who get these programs are lazy, they prefer to be on the dole, they spend their money on cigarettes and alcohol, they don't work… I was actually very interested in whether or not, despite as I'll talk about there's a lot of evidence to the contrary, do policymakers still think this? What we did recently is we surveyed about 56 very high-level policymakers. We've got current sitting ministers, some former ministers, some very high-level civil servants, both former and some special advisors, but people who are really the decision makers. Sorry, it is a little hard to read the tags, but we asked them a series of different questions about social protection. This is from one of the questions where we asked them: what do you think social protection does for these different indicators? As you can see, the blue means it is very positive; they think it improves health and education. But what's fascinating is that they think it reduces employment, and hours worked, and they think it also increases alcohol, tobacco and drugs. This idea that it creates these negative incentives is still out there with policymakers. But then the question is, what does the evidence say? Here's some work from a paper of mine where we took transfer programs from around the world. These are cash transfer programs, some are UCTs, some are CCTs, and these are all government programs where there was a large-scale RCT. As you see, there is Honduras, Morocco. We see that the gray is the control group, the red is the treatment group. What you find is there's no difference in hours worked, there's no difference in hours worked last week. This is everyone, both men and women. If you look at just men, 85% of the men are working and it's just that they're just not earning enough. The other thing that I find very interesting about these programs is that the research is really starting to come about that these programs can actually start to boost productivity. First of all, we know there are all these great evaluations done of UCTs and CCTs that show that through health and education investments of the kids, we see they go to school more and they're healthier. But what's really exciting is we're starting to see this long run evidence showing that it's affecting the work of kids when they grow up and the opportunities of kids. It is really telling you that these programs can make an investment in the next generation. But what's also important is that these transfers can make an investment now as well. We're starting to see ways that people use some of the cash transfers for productivity enhancing investments, starting a small business, improving agriculture. It also really depends on the way you design these programs. There is great evidence on these big push graduation programs that are really showing how one large asset transfer plus some supporting interventions can really… This is from an intervention that even 10 years later, you see the blue, which is treatment group, has much higher consumption than the red. When they dig into why, it's because through these transfers, households are getting richer and they're able to take advantage of more employment opportunities. You see that these are not just handouts, but they are really ways to invest in people and really make sure that they could do their best in terms of the labor market and improve the lives of their families.

But then, what I thought was really interesting is that these programs are not perceived that way. Another thing we asked our high-level policymakers about what metrics they use to evaluate the programs and whether or not they're successful, and then to rank the metrics. What's fascinating is that everyone thinks about food security. Do you get the transfers to the poor to the right people? These are [unintelligible]. It's not that I'm saying these are bad metrics, but what's interesting is that employment and business ownership ranked last. I'm not really thinking of these as investment programs in the workforce and in education and kids as the future workforce. They're really thinking about it like, do people have enough to eat today? But there's different ways that these programs can actually affect different metrics. So maybe part of the discussion as we're talking about the politics is how do we change perceptions of what these programs can do?

Myth number two. I'm sorry, I know I talk fast, I'm from New York, so hopefully I'm not talking too fast. The second thing I often hear from policymakers is… We just saw these graphs. There's been a massive fall in poverty.

Social protection is seen as an anti-poverty program, even though many people, including us in the room, benefit from social protection programs. Then as countries grow, they transition out of poverty. They just shrink these programs. This is part of the discussion right now. There is a retrenchment in these programs. It is like "Oh! We become richer, they're not necessary anymore." For me, it made me want to dig into what the experience is as countries get richer. What happens to social protection? Here is a graph. The original graph was a Chetty and Looney's graph with data from 1995. We updated it for much more recent data. Here we have 1995 and we have 2015. Unfortunately, the data is collected every five years, and in 2020 there was the Covid pandemic, so 2015 is the most recent we could do. What we do is plot social insurance expenditures as a share of GDP. There are two things to take away from this graph. The first is that it is really upward sloping. What is that telling us? It is saying that as countries get richer, they spend a greater share of their GDP on social insurance programs. Again, it might mean because now they're richer, they have the money to spend, maybe citizens demand more services from their government. There are a variety of reasons. We don't fully understand why, but if history tells us anything, is that this is going to be more important for countries as they grow, providing these kinds of services to their citizens. It's not the retrenchment shouldn't be happening. The second thing I find fascinating from this graph is that the 2015 line is above the 1995 line. It is basically saying that even at the same income level today, we're spending much more on social protection than we did before. Again, this is before some of this retrenchment because of the data issues. But it is also saying that… I hope this is a trend that continues in terms of trying to invest more even within a given income level that we have. And you see this for individual programs as well. Here we plot UCT—unconditional cash transfer programs in the first panel and conditional cash transfers in the second. We do it by income category. Again, we're doing this over time. We see similar things, they are increasing over time, but they're also increasing within income category.

I should note that a big caveat to this is that while they are increasing lots of low-income countries, the coverage is often very different. You have programs like Bolsa Familia that was covering 30% of the population. Then you have other countries, particularly low- and middle-income countries where the programs cover 2% to 3% of the population or something. Even though these programs exist, they are not necessarily reaching all the people they need to reach.

Then my final myth that I want to leave you with is that these programs are expensive and unaffordable. This is a complex question because it's going to depend on… I'll come to that at the end. It is going to depend on the politics. That is why we are having these debates right now. It is going to depend on what are the goals of society and where do we want to invest our money. It is also going to depend on both for, particularly for low-income countries, their own resource mobilization, but also foreign aid. I wanted to understand, like, can we do it? Can we, if we wanted to, could we get rid of poverty? Get everybody in the world up to a basic living standard? Well, just to get a sense of the ballpark of what it would cost. And I'm not saying, honestly, I think this is the bare minimum we should do. We should make a lot more investments in health and education and all these other things. But just to get a sense if we really wanted to do it, if we really wanted to do the bare minimum and just get everybody up over the poverty line, could we do it? So we did this very crude, very simple exercise. Getting everybody over the $2.15 poverty line. Again, this line is arbitrary. We are assuming we give everybody the same amount of money to get them above the poverty line, even though there are some people closer versus others further away. But that seemed very challenging to figure out exactly how to pay people the exact amounts. Maybe this is an overestimate in that way. We are probably underestimating in other ways. For example, we are assuming we could perfectly target these people; we could perfectly find everybody below the poverty line. The truth is, if you wanted to hit everybody, you might get many more people to reduce exclusion error. But again, this is caveating a lot. But the idea is just to get a sense of the basic ballpark regarding if there is enough money to actually do this.

Here is another graph. What I've done is each dot is a country, and you can see they're plotted by their income level. There are the high-income countries; that next group is the upper-middle income, the lower-middle income and low-income countries. What we plotted is… This is a percentage of GDP it would take to do this. We plotted the US Social transfers. The historical US social transfer expenditure has changed a lot in the last couple of weeks. As you can see, rich countries can do it. Many of the lower-middle income countries actually have enough money there to get rid of poverty if they choose to make these kinds of transfers. For low-income countries, they are just much above the line and so they just can't afford to do it on their own.

Now, the next graph is where instead of looking at GDP, we look at it as a percentage of government expenditures. This tells a similar story. The rich and upper-middle income countries would be fine doing this. Here you see that for the lower-middle income countries, part of the problem is domestic resource mobilization. They need to improve tax collection if they want to do these redistributive activities. Again, the lower income countries, it's just very hard. What does this mean? How do we put it together? What we did is we added all of this up and said, well, can we solve this global poverty by giving everybody these transfers? We made some assumptions that we said, look, if you're a middle-income country that can afford to do it, you do it. If you're a low-income country, what would you need from? What would the global community need to do to try to solve the problem? It's kind of fascinating. It's a big number, but not that big. It's about $100 billion a year in global financing. We could get everybody up to a very, very basic standard of living. And just for comparison, again, this has changed in the last couple months. But a few years ago, the global community gave about 223 billion in official development assistance. This is more than 1.5 times that. So, the money is there. It's not that we couldn't solve these issues if we didn't want to. It's not that we couldn't get everybody up to a basic standard of living. There's got to be something else. What I want to leave us with is that, what is that something else? This gets back into this issue, these debates we're having about whether or not this is moral issue, whether or not we think it's in our best interest to be doing this kind of work. The issues around the politics, both domestically in many countries, but also the global debate right now. For me, I think this is where a lot of the challenges lie. There are issues about logistics and coordination. I think actually here is where we have made huge strides. There's a lot of research about how to run these programs. We know how to run these programs well. There's innovations and technology and all sorts of other things that make these programs much easier to run now than they were 20 or 30 years ago. I think there are logistics and coordination issues, but those are things that I think we could solve if we want to.

And then there are issues around conflict. We know that many of the poor are actually in conflict zones and around these issues of how do we manage that, given some of the broader politics involved. Anyway, I wanted to leave that as we talk about questions later on. I will leave this open for questions for later.

Rachel Glennerster: Thanks, Rema, for that great overview. It made me think of my time in the UK government and working on aid, where we would actually do that calculation of how much it would cost to bring people up to the poverty level and could a country on their own afford to pay it? And that would feed into a decision on aid allocation, which more governments did. Exactly that.

We are now going to turn to Shanta Devarajan. Great, I see you on the screen. Hi, Shanta.

Shanta Devarajan: Hi, there.

Rachel Glennerster: He is going to talk about public finance and service delivery. And maybe I'll come off the stage for this one.

Shanta Devarajan: Well, thank you very much. I want to start by congratulating the organizers for having chosen this topic of development in the age of populism. I think it is spot on the critical issue of the day. I'm grateful for the opportunity to talk about the relationship between financing and the delivery of services in this context of populism. Now, the relationship between financing and service delivery, if you think about it from a purely theoretical point of view, should be separate. I mean, the argument for government intervention in service delivery is whether there's a rationale, whether there's a market failure or a public good that justifies government intervention. That's a very different issue from raising revenues, which has to do with what's the most efficient, the least distorting way of raising revenues. That's the theoretical model. Now we know in practice the theory doesn't always work. And in particular, what we know in practice is that when there is a rationale for public intervention, such as with primary education, there's plenty of evidence that there are externalities associated with primary education, so government should intervene. We still find that when the government does intervene, we don't get primary education. One piece of evidence that people have known for a long time is the fact that even though children are going to school, their learning outcomes are shockingly poor. I mean, just to give one couple of examples, in Kenya, Tanzania and Uganda, they asked third grade students who had been going to school for three years full time, they read a sentence to them: "The name of the dog is puppy." They asked them whether they understood the question. Only one quarter of those students could understand the question, the sentence. In rural India, again, third graders going to school for three years about 2/3 of them couldn't do a two-digit subtraction problem. And then they gave the same subtraction problem to the fifth graders and only half of them could do the problem. And now we've known this for a long time and the usual argument is that the reason why these children are not learning is that the service providers, the teachers in the classroom or the doctors in the clinic are not accountable to the beneficiary. Teachers in Sub–Saharan Africa and in India are absent about 40% of the time from the classroom and about 20% of the time from the school. We also find that, you know in India, unqualified doctors, who we affectionately referred to as quacks, they give better service than the qualified public sector doctors in the clinics. And the reason we know this has to do with accountability is that those qualified public sector doctors give the best service in their private clinics. The same people with the same knowledge, you shift the accountability relationship to the client, and you get a very different result. But the problem is that we've known this for at least 22 years and if this were the only problem, we should have been able to solve it. I mean, we’ve tried various experiments, like having teachers take pictures of themselves with the students and send them in and they get a bonus if they send in 10 pictures a month or hiring contract teachers and so on. Yet, the progress has been minimal in terms of learning outcomes. I think we now are understanding that the problem is deeper than that, than mere accountability. It has to do with politics.

In India, teachers, in many parts of India, the teachers run the political campaigns of the local politicians. And you can see that. Then the politician gets elected, and he turns around and gives the teacher a job for which he doesn't have to show up. We also know that in many African countries the teachers teaching fourth grade are incredibly unqualified. Only 2/3 of the fourth-grade teachers had even the knowledge of a fourth grader, the person they're supposed to be teaching. That means one third of them didn't even have that. Teachers’ unions and medical unions can be very powerful in influencing government. There's this famous experiment in Kenya where they introduce contract teachers with two arms. One was with an NGO administering the program and the other by the Department of Education. And the arm with the NGO administered part of the program actually showed an improvement in learning outcomes, but the other one didn't. When they look more closely, they find that the program wasn't even implemented.

Now, this is where the link with financing comes. Because if the problem is a political market failure, if you like, that citizens are unable to hold not just service providers accountable, but politicians accountable for better service delivery outcomes. And that is, I think, what's going on here. Then, the way you finance public services might be a way to provide incentives for citizen action, for citizens to perform collective action. Let me give you an extreme example from the resource-rich countries of Africa. The resource-rich countries of Africa have very low tax rates because they get most of their revenues from oil, 80% or 90% of government revenues from oil. As a result of that, the citizens in those countries probably don't know how much revenue is being collected. Sometimes the level of oil revenues is a closely guarded state secret. But even more damaging is the fact that the citizens may not have the incentives to scrutinize government spending because they sometimes don't think of it as their money, even though it is. And as a result, public service delivery in these countries is awful. I mean, let me give you an example. In Gabon and Equatorial Guinea, these are two countries with a per capita income of $10,000 and $20,000 and they both have lower child immunization rates than Senegal and Sierra Leone, which have about a tenth of that per capita income. This is shocking. And something along the lines of what Rema was just talking about, Marcelo Jugale and Nan Nguyen did this calculation about five years ago where they showed that if you just take 20% of the oil revenues and distribute them universally so you don't even target them, you have universal cash transfers to the entire population, just 20% of the oil revenues could eliminate extreme poverty in Angola, in Congo Republic and Gabon. This shows that in these countries there's a huge distortion caused by the fact that citizens are not in a position to help them to enforce accountability of public service decisions.

Now, these are the problems. What can be done? And I want to suggest two possible promising areas where we can make progress. The first is, as I think that this conference suggests, becoming increasingly difficult to get this kind of accountability at the national electoral level. It's never been easy. There have been problems all along with elite capture, vote buying, ethnic voting along ethnic lines or religious lines that have always prevented citizens from being able to hold politicians accountable. But there is now a retreat of electoral democracy in many countries, not just the United States. And populism, the theme of this conference just makes things more, more difficult. But there is hope because what we are also observing, and some of Stuti Khemani's work demonstrates this, what we're also observing is that there is greater electoral competition at the local level, at the subnational level. This can actually be a potential for improved basic service delivery because it's also the case that at the local level there's a closer link between revenue collection and expenditures. Let me just give you both anecdotal evidence and systematic evidence. The anecdotal evidence is when they introduced user fees for health in Niger, for instance. The local citizens began to take turns monitoring the local pharmacy to make sure the pharmacist doesn't steal the drugs. And literally they had a 24-hour monitoring of the pharmacy. There's more systematic evidence of a randomized control trial in Malawi where they found that a program where community monitors the local pharmacy actually led to both a reduction in drug theft and also an improvement in health outcomes.

I think one of the most promising or exciting developments is this work that Jonathan Weigel is doing in the Democratic Republic of Congo. This also harks back to Rema's point about countries in conflict, I mean, Congo is clearly a fragile state. But even in D. R. Congo, what Jonathan has shown is that when you introduce property taxes and you have programs that actually get people to pay their property taxes, they start attending public meetings and they start evaluating public spending. Indeed, it's even calculated that citizens attend public meetings at a cost of about one day a month of their daily wages. And they started asking the hard questions. There's a quote here from one of the citizens saying, “Why should the inhabitants of Lukonga pay taxes when the roads are in such disastrous conditions?” Another one said, “The provincial government should inform us how this money will be spent on public infrastructure and not wasted on other things.” Now, the second area where I think we can make progress in addition to, at the subnational level, is with these resource rich countries. And here I'm going to build on an idea that came out of the center for Global Development by Todd Moss and colleagues, which Todd calls oil to cash, where the idea is that for these resource rich countries, and this is a more extreme version of what Todd and colleagues proposed, we should transfer all of the resource revenues as cash to citizens and then tax them to finance public goods and services.

Now, before we start criticizing this proposal, let me just say first that this is technically feasible now with the development of these debit cards like the Aadhar cards in India, which you can roll out and you can transfer this electronically, even through mobile phones to every citizen and tax them in the same way. Then, as Rema alluded to earlier, the usual criticism that transferring cash to citizens leads to all sorts of incentive effects has basically been demolished by the empirical literature. David Evans, who I'm sure is in the audience, and Popova have a meta-analysis showing that there's no evidence that increased cash transfers lead to increased expenditures on temptation goods. There's a whole slew of evidence, and Rema showed them about the effects of cash transfers on labor supply that is either neutral or slightly positive. I don't think the usual criticism of this, converting oil revenues into cash transfers would apply. But the real question is political. Again, why would a resource rich government adopt this program? Because they seem to be doing quite well in capturing the oil revenues without letting the citizens know.

And here there's some recent work from Quy-Toan Do and myself where we used a game theory model to show that if a country is running out of oil in the near future, and so it needs to rely on taxation in the future, the government needs to signal to the citizens that it won't continue stealing the money for their tax money to get them to pay taxes. But the only way they can really do that is to introduce the cash transfer cum taxation scheme now, rather than wait for the money to run out. And that way they could credibly signal that this government is serious so that when they do run out of oil, they'll be able to raise taxes. This is a game theory model, as I said. We thought it was a nice idea. But I was quite struck that less than a month ago, on July 3rd of this year, the New York Times had an article about the Sultanate of Oman, which is likely to run out of oil in the next 25 years, is introducing an income tax. What the article said was this policy could lead to a recalibration of the relationship between citizens and their government. Once a government begins to collect revenues from its citizens, some may start to ask more serious questions about how their leaders are spending that money, wanting to hold them accountable. I think the way we finance public services, and this includes cash transfers I would say, actually can make a difference in overcoming the political problems that we are constantly facing in the effective delivery of basic services. Thank you.

Rachel Glennerster: Thanks, Shanta, for making me relived the times when I was on the IMF team for Gabon. They were asking for an IMF bailout, having run out of oil revenues and they had worse human development indicators than the average in Sub–Saharan Africa. It was quite shocking. I think anyone who wants to propose industrial policy should be forced to read the history of Gabon before they move forward.

Next, I would like to turn to Laura, who is going to continue the theme of political economy.

Laura Schechter: Awesome. Thank you so much to the organizers for putting together such a thought-provoking and inspiring conference. I'm going to try and pull together a few of the threads that have been talked about this morning to talk about how policies and information about policies affect how voters choose in the age of populism. I want to start with the puzzle which people have already said, so I won't spend too much time on. Like as Tom showed, over the past 30ish years there has been this huge decline in poverty, health has improved, education has improved. At least before the past decade, as Rema pointed out, a lot of government provided safety nets, cash transfers, health insurance, pensions, and workfare programs had expanded and become more effective. And yet, paradoxically, voters around the world seem to be voting for politicians who we think are against their best interests. As others have said, I want to make clear that these issues have always been around and are not just products of this recent wave of populism. But there is currently a fundamental breakdown in how information flows to voters and then how voters use that information to choose who to vote for.

For decades there is just this kind of some simple theory that better policies lead to improved welfare and then that should lead to some sort of electoral reward and there should be this virtuous cycle of good governance. In reality, of course, this theory has never been quite true. Instead of rewarding better policies, voters in lower- and middle-income countries have often voted based on which party gave them more clientelistic transfers, or more vote buying transfers, or based on religion or ethnicity, other things. But I believe that this kind of virtuous cycle is breaking down even more nowadays as the media landscape is changing. Voters are increasingly voting based on some form of biased or partial information, and identity and emotion are becoming stronger determinants of electoral behavior. And meanwhile, politicians who sense this shift are less incentivized to act in the best interest of the public and more incentivized to control the media, produce fake news, incite emotional reactions. This feedback loop between good governance and reelection feels like it's broken.

Before I move ahead, I just want to mention two caveats. The first is that there is a huge literature on these topics. This is a short time and I've just picked a very few and I'm leaving a lot out. The second caveat is that many of the papers I'll mention are randomized control trials and many of them are election focused randomized control trials. I'm not going to talk about the ethics of conducting RCTs around elections or the ethics of RCTs more generally. I'm just going to focus on the relevance of the findings.

The relationship between policies and political outcomes has become complicated. What do we know? We know, or at least we think we know, that direct beneficiaries of programs do typically increase their political engagement. For example, recipients of conditional cash transfers in Uruguay were more likely to then favor the political party that instituted those transfers. That's the beneficiaries. What about the non-beneficiaries? Non-beneficiaries' reactions can be more mixed. One concrete example is a recent study found that there was a push for pro-Muslim lending in India. This led to increases in welfare for Muslims without hurting the economic situation of Hindus. It should have been a Pareto improvement. It also did lead to initial electoral gains for Muslims in those areas and then it led to backlash and religious violence. This type of identity based policy, which first leads to improvements in the welfare of the minority who's being helped, but then to some kind of backlash from a majority group, has been seen in contexts around the globe. People often only support redistribution if they think of it as fair or if they think of the recipients as being deserving. And meanwhile vote buying persists and competes directly with policy outcomes and convincing voters who they should vote for. There's been a big debate, I don't know if big, but there's been debate about how politicians decide who to target vote buying inclined to list transfers to. Are they targeting the swing voters or are they targeting the core supporters? Or as some of my past research has looked at, do they target based on more behavioral aspects such as trying to target reciprocal individuals or maybe more fitting with this presentation, do they try and target influencers? And is vote buying kind of a way to buy persuasion?

The good news is that vote buying, corruption and other bad behaviors have at least in the past been effectively countered by traditional media and door-to-door campaigns. For example, there were radio campaigns that warned voters that politicians who engage in vote buying are less likely to provide public goods. Those in multiple areas have been found to change voting behavior so that voters are less likely to vote for the candidates who engage in vote buying and also have encouraged politicians to supply more public goods. And it's not just vote buying, take corruption more generally in multiple settings. When results of corruption audits have been publicized, it's been found that voters tend to avoid voting for candidates who had been found to be more corrupt. Similarly, there's research on report cards which publicize politician behavior more broadly. It is not just corruption and vote buying. Take things like does the candidate have a criminal record? Or how often was the candidate absent from legislative sessions? And those report cards tend to lead voters to reward high-performing politicians and also improve policy outcomes as the politicians increase pro poor spending when they're worried that these report cards are going to come out and show what they've done with their time. The last bullet point on this slide is a little different because rather than giving voters information with valence like corruption is bad, showing up for legislative sessions is good, it just publicized information about policy platforms, and it was found that then this led voters to vote more for politicians whose preferences aligned more with their own preferences.

This all seems really promising if we can just let voters know about bad behavior, make policy platforms more prominent, then voting behavior should follow. I think this is overly optimistic. You might look at this and say, oh, all this is quite recent because all these dates on these publications are in the past couple of years. But one has to keep in mind the very long publication lags in economics. And actually, I think almost every single one of the papers mentioned on this slide are interventions that happened at least a decade ago. It's not clear to me whether, like, these quaint techniques like handing out flyers or buying ads in a newspaper are going to work in this modern information environment. So, what has changed? I don't think it's an exaggeration to say that the information ecosystem has been revolutionized. In the past, the alternative to policy-based politics may have been more clientelism, vote buying, identity-based issues. Now it's shifting, I believe, to creating fake news and mastering social media. Social media dominates information consumption by voters. There are echo chambers, confirmation bias, and huge possibilities to manipulate the truth.

Somewhat surprising, recent research in Germany shows that in newspapers, editorial content has the same effect on readers as clearly marked sponsored content. That means that readers are not always paying attention to those flashing warning signs that say sponsored content. They're just reading it as if it were the same thing as a regular newspaper article. If you have a teenager at home, you may be horrified to see how undiscerning they are about the type of information they read and believe online. Even more troubling, recent research in Mexico found that on Facebook, unfavorable report cards actually increased support for the incumbent. You might have thought that telling voters about an incumbent's poor performance, which in this case was telling them that Covid fatalities and their municipality were relatively high. You would think that telling voters this kind of information would turn them against the politician, but instead, somehow, in this case, giving this unfavorable information about how poorly they handled the pandemic actually increased support, exactly, for those politicians being criticized. And this just reflects a broader challenge. The very characteristics that make social media democratic, the low barriers to participation, the viral spread, also make it vulnerable to manipulation. On top of which, social media just primes people for these emotional and sometimes irrational responses. Which brings us to the topic of the day, which is populism appealing to, as Rachel defined, appealing to ordinary people who feel their concerns are not being paid attention to by established elites. Populism has always held an appeal for voters, but it especially thrives in this environment filled with fake news and sensationalist social media, especially when the media may be captured by politicians. And this weakens even more any connection there previously was between policy outcomes and how voters decide who to vote for. And it can also lead to this dangerous slide into authoritarianism that we've been seeing around the world for so long. I think we in the United States thought that these things happened elsewhere. And these concerns have been on all of our minds, I'm sure that's why we are here. It's affected some of my recent reading for fun. This is not economics, but a chilling and extremely prescient novel from 1935 by Sinclair Lewis with a tongue in cheek title *It Can't Happen Here*. This goes on to portray exactly how the United States could end with the populist president and then how from a populist president that ends up in a slide into authoritarianism. A more recent excellent book describing how we in the United States got here, I think is the *Tyranny of Merit*, which explores this tension between humility and hubris in a meritocratic society. The book, which I highly recommend, describes much better than I can, how individuals who are left behind in this supposedly meritocratic society feel humiliated. They're getting this message that if they had just worked harder or been smarter, they would have been better off and that their plight is their own fault. And the hubris of the elites regarding how deserving they or how deserving we are of our place in society is fuel for the fire of populism. What can we do to counter this populist authoritarian movement? We might look to protest, but recent new research, which is very new, suggests that while protests generate lots of activity on the Internet, they are less effective at actually influencing voting outcomes, which is what we care about in the end.

Where does this leave us? I think we need to address both the demand side and the supply side of the information problems. On the demand side, voters are vulnerable to biased manipulation and emotional responses. On the supply side, credible sources are being driven out by better funded or just more engaging content. As an example there, I was doing some early pilot work in a middle-income country looking at news for cities of around 200,000 people and the front-page articles. One front-page article was a man killed his wife because she wouldn't let him see his girlfriend. Another front-page article was about a man who threw excrement every day for nine months at a storefront because of a personal feud. Salacious content like this is everywhere and it distracts. It's the clickbait that is distracting us from the important issues. I am definitely guilty as well. I'm sure many of you… Well, I won't say about you guys, but whenever I open a news website, if you see some article about *Love Island* and you are like, I'm not going to click, I'm not going to click because I don't want to contribute to these algorithmic overlords who are going to like take my click and use it to decide what information they're showing everybody else.

But when these are the types of news articles that garner attention, they're low incentives for the media to publish trustworthy information. And this does have profound implications for how we think about development policy. Good policies are not enough. Of course policies matter. Of course the decrease in poverty we just heard about is amazing, but voters and their beliefs are just as important. And without credible information and trust in information and engaging information, good policies may not survive. We need to invest in credible and engaging information ecosystems. And maybe when we design policies, we also need to keep this populism in mind. For example, thinking back to the policy I mentioned at the beginning about offering credit to a minority group, tweaking it in some way where you could continue to target credit towards those minorities while making it more palatable to majority voters, and also may need to figure out how to provide voters with urgent and quick results as populism does, as well as a way to provide voters with more pride.

Okay, a slide. I don't want to end on a totally depressing note, so I'm going to end with a few seemingly successful interventions and these are newer. For these, the dates do more represent when they actually took place. On the demand side, very new research explores a four month information campaign with adolescents in India and they find that it helps the adolescents discern true from fake news, but also that the adolescents go home and teach their parents and even their parents become better at distinguishing true from fake news. On the supply side of information, there are some examples of local investigative reporting and, I may pronounce it wrong, Khabar Laheriya, this really impressive digital first group of women in India featured in that documentary focusing on local level issues and both of these endeavors have led to government changes. They've also led to backlash. It's not clear yet how they affect voter decision making, but they seem promising. More research is still needed. This focus on local level solutions fits well with Shanta's first item of the two, which was like local level activation. I do hope that there's more we can do at the national level as well, because I think that must, I mean, local level is great, but there has to be some way to mobilize people at a national level as well.

Overall, I think these examples suggest that the solution is not to abandon information campaigns entirely, but just to rethink how we deliver them. I think the future of democracy and development hinges on our ability to create trust and trustworthy, engaging information environments. Thank you for listening.

Rachel Glennerster: Thank you everyone. I'm going to ask a quick question to the panel and then we'll turn to audience questions, including online. So please submit questions online.

Tom, let me start with you. You said something which I didn't quite understand, so I'm going to ask you to elaborate a little bit. But you talked about how people got social assistance when they were poorer and then when they exited poverty, they tended to exit getting that support. So maybe these social protections weren't a jet engine out of poverty. Then Rema talked about how these long-term studies suggested, and you've done some important long-term work that when you are poor and you get the investment, you invest in things which actually help you get out of poverty. So maybe you could clarify and talk a little bit about your long-term work.

Tom Vogl: That is a great question. Oh, my mic does work. I wasn't sure. That's an excellent question. As I was making that statement, I sort of paused and say, should I really say this? Because this is, you know, this is just a description of how these dynamics work. Right. And obviously I can't say anything based on those observational dynamics about whether these programs are a jet engine out of poverty. Right. A lot of the work that Rema described, both in her work on conditional cash transfers in Indonesia and in my work on conditional cash transfers in Mexico and another paper that Rema cited on the same progressive paper on the same progressive program in Mexico that looks at long run effects, you can see effects on the next generation. I would say that they don't look transformational, but they look economically significant. And that is meaningful, right? And, but that is different from the idea of giving a household a productive asset or a cash transfer now and then seeing transformational change five years later. My read of the literature on follow ups, cash transfer programs in the near run, not for the next generation, is that they do a lot to transform the household's wellbeing and their living standards temporarily, but that when you look five years later, the household has not moved to a new level of economic wellbeing.

Rachel Glennerster: Right, that's very clear. I guess maybe the ultra-poor program has more positive effects in that approach.

Rema, you have done some important work with Benjamin Olken on comparing social protection to alternative investments. Maybe you could talk a little bit about that comparison.

Rema Hanna: That's a good question. It goes to a broader question of what the goals are that we are trying to achieve. For example, we have seen… There are these like very low-cost educational interventions that have very high returns, and we should completely invest in those. And, on the other hand, we also need to make sure that people can eat. So, I think one of the challenges in comparing these programs is that they affect lots of different things and they affect different indicators in different ways. And for me, I want to be thinking holistically about the programs are not just comparing against each other like do we care more about education or health, but rather what are the best ways and how can the research inform us, how can we improve education, improve health, make sure there's food security, make sure people are being able to make productive investments. And I feel like there social protection can play a role. I guess the other thing, and I think more broadly with the debates, this is going back to what Shanta was talking about, a lot of the public services are failing people right now. We see education levels that are very low, educational services that are just failing students. And so, these education levels are very low. And then, it leads to questions in my mind. For example, I went to a public school and I'm very grateful for it. And I think it helped get me to where I am today. On the other hand, I see schools failing in lots of countries. I see some of the emerging evidence showing how when private schools are coming in, it leads to competition, and it even improves the public schools. So then, it makes me think like should we be creating more links between the citizens and the services by providing more vouchers and stuff for school? And should we be experimenting with different ways? Social protection can also help us achieve some of these health and education goals? For me, I don't like to compare the programs per se, but rather that there's a holistic set of programs that we're thinking about as we're Trying to improve people's standard of living, improve dignity, improve their ability to engage in the world in the best possible way. So I feel like social protection fits into that.

Rachel Glennerster: Great, thanks.

Shanta, you're maybe not surprised that I want to pick up on two things that you said. One is you mentioned that providing user fees for health services sort of have created more accountability. But we also know that they lead to a big decline in take up. So maybe that's just more of a comment than a question. My question is about community monitoring, which you also mentioned as a potential way. I've just constantly been puzzled by this because there's a very large literature there. You mentioned some positive examples. But there are also a lot of zeros. If you look at all the literature, there are a lot of zeros and some positive. And the ones that are positive are spectacularly cost effective. But I haven't managed to wrap my head around what makes those community monitoring, what's different about the ones that worked. And I wondered if you had an answer to that because it's been keeping it up.

Shanta Devarajan: Okay, thanks very much. That's a big question. But first I want to be very clear that what user fees and other kinds of revenue collection does is it increases the incentive for citizens to monitor. It doesn't mean that it overcomes the cost of the user fees. So there is definitely a tradeoff here. But what we have observed is when you're starting from a very low base with zero user fees and zero monitoring and zero service delivery performance, as Rema was just mentioning, you can actually get an improvement. Now what's the mechanism? That kind of depends on how you do the community monitoring. And again, the same mechanism might work in some context and not in others. So, the famous experiment in Uganda that Jakob Svensson did of the report cards, you publish information about the quality of the health clinic outside the door of the health clinic in the whole area and they showed using a randomized control trial that this actually led to reductions in child mortality. It was a big effect. Now, that same experiment didn't seem to work in India. So, it also then depends on how the politics plays itself out in India. It could be that the politicians had so heavily captured the system that even this kind of community monitoring didn't seem to make much of a difference.

Rachel Glennerster: Thanks.

Laura, can I turn to you? You talked about how there had been these very positive effects of a number of information campaigns. And then you said, but the information environment has changed, so maybe we shouldn't be quite as optimistic. Anybody who knows my work will, again, be unsurprised that I'm going to bring up the topic of debates, which I'm very excited about in terms of leading to better connection between politicians and account and the population. And I'm excited about that because I think that, yes, handing out flyers, that's very hard to organize, it has lots of challenges. But you can imagine if you hold a debate, it's very easy. Well, you don't need that much technology and logistics. You just need to get people together. But also, then people can clip it and send it out on WhatsApp clips. Do you think that's a method that could still work in linking people to the population even in a new information age?

Laura Schechter: Yes, that's a great question. I thought about adding debates to the slides because it seems like it's this new growing area of research. I mean, there have always been debates and it was a short time, so I didn't. And I'm afraid to say too much because you obviously know way more about it than I do. I wonder, as a gut reaction, if debates are again more useful at the local level where people maybe know less about. If you had a debate of, I'm from Madison, like representatives in Madison, I'd be learning a lot, I'd be interested. It's not clear to me that like Kamala-Trump debate is going to have the same effect. I think it's going to have some of the same problems I talked about, echo chambers and people focusing on little snaps that little sound bites that like fit their opinion or like the Facebook study that people take the same debate and interpret it in just very different ways. So maybe that goes with Shanta's local solutions. I'm not sure it's the national level solution, but again, if you disagree, you should say so because this is more your area than mine.

Rachel Glennerster: Thanks. No, I've actually, I'm just trying to finish up a paper which says that, that asks the question, why do we get debates in areas where there's lots of information where they won't actually help? But, we don't get as many debates around the world in places where there's less information than actually and therefore where they could work.

Let's turn to questions from the floor and then I have some from online, Indermit. We're actually going to bring… If you just put up your hand, we're going to bring mics. It's a change from earlier.

Indermit Gill: […] because I have been speaking a lot over the last couple of days, but I couldn't resist it because the first was something that Shanta said where he said that it seems that the empirical literature says that there are no work disincentive effects of cash transfers at the cash transfer levels that we have currently observed. So, what you can do is you can actually increase these cash transfers massively, like in the case of Oman, for example, and you will still not have any disincentive effects. Okay. I don't know where you learned that, Shanta. I'm sure it wasn't over here and I'm sure it wasn't in Sri Lanka. It's got to be Berkeley.

The second is something that Laura said. I mean, her reasoning was more like the elites have failed in many things and so on, and they're corrupt, etc. So, we have to stop populism because this is a threat to democracy. I mean, that was what I took away. And she speaks about these echo chambers and so on, but the echo chambers are among the elite too. So, it's not just the populace who have this problem of an echo chamber. And then Rema mentioned something about the fact that for lower- middle income countries, if you increase taxes or if you increase domestic resource mobilization, you could actually finance more of these programs. The problem, Rema, is that if you look at the way that tax systems are structured in these countries, they tend to depend a lot on indirect taxes and indirect taxes tend to be very, very regressive. And it turns out that the efficiency of the redistribution system is not very good. So, if you go that route, you actually end up with a much worse outcome than you would if you just rather focus on growth and make these countries upper-middle income countries. And then you have a different issue.

Rachel Glennerster: Okay, I'm going to say one more, given that there were many questions. I'll just take one more and then come back. This woman in the fourth row.

Alberta Hagan: Thank you very much for the opportunity and thanks to the panelists for the very interesting presentation. I have two questions. My first goes to Tom and then the second to Rema. My question for Tom is that he suggested that poverty exit coincided, amongst others, with exit from agriculture. I want you to help me think. Would you suggest that governments focus on developing agricultural and increasing labor into agriculture as a way of, you know, reducing poverty may be a flawed policy measure? So that's for Tom. And then… Okay, so after that I will the second.

Rachel Glennerster: No, no, keep going.

Alberta Hagan: All right. My second question for Rema is that we know that the majority of the world's poor are in the developing countries. And at the same time these countries have limited budgets to actually do meaningful cash transfers to meet the needs of the poor. And then also your research suggests that the developed nations social protection increases as their incomes increase. Is it a hopeless situation for the developing countries in the sense that most of the world's poor are there? At the same time we have limited budgets to do meaningful social protection. So, should we just give ourselves gap and governments focus rather on the big picture items like to develop infrastructure and all these things so that everybody will have a meaningful way of actually entering into some income generating activity? Because if you decide to target social protection and the developer, you don't have the budget to do that. And so how do we move forward? Thank you very much.

Rachel Glennerster: Okay, what I'm going to do is…

Alberta Hagan: My name is Alberta Hagan from Ghana. Thank you.

Rachel Glennerster: Great, thank you. And I will go down the line, in the order in which people spoke, and please take one of the questions that have been asked and answer that, because I don't want everybody answering every question. Yes, Tom.

Tom Vogl: Thank you very much for that question, which is indeed a great one. The thing about an exercise, a descriptive exercise like the one we have done, is that it doesn't give a precise answer to a policy question. So it leads to an open ended discussion of the sort that usually when I go into these diatribes, my son in the back seat will at some point tell me "Dad, I stopped listening five minutes ago." So please tell me if I do that. But what we observe is that exit from poverty tends to be higher among people who leave agriculture than among people who stay in agriculture. But we also find that there are a lot more people staying in agriculture than switching at any given moment, right? As a result, poverty decline, a much larger share of poverty decline over some period happens within people who are staying in agriculture than among switchers, right? So, there are a number of ways to interpret this when thinking about policy, right? One way is to say, well, why aren't more people switching? When it seems like there's money on the table from switching, are there some barriers to switching? Are there policies that we can implement to help them switch? But another is to say, well, is there some linkage between the trickle of people who are exiting to obtain lower poverty rates? Is there some linkage between their exiting and the improving lot of the people who stay in agriculture? And so that raises questions about general equilibrium channels and the fact that maybe wages in agriculture may be increasing as a result of labor moving out of agriculture. So there's an equilibrium effect. You one can go on like this for a while. We see it as basically like pinning down maybe three or four different policy possibilities that then could be linked up with a randomized trial testing a particular approach based on these discussions.

Rachel Glennerster: Great, thanks. Rema.

Rema Hanna: You're making it hard because I want to answer all three, but I will focus on the tax question. I think that's a super interesting question. I think there are two things to be thinking about. I agree, indirect taxes could be very regressive, but there's been some new research from actually a junior colleague of mine that's super interesting because it shows that if you look at the consumption bundles across the world of what poor people actually purchase, a lot of the things they're purchasing are not covered under these indirect taxes. They're buying tomatoes or growing tomatoes. They're not necessarily buying luxury goods. So, when you count in the stuff that they're buying and the fact that it's not really recorded well in the data, first of all, they're a lot less regressive than you think because they're not actually paying these taxes. I think the second thing is, and I agree with you, it's hard to say indirect taxes are regressive. They're not regressive. It's about how you design at what products you tax. There's been interesting work in Latin America where they give rebates on certain types of taxes and stuff, depending on your income level. So you could do targeted tax rebates and stuff. I think there's a lot of ways to design these better. We're also getting better at thinking about, are there ways to improve corporate tax collection, for example? There are ways to make the tax system more progressive. And I agree with you. I think this is where research needs to do more and where we should be thinking more about as countries are growing and they want to be providing a better quality of services for their citizens and we have to fund it. What is the most effective way to do that, so we actually don't create a lot of other distortions.

Rachel Glennerster: Great. Okay, Shanta and I want to get some from online, so be short.

Shanta Devarajan: Very, very quickly. In response to the Indermit's challenge. I would say just look at the reality of these oil rich countries. Those are the ones for whom I'm discussing an increase in cash transfers. Ninety percent of employment is in the public sector in these countries, and they pay very high wages and they're completely unproductive. What I was proposing was eliminating that public sector and replacing it with cash transfers so that the private sector can emerge. I mean, most of these countries have trouble developing a competitive private sector because the public sector pays such high salary salaries. This is actually an effort to increase labor supply in the private sector and actually get these guys to grow.

Rachel Glennerster: Laura?

Laura Schechter: Yes, I don't think I have a great response to Indermit's challenge on mine. There are definitely echo chambers in every group, but among the… What?

Audience: [inaudible].

Laura Schechter: In this whole room, perhaps. I mean, when the things that we come together on are the clicking on Love Island, but we can't agree on the politics, then I mean, maybe this comes back to Rachel's solution of debates which get people in the same room and speaking to the same population at the same moment. I don't know. I don't have a great response to you.

Rachel Glennerster: Okay, let me, let me turn to some questions from online. One is specifically for Shanta, which is a question about the Kenyan education program that you said failed. They didn't implement it. Could you explain exactly what happened? And maybe more generally, what could be done better to make this kind of work?

And Laura, but I think actually everyone might have a view on this, what steps can African countries, Nigeria especially, take to help citizens ensure sustainable and transparent practices in government? Okay, just a kind of small question there. Or, if you want, and there wasn't a question that came up last time that you weren't able to tackle, you can take that as well. Tom, did you…? There's nothing for you. Okay. Well, let me go first with Shanta, of course, because that was very specifically for you on the Kenya program.

Shanta Devarajan: Right. Well, the program was because of this problem with accountability that most teachers had permanent contracts which couldn't be modified based on performance. They were introducing contracts so teachers were actually assessed on an annual basis. And the contracts were renewable every year. But the point here was that they introduced it using two different methods. One was that an NGO would administer the contracts and do the evaluation every year. And the other was that the Department of Education would administer the contract and do the evaluation. And what we found was that in the former, where the NGO was administering, there was actually an improvement in teacher performance because the teachers felt like they were under threat of being fired or they were losing their contracts, or they actually delivered and the student learning outcomes improved. In the other, the Department of Education basically either implicitly and in some cases explicitly told the teachers they would be renewed anyway. And as a result, you didn't get that improvement in performance. Literally, there was no statistically significant difference in student learning outcomes. So who administers the program actually has an effect. And that's when I was saying that it's because the Department of Education was very much politically aligned with the teachers' unions.

Rachel Glennerster: Great, thanks. Rema, do you want to answer any of the previous questions? Okay, I'll give you a chance to do that and then I'll come.

Rema Hanna: About the supply question? I think it's a very interesting point that was raised of the transfers in many developing countries are very small and we don't see labor supply effects. What if we went bigger? There's no one silver single bullet, but I think there's a bunch of evidence that shows that… I don't think it's as much of a concern. First of all, in a lot of the studies, there is variation in the level of the transfers, and you don't see differences in effect. That's the first thing. The second thing, in higher income countries, the level of transfers is higher relative to income. Including I've done some work in Saudi Arabia looking at this as well. And there we see incentive effects, people take longer to find a job and so forth. But there's two things. One, these effects are not large. They're not just people not working at all. They're very tiny. And two, there's also something to be said about, like for example, in Saudi Arabia, what we're finding is that, when the transfers go away, people take the first job they can get and they take lower wage jobs, jobs they stay in for less amount of time.

So, there is something about having enough time to job search and find the right fit job and a good job for you. Maybe if it takes you a little longer to find a job, that is not necessarily a bad thing. And then the last thing I want to say is that there's also, again, it also depends on how you design these programs, from these graduation programs we're seeing, you're seeing very large cash transfers given to people, these one-time things. And it's not having incentive effects, it's actually having that opposite. They're starting businesses as a result. I do think it goes back to, maybe this is the fault of economists that we had all these series about like this is going to happen or that's going to happen. But I think magnitudes of what happens and why is also really important and we should keep that in mind.

Rachel Glennerster: Okay. Laura?

Laura Schechter: Yes. So, I don't know, the question about what should a government like Nigeria do? It is a big open question. I don't really know. I mean, some of these things I guess have maybe not done by governments. I mean, I do like the promising work on, as I mentioned at the end, on teaching people how to discern fake information from true information. Trying to explain sponsored content versus non-sponsored content, supporting a free and open media, trying to get the free and open media to be more entertaining and engaging and less kind of boring and staid. And some of those things are not things that a government can do but that NGOs can do to try and push governments to then behave better and focus on good policies. But…

Tom Vogl: I want to come in.

Rachel Glennerster: Yeah.

Tom Vogl: I got excited at the mention of Nigeria, which I thought was a good way for me to fulfill Rachel's promise that I was going to talk about fertility because Nigeria is going to be one of the world's most populous countries up there with China and India. And that is I think, think a going to lead to a major change in how people working on development policy and development economics think about issues of development and where they live in the world and issues on political economy and so on. Africa is the future of development because that's where, like going forward, population growth is going to happen in the world. And that's largely due to existing fertility differences across different regions of the world. I think that's a really useful thing to think about for what the next 50 years are going to look like. The next 50 years are going to be African and especially Nigerian.

Rachel Glennerster: Yes. And I would say come join me in working on West Africa. It's a fascinating place and it is absolutely the future of poverty.

Thanks, everyone. Thanks for our panelists. Thanks for engaging questions. A 50-minute coffee break.

Eeshani Kandpal: We actually have 20 minutes until about 11:45 am. Please do follow the ushers back promptly. And please join me in thanking our panel.

[END OF TRANSCRIPT]