



## COMMENTARY

# THE WORLD DEVELOPMENT REPORT AT THIRTY: A BIRTHDAY TRIBUTE OR A FUNERAL ELEGY?

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Shahid Yusuf's review of the *World Development Reports* (WDRs) is elegant and insightful, but also wistful and nostalgic. He clearly believes that the WDRs have known better days, and I agree with him. He is positive about the future, but I am not sure I agree; I think the problems that afflict the WDRs have deep causes that will not soon go away.

In my comments, I shall follow the same general outline as does Yusuf. I will begin with my understanding of the function of the reports, and I will review some of the most influential reports—and their possible influence on development thinking—as well as the general tone and content of recent reports. Like Yusuf, I shall not be afraid to use the exercise as an excuse to think about economic development more generally and about the role of the World Bank in particular.

In what follows, I shall draw freely on the review of Bank research—including the WDRs—that was carried out by an outside panel consisting of Abhijit Banerjee, Nora Lustig, and Ken Rogoff, with myself as chair. Our report, *An Evaluation of World Bank Research, 1998–2005*, has been available on the Bank's Web site since September 2006 (Banerjee and others 2006). I note, however, that although the report is a joint document, the review panel is in no way responsible for the views expressed here, which are entirely my own.

## The (Multiple) Roles of the *World Development Report*

The *World Development Report* is the flagship publication not of the World Bank as a whole, but of its Research Department, headed by the Bank's chief economist. The chief economist always has overall responsibility for the report and on occasion uses it as a vehicle for publicizing his or her own views about development policy or the importance of particular topics. Joe Stiglitz on information, Nick Stern on the investment climate, and François Bourguignon on equity are recent examples. In all cases, the *WDR* provides a summary of Bank thinking and research on a particular topic—or on an interrelated set of topics—and tries to position its own views in the forefront of current development thinking and debate. Yusuf writes that “The *WDR* can again become a vehicle for mobilizing global opinion and for guiding strategy,” summarizing both its aim and the view that it is currently failing, although it has succeeded in the past. *World Development Reports* summarize not only the Bank's own research, but also outside academic research, not only from economics, but increasingly from other subjects, including political science, sociology, psychology, and epidemiology. These summaries reputedly put the *WDRs* on many college reading lists, though I am unaware of any evidence. Because the *WDR* is perceived as very important within the Bank, intense internal competition surrounds the choice of topic, with different groups jockeying for prominence for their own pet issue or research topic. This role does much to ensure the continuation of the reports and may be as important in doing so as any success in mobilizing global opinion and guiding strategy.

The evidence that the *WDRs* have—or ever had—such an influence is notably thin. Citation counts are presented, which are unimpressive to my eyes, but are scarcely relevant. The reaction of the intended audience—policy makers and their advisers around the world, newspaper editorialists, or even teachers of economic development—is not well measured by citations in the ISI Web of Knowledge database or on Google Scholar.

But even in a time when economic development and foreign aid are very much in the public and academic minds, and when the *New York Times* has a world poverty correspondent, neither the *Times* nor the *Journal of Economic Literature* anxiously awaits the appearance of a new *WDR*. (Compare this situation, for example, with the extensive reaction to the new poverty counts in late August 2008.) Newspapers in Delhi, Kampala, or Cape Town may evince more excitement, and reactions there

could usefully have been documented. Other commentators in this volume are better placed to assess this international reaction and to comment on whether the policy makers and advisers routinely use the *WDRs*. On the publicity side, my impression is that the most heavily publicized of the recent *WDRs* was *World Development Report 2000/2001: Attacking Poverty*, which became a news item, not for its content, but for the internal disarray that it revealed within the Bank, particularly on the role of growth in poverty reduction.

The production of the *WDRs* is expensive, something that is not discussed in Yusuf's essay. At any given time, approximately eight full-time researchers are at work on the current, previous, or next report. Measured in numbers of people, this team constitutes about 10 percent of the Bank's research effort, which takes no account of the fact that the *WDR* team is typically drawn from among the Bank's best and most senior researchers. Nor does it count the financial costs of the world tour that follows the publication of each report. If the reports have not been successful, it is not for want of commitment by the Bank. Yet research in the Bank, like the Bank as a whole, is under increasing budgetary pressure. Now is surely a good time to think about whether the value of this one item is worth what it costs, for which we would need a much fuller accounting of costs and benefits than is currently provided.

## The Quality and Intellectual Legacy of the *World Development Reports*

The research review panel summarized its views of the *WDRs* as follows:

The *World Development Reports* have sometimes been instrumental in changing the way that the world thinks about some aspect of development, such as poverty, health, or population. In recent years, they have, to an extent, become the victims of their own success. Because they are seen as so important, they must incorporate the views of large numbers of people, inside and outside the Bank. In consequence, they often seek to minimize conflict and to emphasize "win-win" situations instead of trade-offs. They often lack sharpness and focus, and are sometimes incoherent, especially when it proves impossible to reconcile the views of the various commentators and authors. . . . [T]heir regular appearance contributes to the Bank's standing in the development community even if, to some extent, they are trading on their past reputation (Banerjee and others 2006: 8).

If this view differs from Yusuf's, it is only in emphasis.

The three best remembered *WDRs* are those on fertility, on poverty, and on health. The 1984 fertility report took the previously standard, though even then rapidly fading, view that population growth was indeed a problem for economic development, that more mouths meant less for each (the lump fallacy), and that the “tragedy of the commons” meant that the individual decisions of parents about their fertility were unlikely to lead to good outcomes. Perhaps the most important intellectual legacy of this report was the establishment of a National Academy of Sciences panel under the chairmanship of Sam Preston, which produced an authoritative modern account of the issue and which takes a very different view from the *WDR* (Preston, Lee, and Greene 1986).<sup>1</sup> Yusuf comments that the Bank dropped the issue after the report, and indeed the tide was turning against the international population control movement from the mid-1980s on. Yet much harm had already been done, as documented in Matthew Connelly’s (2008) *Fatal Misconceptions*, which while not painting the World Bank as the principal villain in this shameful history, does not absolve it either. In any case, the population report was clearly an example not of Bank intellectual leadership, but of the Bank being well behind then-current best thinking.

The 1990 poverty report is famous for introducing the international dollar-a-day poverty standard and the associated counts. These counts have continued to date, regularly updated by Martin Ravallion and his team, who were also the original authors. They have had an immense effect on development practice and on development debate, not least through the use of the dollar-a-day standard to define the first of the Millennium Development Goals (MDGs) and the appointment of the Bank as the subsequent scorekeeper. It is worth noting that this intellectual contribution, one of the Bank’s most prominent, was not in the area of policy making or of theory, but in the area of measurement. The dollar-a-day standard illustrates how important measurement and scorekeeping have been in development and in the assessment of the Bank itself. Yet measurement plays little role in Yusuf’s paper, an issue to which I will return.

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1. Yet the idea of a population threat is a hydra that will never die, and it is showing signs of life again in the wake of the current boom in world food and commodity prices, as well as in Jeffrey Sachs’s most recent book *Common Wealth* (Sachs 2008).

The dollar-a-day standard is not without its problems and detractors. It provides the measurement underpinnings not only for the first MDG, but also for at least part of the Bank's current, almost exclusive focus on poverty reduction. One of the problems comes from the fact that the measures are tied to the purchasing power parities from the International Comparison Program (ICP), so that the global poverty line and the associated counts change with every revision of the ICP, whose own measurements are sometimes on shaky ground. The latest (2005) version of the ICP, which had greater cooperation from China and India than ever before, brings hundreds of millions of Chinese and tens of millions of Indians into the international poverty counts who were previously thought to have escaped (see Chen and Ravallion 2007, 2008). Although Chen and Ravallion take the view that the 2005 ICP is simply better—because it is more comprehensive and because it better controls for the quality of goods and services across countries—this argument is by no means obviously or unqualifiedly correct, and a real risk exists that the constantly shifting standard will eventually bring the counts into disrepute. That previous estimates are discarded with every new round of the ICP certainly undermines public understanding of what is happening to global poverty and causes a great deal of confusion—as demonstrated, for example, by the immediate reaction in the Indian press to the latest counts. For example, Surjit Bhalla, a longtime critic of the Bank's poverty work, noted that if the latest ICP estimates are correct, and if India's growth rates are correct, Indian living standards in 1950 could not easily have supported life.

More fundamentally, the success of the dollar-a-day measure carries with it the risk that the objective of the Bank becomes not just the elimination of poverty, but the elimination of dollar-a-day poverty. Given the uncertainties of just who is poor by this criterion—with hundreds of millions of people being reclassified with each new set of measures—directing all attention to people below the line and ignoring those just above it makes no sense. Of course, the problem is more general than the international lines. Many local domestic lines that are used by the Bank for country policy advice have a substantial arbitrary component, and many have little local political legitimacy. Governments are—or at least should be—responsible to all of their citizens, not just to those below an arbitrary and uncertain poverty line.

The 1993 *WDR* on health is also famous, mostly for its introduction of the disability-adjusted life year (DALY), although this concept and its subsequent sweeping of the world is attributable less to Bank researchers than to Chris Murray, who was a consultant to the *WDR*. The DALY, like the dollar-a-day standard, has become a central tool of health measurement around the world for computing the burden of disease associated with different conditions, for permitting a combination of mortality and morbidity, and for assigning priorities. Again, many may criticize the DALY measures, particularly the arbitrariness of the weights that they attribute to different diseases—adding together migraines, quadriplegia, or schizophrenia—as well as of the dangers of using DALYs as a guide to policy and taking seriously the discounting of the lives of people with disabilities and diseases. The success of the concept may owe as much or more to the vacuum that it filled than to its own conceptual soundness. But the 1993 *WDR*, more than any other Bank report, put the Bank on the map as a major player in global health. It is also famous for reputedly persuading Bill Gates that international health was important, certainly an excellent example of the *WDR* mobilizing global opinion and shaping strategy.

It is noteworthy that both the 1990 poverty report and the 1993 health report are best known for their introductions of new tools for *measurement*. Although it is too early to know which recent *WDRs* will be as influential, my guess would be the report on service delivery, which also introduced new measurements, from the Bank's important surveys on absenteeism among health and education workers around the world. New measures changed and shaped the debate more than new analysis. This fact is perhaps not surprising. More than other international agencies, the Bank is well equipped with data and with high-quality researchers and consultants who are able to present these data in new ways that have long-lasting influence on the way that people think about development successes and failures.

### **The *World Development Indicators***

In the early days of the *World Development Reports*, many of us would wait anxiously for a new one, and when it arrived, we would ignore the words up front and turn quickly to the tables at the back. These tables

became the *World Development Indicators* (WDI), later spun off into an immensely successful stand-alone product. In the early days, the production of the WDI was essentially a retail operation, with the Bank assembling information that others had collected. Over time, the Bank has become a major data provider in its own right—for example, collecting household surveys, conducting the Doing Business and Investment Climate surveys, and—most recently—managing the latest round of the International Comparison Program. In consequence, an increasing fraction of the data in the WDI is generated in-house. The WDI database is accessed by tens of millions of subscribers around the world and is used not only by academic researchers, but also by economic commentators, policy makers, and policy advisers around the world. Of the 18.8 million registered online users, 10 million are in low- and middle-income countries. The provision of these data is exhibit A in the Bank's case to be a knowledge bank, and their development is an achievement for which the WDRs should take much of the credit.

### **Declining Fortunes: From a Star Is Born to a Red Dwarf or Even a Black Hole?**

Yusuf's paper leaves the strong impression that the *World Development Reports* are not what they once were, and some of these concerns are also reflected in the summary statement from the panel review quoted previously. The WDRs certainly suffer from being the consensus reports of a large bureaucracy among whose members serious differences of opinion exist that cannot be resolved without confusion, banality, and contradiction. Despite the Bank's increasing importance in measurement and data provision, the WDRs have not had a distinguished history of handling empirical evidence; too often bad—or simply incredible—evidence is presented along with useful and interesting new findings. Some of this history reflects unresolved differences being papered over by any evidence that can be brought to hand. Some of it is the enthusiasm of young researchers, whose fascination with new techniques has not always been tempered or restrained by the more seasoned judgment of their managers, among whom statistical and econometric expertise has not always been a priority. In fairness, economics as a whole has moved from a subject dominated by

prior theorizing to one dominated by empirical evidence, and the transition from one to the other has been far from smooth. As a result, there has been little help from the outside.

More fundamentally, we also need to ask whether the decline in the *WDRs* reflects a decline in the quality of thinking in the Bank, or at least in its Research Department. I do not think that a decline is the major source of difficulty, but there are causes for concern. In the earliest days of the *WDRs*, the Bank's Research Department could and did attract leading scholars in international development. Very high salaries and generous pension arrangements were certainly part of the attraction, but so was the sense of moral purpose—that working for the World Bank, thinking about economic development and the alleviation of poverty, and passing on expertise were a good way to spend a working life. Not only did the Bank attract good new PhDs, but it also attracted a substantial number of assistant professors who decided that policy advice plus research was more fulfilling than teaching and research. A good deal of this thinking still goes on, and some of the young researchers in the Bank are clearly very good indeed. But the salaries (and pension benefits) are now much less, and very much so relative to academic salaries, which have risen rapidly in the meantime. The original pension arrangements have also made it possible for some of the Bank's best thinkers to quit the Bank for academia and think-tanks—Harvard, Princeton, and particularly the Center for Global Development—while they still have many years of useful contributions ahead of them. I suspect that more than any of these factors, however, the decline in the attractiveness of being a Bank researcher results from a growing skepticism that the Bank is doing much for international development and about whether aid, particularly as dispensed by the Bank, does much for economic growth and the reduction of poverty.

One version of the history of development economics within the Bank runs in terms of a steady broadening of focus, with each step a response to failure at a previous narrower focus. In the earliest days of the institution, much of its expertise was in engineering, with specialists who could help countries construct roads, dams, ports, or even whole industries. Economic policies were a matter of planning, of coordinating the engineers and their projects. By the 1950s and 1960s, it became clear that many of these projects were not contributing to the social good. One distinguished set of



intellectual responses explored the idea that projects that were profitable at distorted market prices might not do much to help development—or might even hurt it—because the prices were so misleading. In response, and within the general framework of optimal growth theory, researchers, including Bank researchers, developed systems of cost-benefit analysis based on shadow prices that were supposed to be used by the Bank and client countries to evaluate projects. When, in turn, these procedures foundered on their simplistic treatment of policy making—few governments of developing countries could accurately be described as social planners optimizing an infinite stream of consumption—the Bank moved toward more systematic and comprehensive policy reform, in which market prices—and macroeconomic policy—were to be “got right” first.

In the ruins of the structural adjustment programs, the Bank moved out into an even broader agenda of political and institutional reform, which brings us more or less up-to-date. One notable feature of the broadening is the diminution of expertise. The engineers knew what they were doing, even if their expertise did not extend to ensuring that their dams or steelworks were socially beneficial. The growth and welfare economists of the 1950s and 1960s had a sophisticated understanding of their models, though not of the motives of policy makers. A broader spectrum of economists understands the consequences of price distortions or of unsustainable macroeconomic policies. And although we are not entirely without expertise, reforming governance and institutions is a much taller order than building a water delivery system or even a petrochemical plant.

One interpretation of this much simplified narrative is that the problem was not well conceived from the start, that the very idea of outside expertise helping countries to develop is misconceived—and possibly even harmful. As we move from posing questions to engineers to posing questions to political scientists, the answers may move from telling us “how to” to telling us “not to.” In their recent summary of thinking in political science, Moss, Pettersson, and van de Walle (2008, p. 269) note that large aid flows “may undercut the very principles the aid industry intends to promote: ownership, accountability, and participation,” essentially because the presence of the large donors inhibits the development of the democratic contract that would allow development to proceed. If this argument is correct—and I think it plausible, but I do not know for sure, or

what kinds of aid (international public goods, some health interventions?) are exempt—then the development expertise that is the center of the World Bank’s mission may not exist in useful form or, at the least, needs to be fundamentally rethought and restricted. And if the *World Development Reports* are the handbooks of development expertise as contained by the Bank, they too may have a limited future.

In the end, I suspect that the nostalgia in Yusuf’s history is not for a *World Development Report* but for the World Bank itself.