

Making rational instead of political decisions

By Bjorn Lomborg, *The Australian*, 17 June 2016

Every day, policymakers around the world face a dizzying array of choices. The more they spend on, say, education, the less there is to run hospitals, fight pollution or boost agricultural productivity. Lobby groups, activists and the media promote certain causes — solar panels, the Zika virus, closing tax loopholes immediately — while less fashionable issues, such as nutrition or non-communicable diseases, can slip beneath the radar. And most countries' politics have proverbial “third rail” issues — policies or programs (say, state pensions) that are so sacrosanct any policymaker who touches them risks instant political death.

Part of the problem is that when governments invest in economic analysis, they tend to do so for one policy at a time, asking simply: would this be cost-effective? Yes? Let's do it.

But what if policymakers looked at a range of options simultaneously — comparing bridge-building with spending on school textbooks — to figure out where first to direct any additional money?

This approach was used for the first time at a national level last month in Bangladesh, where my think tank, the Copenhagen Consensus Centre, collaborated with BRAC, the world's largest development organisation, on the Bangladesh Priorities project. The idea was to provide constructive input to the Bangladeshi government and donors by determining where extra resources would do the most good.

Bangladesh has been making immense strides. Economic growth has averaged nearly 6 per cent over the past decade, and the poverty rate has declined rapidly since the 1990s. Gains in average life expectancy have been astounding, steadily rising from around 48 years in 1980 to more than 70 years in 2014.

The country has many compelling policy options, making our initiative even timelier. Beginning early last year, the Bangladesh Priorities project commissioned dozens of teams of specialist economists from Bangladesh and around the world to study 76 concrete solutions to improve the country's future. Education economists, for example, analysed the best education solutions for Bangladesh, estimating the costs and benefits of each.

Last month, an eminent panel of four top economists — three leading Bangladeshi scholars and a Nobel laureate in economics — met in Dhaka to examine the results.

Having read all the research, the panel spent three days discussing and challenging the findings with the specialist economists. So when the education economists provided an analysis on putting children into classes according to ability, the eminent panel would question the assumptions and probe the outcomes to see if the finding stood up.

The panel identified some remarkable investments. At the top of their list of priorities was treatment of tuberculosis, which kills about 80,000 Bangladeshis annually — one in every 11 deaths in the country. The main cost comes from getting almost 60 million more people screened, but it is indeed a cheap disease to treat: Spending only about \$US100 a patient on standard drugs and community clinic follow-up can avert TB transmission. The total benefit is at least 21 times higher than the total cost. When one considers the impact on families of losing their breadwinner, and on communities of not losing their experienced workforce, the real benefit could be even higher.

In second place was e-procurement, a digital solution implying improved oversight of the 720 billion takas (\$12.4bn) the government spends each year to pay for everything from new bridges to pencils. Creating something similar to an online bidding system can boost competition and reduce corruption, lowering government costs by an estimated 12 per cent. And the relatively low cost of implementing e-procurement implies low risk. Each taka of spending stands to do more than 600 takas of good.

Early nutritional interventions, which are vital in determining long-term outcomes, were ranked third. Nearly one in four children in Bangladesh under the age of five is malnourished to the point of being stunted, which hinders mental development, lowers school performance and leads to lower productivity, worse health outcomes and more disease later in life. The benefits of nutrition-focused improvements are estimated to be 19 times higher than the costs, which are low.

When we say what should come first, we also need to say what should not come first. This may seem uncaring, but if we do not prioritise explicitly, we end up spreading resources thinly, or allow bureaucratic processes and the vagaries of media attention and the pressure of lobby groups to prioritise for us.

For Bangladesh, the panel pointed out that cervical cancer, for example, should not come first. This is hard. It kills about 10,000 Bangladeshi women each year, but it is very costly to treat. More than twice as many women die from TB, which also kills many men and children.

Obviously, the goal is for Bangladesh to be able to respond effectively to both challenges. But if it needs to start somewhere, the analysis shows that money that could save one person from dying of cervical cancer would save nearly 50 from dying from TB.

What works best for Bangladesh will not necessarily work best for, say, Colombia, Finland, Haiti or Canada, but the same analytical approach can be used — and extended to cities, states and regions. Economics should never be the sole decision-maker. Yet without evidence about costs and benefits, decisions are made in the dark. Providing a price list helps elevate the conversation about priorities. Bangladeshis — and people everywhere — deserve the most efficient allocation of scarce development resources that can be achieved.

Bjorn Lomborg is director of the Copenhagen Consensus Centre and a visiting professor at the Copenhagen Business School.