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Article in *Revue canadienne d'études du développement = Canadian journal of development studies* · October 2015

DOI: 10.1080/02255189.2015.1102718

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The World Development Report (WDR) 2015: An Assessment

Paul Shaffer

Two of the most influential recent developments in economics have involved the application of cognitive psychology to questions of decision-making ('behavioural economics') and the use of randomised control trials (RCTs) to ground causal claims about micro-level processes and interventions. The *WDR 2015, Mind, Society and Behavior*, represents the confluence of these two traditions of inquiry and their application to issues of international development. Part 1, 'An Expanded Understanding of Human Behaviour', presents the behavioural economics framework. Part 2 applies the framework to topics including poverty, early childhood development, household finance, productivity, health and climate change, drawing heavily (though not exclusively) on the results of RCTs and psychological experiments (laboratory and field). Implications for 'development professionals' are drawn out in Part 3 based on a discussion of biases in the thought processes of professionals along with ways of addressing them.

There is much to commend in the *WDR 2015*. Three points stand out in this regard. First, it demonstrates convincingly the limitations of the rationality assumption in economics whose textbook exposition rules out behaviour which is not in one's own 'interest'. There are many empirical examples of decision-making and behaviour presented in the WDR which are hard to square with this assumption, even when accounting for such variables such as risk, hidden costs, imperfect markets and so on. Second, there is a genuine attempt to provide claims with detailed empirical backing. The Report is replete with interesting micro-level studies addressing such issues as the choice of loan products in Mexico City, determinants of success of condom sales in Zambia, fertiliser adoption by small farmers in Kenya and so on. Third, the *WDR 2015* argues for a more experimental and learning-oriented approach to development interventions, relying on quantitative and qualitative methods (p.198). Similarly, it calls for a more interdisciplinary approach to economics which includes, *inter alia*, 'psychology, behavioural economics, sociology, political science and anthropology' (p.2).

Despite these favourable aspects of the Report, four areas of concern require comment, related to: Missing Elements; Methodological Blinders; the ‘Culture of Poverty Redux’ and Cognitive and Social Biases.

Missing Elements

The *WDR 2015* is not about the broader, structural determinants of poverty such as, for example, the distribution of productive assets, the organisation/mobilisation of marginalised populations and so on. It is about so-called ‘low-hanging fruit’ (p. 20), such as design features of development programs or policies, which could be modified at low cost with significant effect. The Report can hardly be faulted for not including everything, but the key question is whether the missing elements may lead to analyses and recommendations which are fundamentally mistaken.

Consider the following example of a collective action problem involving the management of irrigation systems. A RCT-type analysis would focus on design features of such systems, comparing say, allocation, supervisory, monitoring and enforcement mechanisms, associated with better outcomes. Detailed ethnographic work from the Tamil plains region of India has shown how such analyses can be deeply misleading (Mosse, 2006). In this study, the most successful instances of collective action were those in which management of irrigation systems served as mechanisms of caste domination and social control. Failure to understand this broader social structure within which micro-level mechanisms operate is quite misleading on two counts. First, it leads to faulty analyses of the determinants of ‘successful’ water management in so far as the most important drivers are excluded from the causal field. Second, it may lead to quite perverse policy recommendations, such as support for Water User’s Associations, which may perpetuate the exercise of caste power and domination or fuel social conflict over control of such institutions. The point here is that social structure matters. Its relative absence from RCT-type analyses may be missing the forest for the trees, or worse.

Methodological Blinders

An important, but buried, passage appears in Chapter 10 of the Report in the context of a discussion of ways to avoid confirmation bias, or the tendency to selectively collect and interpret

information in ways which confirm previously held views. The authors advise that ‘organisations like the World Bank should be ... engaging in a more robust debate about scholarly findings.’ They further emphasize that this approach is not meant to imply exclusive reliance on ‘elite research’ nor to ‘privilege particular methodologies when determining what works’ (p. 85).

It should be emphatically stated that this advice did NOT guide the preparation of the WDR 2015. The research is highly elitist, and very heavily weighted to the results of research undertaken in a few elite American Universities. Further, it indeed privileges a very limited number of approaches to research, namely RCTs and psychological experiments. Elsewhere, the key contributors to the Report have no qualms about asserting the methodological superiority of RCTs (Banerjee, 2007), a claim which has been vigorously contested (Barrett and Carter, 2010; Deaton, 2010; Shaffer, 2011). One is struck by the extremely limited representation of work from social anthropology and participatory research traditions, which incidentally, come to quite similar policy and programming conclusions in certain instances. Ironically, a short piece on ‘Using Ethnography to Understand the Workplace’, (pp. 144-145), contributed by the Agence Française de Développement, reads as if it was directed to the authors of *WDR 2015* given the paucity of ethnographic research used in the Report.

Despite the rhetoric, one cannot help but get the sense that the *WDR 2015* is NOT presenting a case for a more methodologically pluralist economics but for a new orthodoxy based on RCTs along with laboratory and field experiments. A more far-reaching methodologically pluralist economics is indeed possible and there are many good examples which have recently appeared in the poverty literature (Shaffer 2013a&b).

Culture of Poverty Redux?

The Culture of Poverty thesis, associated with the work of the anthropologist Oscar Lewis is that poverty is perpetuated by harmful social, economic and psychological traits of poor people, including ‘lack of impulse control, strong present-time orientation with relatively little ability to defer gratification and to plan for the future’ (Lewis, 1966:192). Lewis did not argue that such factors were the underlying causes of poverty, which he attributed to the ‘culture of capitalism’, but nevertheless they do have causal force. It should be emphasised that the Culture of Poverty

thesis is not the intended position of the WDR, nor of its main contributors. They argue that poverty constitutes a ‘cognitive tax’ which negatively affects decision-making by depleting cognitive resources and creating perverse mental frames (Ch. 4). Otherwise phrased, ‘the findings are not about poor people, but about any people who find themselves in poverty’ (Mani et. al., 2013).

Despite these differences, the language of the report does bear a striking similarity to the Culture of Poverty literature. For example, it is argued in the *WDR* that people in poverty suffer from ‘low bandwidth’(p. 87), ‘willpower deficits’ (p. 115) and lessened ability to ‘control temptation and delay gratification’ (p. 123). In one example, it is asserted that the financial needs of fruit vendors in India would be alleviated within 90 days, if they simply abstained from ‘two cups of tea each day... But they do not do that’(p.32). One cannot help but wonder whether the analysis simply provides psychological cover for an argument which, one again, situates poverty in the alleged deficiencies of poor people.

Cognitive and Social Biases

The authors of the WDR are right to direct attention to the cognitive and social biases of development professionals. There is however, a self-referential dimension of this point. It applies equally to the authors of the *WDR 2015*. There is plenty of discussion of the biases, and attendant ‘lazy thinking’, of development professionals, but no critical reflection on how confirmation and context biases, for example, drive the analysis presented in the Report. A strong case can be made that these same biases are fueled by the methodological blinders and the limited understanding of context, discussed above.

The authors of the *WDR* should be applauded for pushing the frontiers of economics. Certain of their results are indeed very interesting. There is cause to worry however, about what is missing from their analysis, the limitations of their methodological approach, the causal importance attached to characteristics of the poor and the failure to critically reflect on the cognitive and social biases reflected in the analysis presented in the Report. Ultimately, the jury remains out

about the importance of the *WDR 2015* analysis in identifying key causes of poverty and remedies to alleviate it.

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