

The Policy Irrelevance of the Economics of Education:

Is "Normative as Positive" Just Useless, or is it Worse?

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Overview

- ▶ This is a very thought-provoking paper that makes three basic claims
 1. We implicitly justify the policy relevance of most empirical work on education in developing countries with the "Normative as Positive" (*NAP*) Model of government behavior.
 - ▶ This model states that governments maximize social welfare.
 2. This is a silly (or at least incomplete) model of government behavior.
 - ▶ Models that actually think about government actors and their objective functions (political economy models) better describe government behavior.
 3. Believing in the *NAP* model of the world can lead you to ask the wrong questions and make incorrect policy recommendations.
 - ▶ The policy justification behind the 'randomization agenda' is the *NAP* model, so therefore it is answering the wrong questions and making incorrect policy recommendations.

What is the "NAP" model?

- ▶ Simplest version:
 - ▶ Production function for government services is $F(P)$, where P is some policy choice
 - ▶ Individual utility as function of consumption and government services, $u_i(x_i, F(P))$
 - ▶ Denote government beliefs about production function F by \hat{F}
 - ▶ Social welfare function $SW^G(u_i(x_i, F(P)))$
 - ▶ NAP: Government chooses P to maximize SW^G given \hat{F} .
- ▶ Implication:
 - ▶ Policy failures come about because government has wrong beliefs about production function \hat{F}
 - ▶ Evidence (effect of textbooks, school feeding, class size, remedial tutoring, etc) helps improve welfare by moving \hat{F} closer to F , which results in better policy.
- ▶ Paper argues: NAP false, and therefore evidence about F doesn't necessarily improve policy.

Is NAP the issue?

- ▶ In fact, we don't need to reject NAP to come to the same conundrum.
- ▶ NAP actually incorporates a fairly wide range of political economy models, since the equilibrium of many political economy models can be written as the solution to maximizing a social welfare function with some set of welfare weights.
 - ▶ Median voter models (Downs 1957)
 - ▶ Models of interest groups and collective action problems (Olson 1965, Stigler 1971)
 - ▶ etc.
- ▶ The real problem is that the social welfare function governments maximize may not be the social welfare function "we" want to maximize (equal welfare weights, Rawlsian maxmin criteria, etc), so $SW^G \neq SW^*$.
 - ▶ In which case, while understanding F better improves SW^G , it doesn't necessarily improve SW^* .

So where does this leave us?

- ▶ So suppose that government maximizes SW^G , or whatever
- ▶ What is the role of evidence?
- ▶ Specifically, under what circumstances does evidence about F improve SW^* ?
- ▶ Theoretically, it's not guaranteed to do so, but I'd argue it does more often than not.

The Role of Evidence

In the domestic political arena

- ▶ Politicians may not actually care about maximizing social welfare per se, but they often do care about getting re-elected
 - ▶ Often evidence about F can help them.
 - ▶ In Indonesia, in 2004 President promised to reduce poverty by 8 percentage points within five years and has launched a cash transfer program. Government needs evidence on better ways to target transfers.
 - ▶ In the US, improving school achievement is often a campaign promise.
- ▶ Informing disputes between political groups
 - ▶ Governments need to justify impact of programs to parliamentary opposition.
 - ▶ Rigorous impact evaluation can keep good programs alive and help reallocate funds away from bad ones.

The Role of Evidence

Informing outside advice

- ▶ Economists are often asked to give technical advice.
- ▶ What should external donors – who presumably care about SW^* – push for?
 - ▶ For example, the debate about whether to charge for government services
- ▶ Knowing F helps us give answers that increase SW^* .
- ▶ Understanding the political economy of reform is critical to implementing reform – but even if we know that, we still need to know what to push for.

The Role of Evidence

As a rhetorical device

- ▶ Randomized evidence can dramatically enhance diffusion of good ideas because they are easy to understand (just compare treatment and control) and methodologically hard to dispute.
 - ▶ Progreso
 - ▶ Worms

The Role of Randomization

- ▶ Randomization is a methodology, not an 'agenda'.
- ▶ View of the 'randomization agenda' presented in the paper – at least vis-a-vis education – is that it seeks to understand the education production function – what is the marginal benefit of class size, textbooks, para-teachers, etc. i.e., F .
- ▶ Paper argues that the right research agenda is the 'accountability agenda' – research to learn how to improve the system given that government is not a monolith.

The Role of Randomization

- ▶ But a wide variety randomized experiments in education address exactly these types of accountability problems.
 - ▶ Better monitoring of teachers (Duflo and Hanna 2008)
 - ▶ Performance pay for teachers (Muralidharan and Sundararaman 2007)
 - ▶ Performance pay for students (Kremer, Miguel, and Thornton forthcoming)
 - ▶ Changing the political structure of local school committees (Pradhan et al. underway)
 - ▶ Providing information to villages (Banerjee et al. underway)
 - ▶ Increasing demand for education (Progresa)
- ▶ So even if understanding F isn't what is needed, it is not clear that randomization can't help.