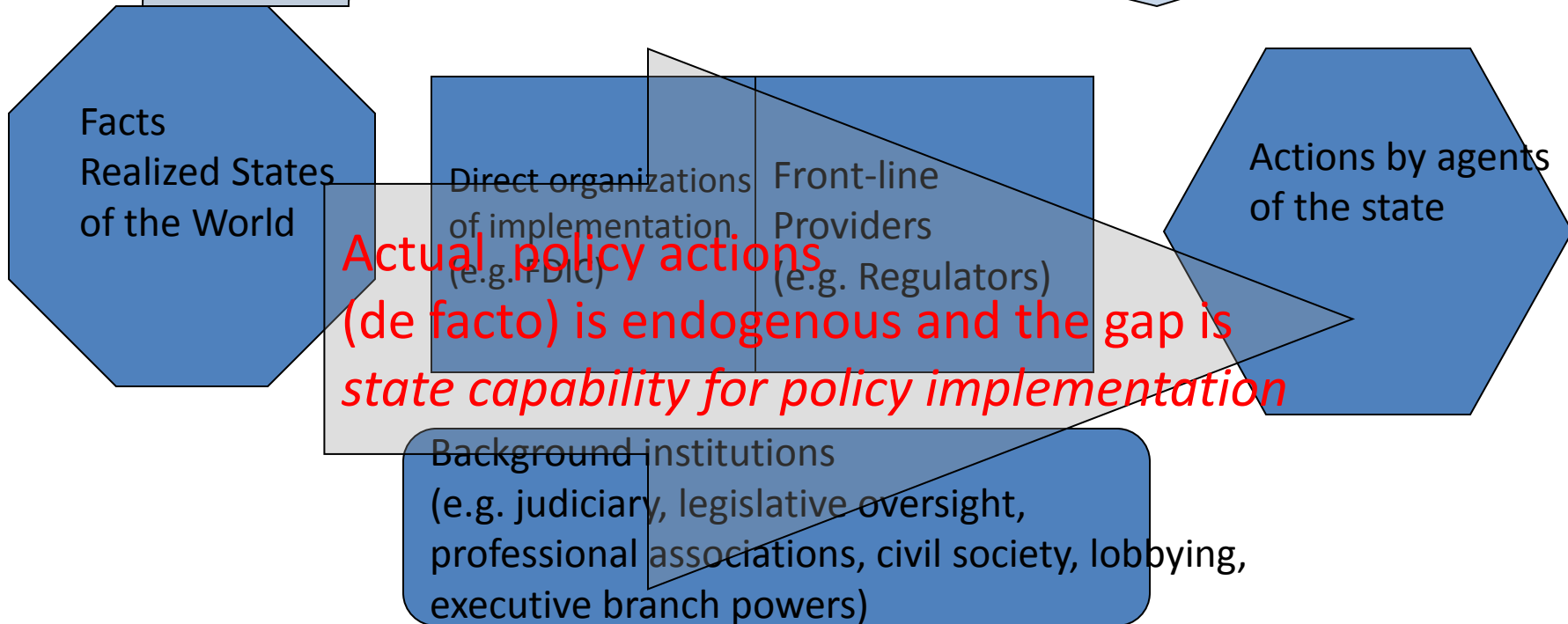


Big Stuck and Premature Load Bearing: Good laws are the obstacle to Rule of Law

Lant Pritchett
HKS (on leave) and Oxford BSG
April 10, 2019
GEM

What is “state capability for policy implementation?”

Notional policy (de jure)
is a *mapping* from facts to actions for agents
with a purpose



The Evolution of a composite of three country measures of "state capability" on 0 to 10 Scale 1996-2012 shows a "Big Stuck"

Very negative ($g < -.05$) Slow negative ($-.05 < g < 0$) Slow positive ($0 < g < .05$) (with years to achieve capability > 6.5 at current pace) Rapid ($g > .05$)

Strong capability (SC > 6.5)

8

Few Successes: only 8 countries with SC > 6.5 (only two with more than 10 million population)

1

Midd (4 < SC < 6.5)

Mostly backsliding: 70 of 102 countries show deterioration of state capability over the 1996 to 2012 period (30 rapid, 40 slow)

Even positive progress slow: At BAU extrapolation only 8 more countries reach high capability in the 21st century (excluding the three rapid recoveries)

Weak (2.5 < SC < 4)

32

UGA(6001), AGO(2738), TZA(371), BGD(244), ETH(103), ZMB(96)

Many Weak States: 49 of 102 countries have very weak (< 2.5) or weak (< 4) state capability

0

Very weak capability (SC < 2.5) YEM

17

B(61),

102

30

40

28

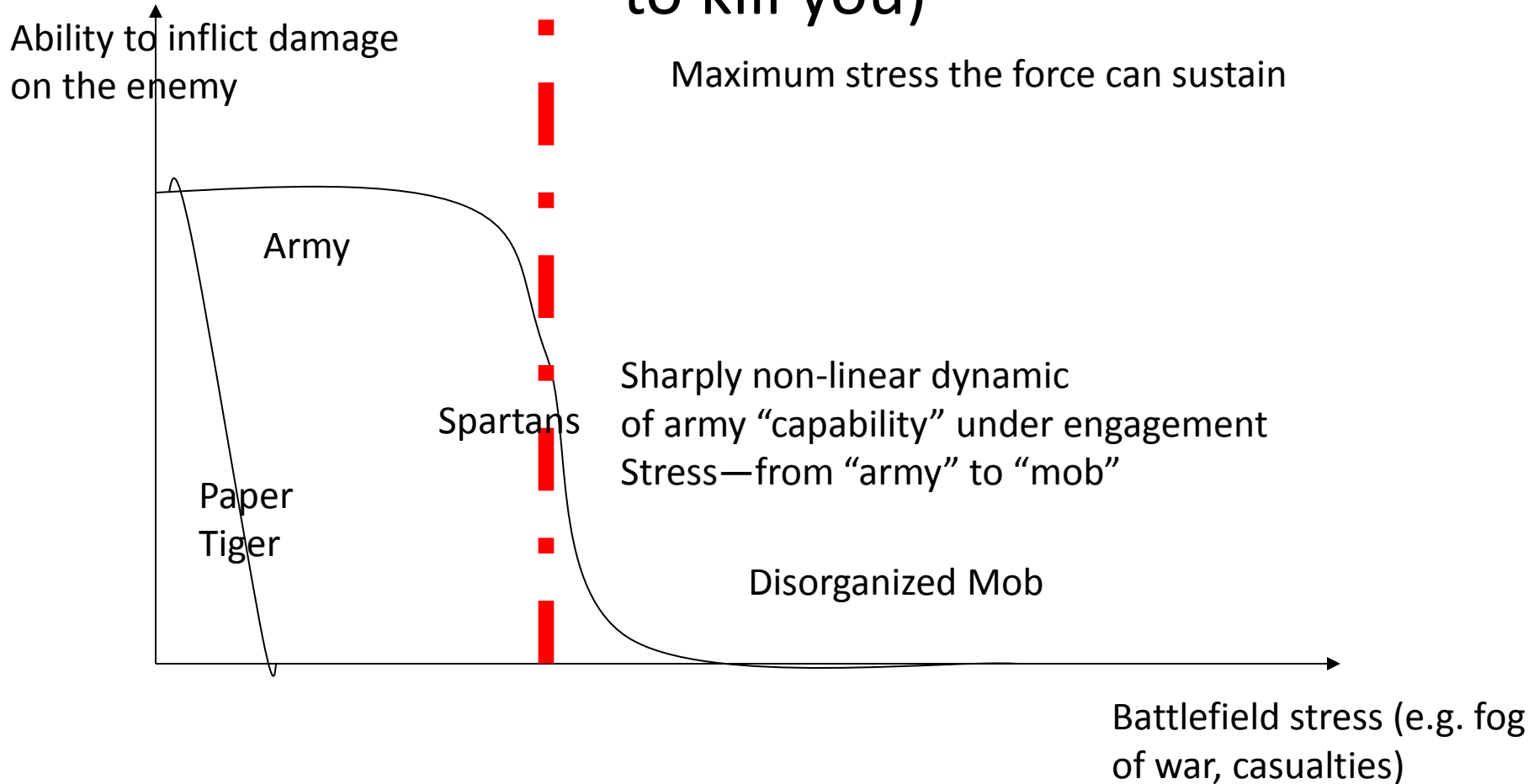
3

4

WGI Indicator	Actual 2017 for fragile states (e.g. Nigeria - 1.01)	How many years would it take for typical fragile state to get over a threshold of .5 (roughly Costa Rica (.54 average)) at the actual pace of progress 1996 to 2017 of:		
		Fragile states	All countries	Fastest 20 improvers
Regulatory Quality	-1.01	Forever	Forever	58
Government Effectiveness	-1.18	Forever	1950	58
Control of Corruption	-1.03	Forever	Forever	66
Voice and Accountability	-0.77	150	Forever	36
Political Stability	-0.9	117	Forever	33
Rule of Law	-1.05	215	Forever	57

Source: Paul Caesar von Chamier's update.

Two dimensions of organizational (“army”) capability: in “theory” (on the parade ground) and in “practice” (when the other side is trying to kill you)



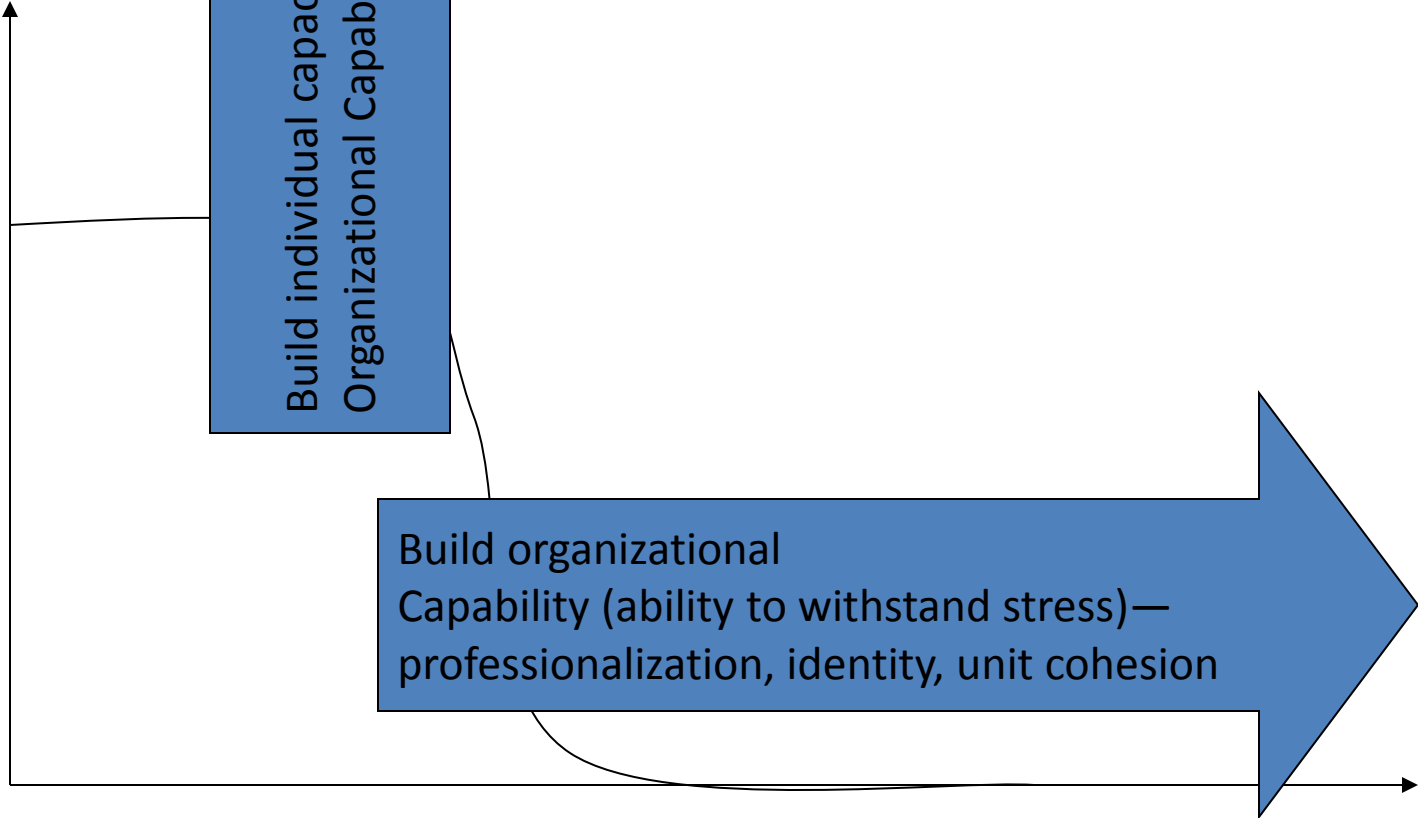
How do you build organizational capability?

Compliance with tax
(lack of bribery)

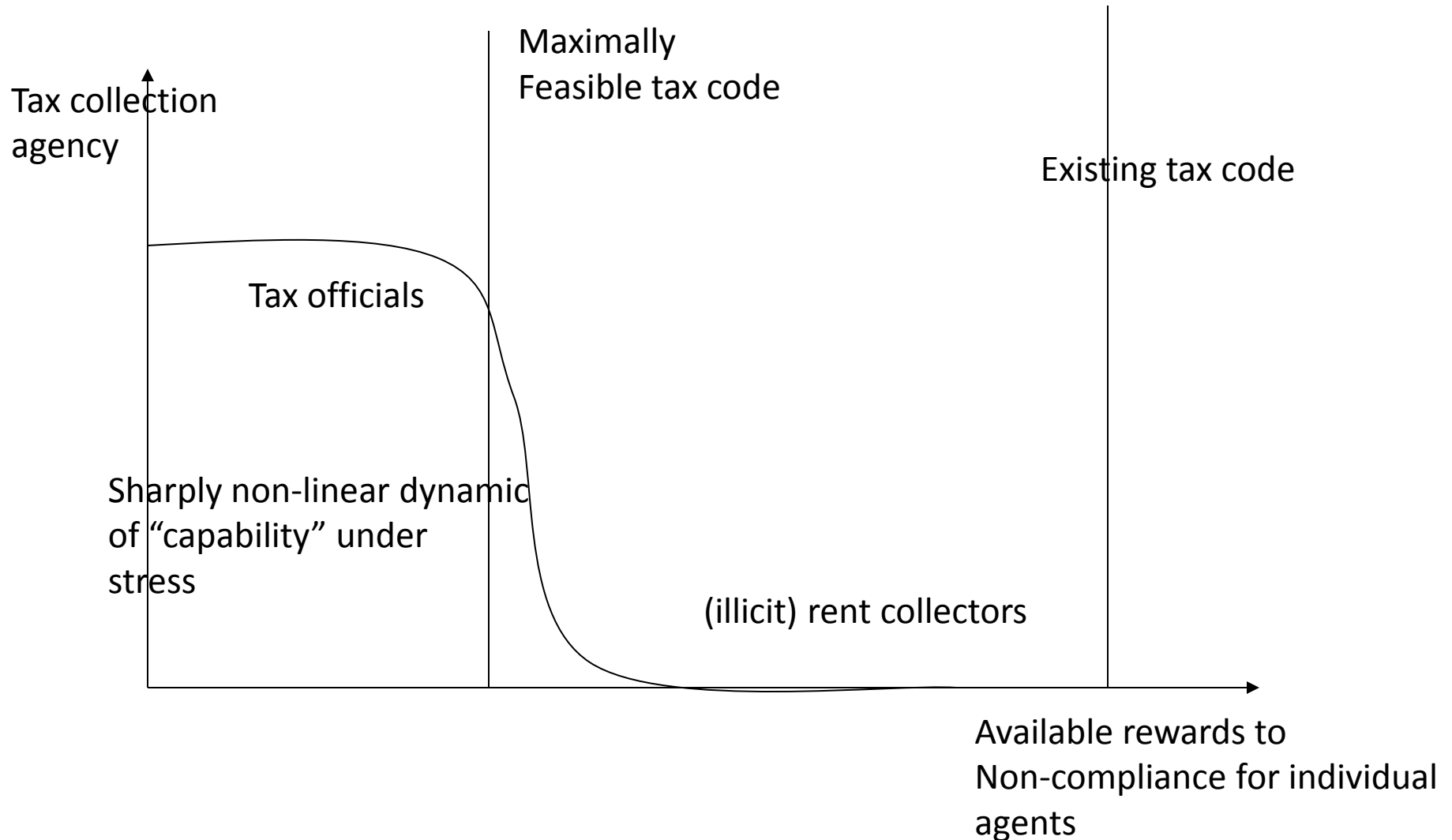
Build individual capacity to build
Organizational Capability

Build organizational
Capability (ability to withstand stress)—
professionalization, identity, unit cohesion

Incentives for agents
from tax (rate, complexity)



How do you destroy organizational capability? Premature load bearing



My (controversial) thesis statement:
Transplanting good (especially “best
practice”) laws and policies (tax,
regulation, environmental, safety,
education, etc.) *destroys* state
capability and causes a “big stuck”
(low level equilibrium trap).

Good law destroys rule of law.

For one specific indicator (getting a construction permit) a comparison across countries of de facto and de jure

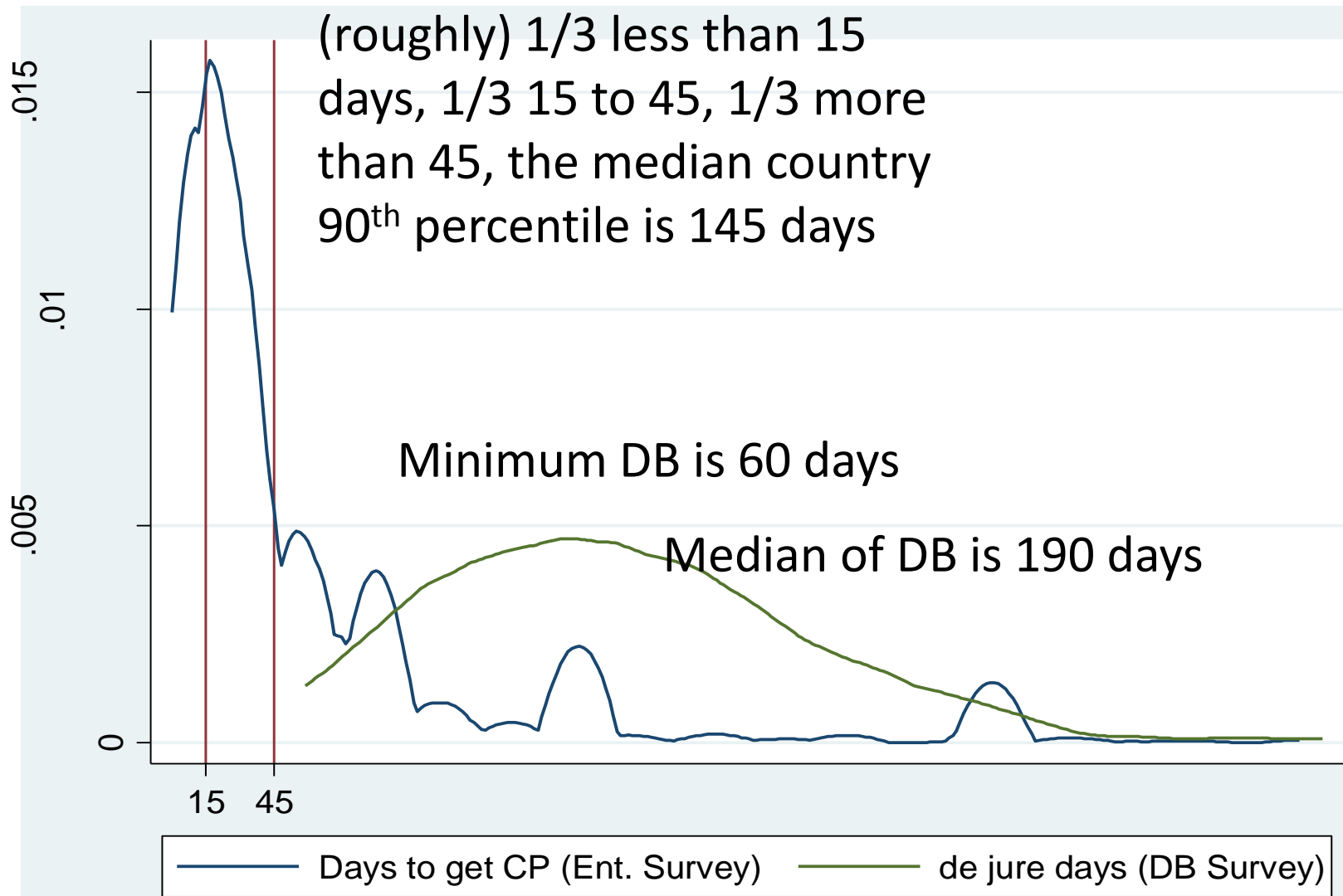
Doing Business Indicators

- The number of days it would take to get a construction permit (for a commercial warehouse) *if* one were to follow the law.
- De jure measure of the time for regulatory compliance.
- One observation per country per year

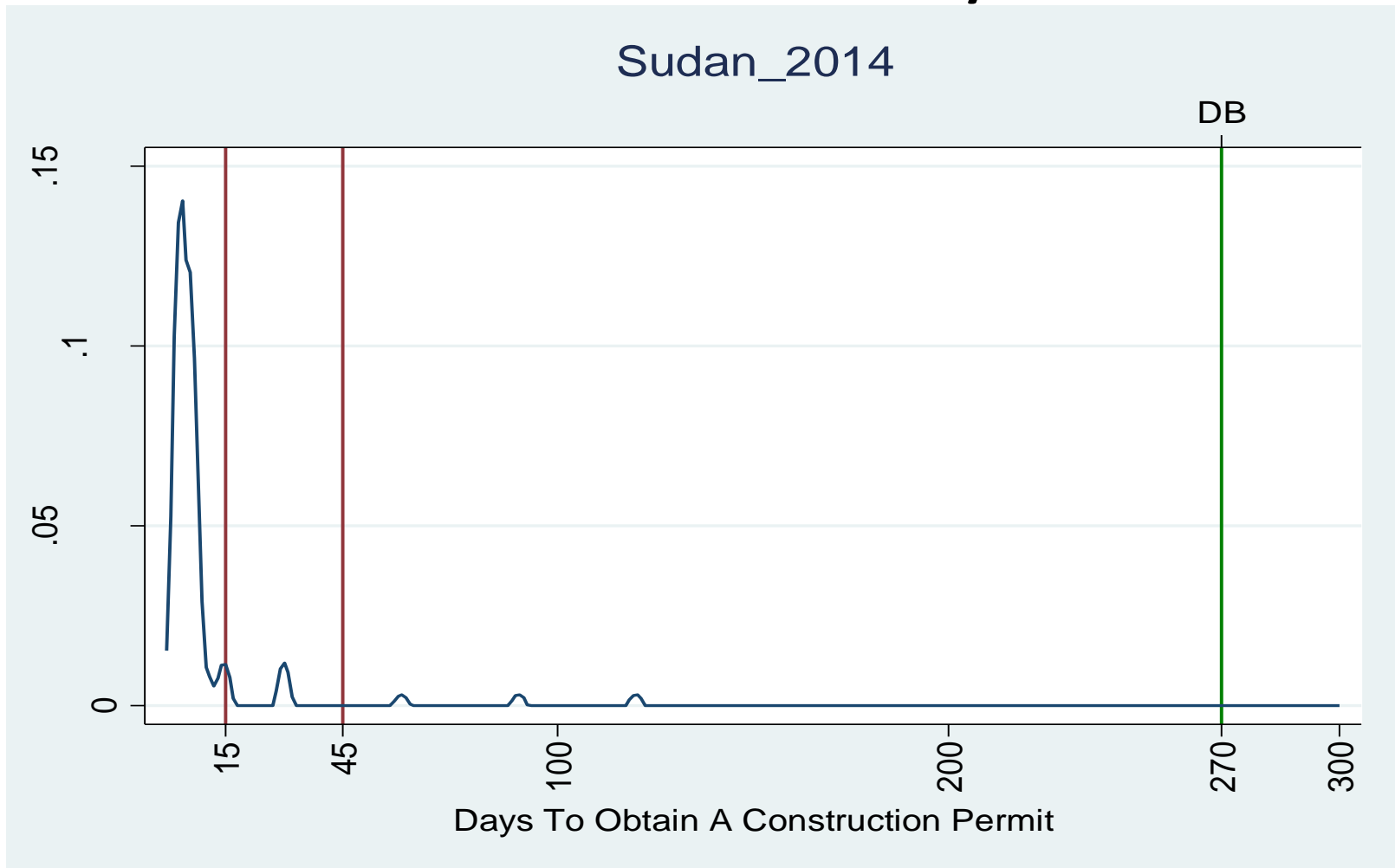
Enterprise Survey

- Ask firms who actually built something how long it took them to get the permit
- De facto measure of how business is done

Actual reported days are
(roughly) 1/3 less than 15
days, 1/3 15 to 45, 1/3 more
than 45, the median country
90th percentile is 145 days



Sudan: DB ('the law') is 270 days, 93.5 percent (of 108) firms report taking less than 15 days

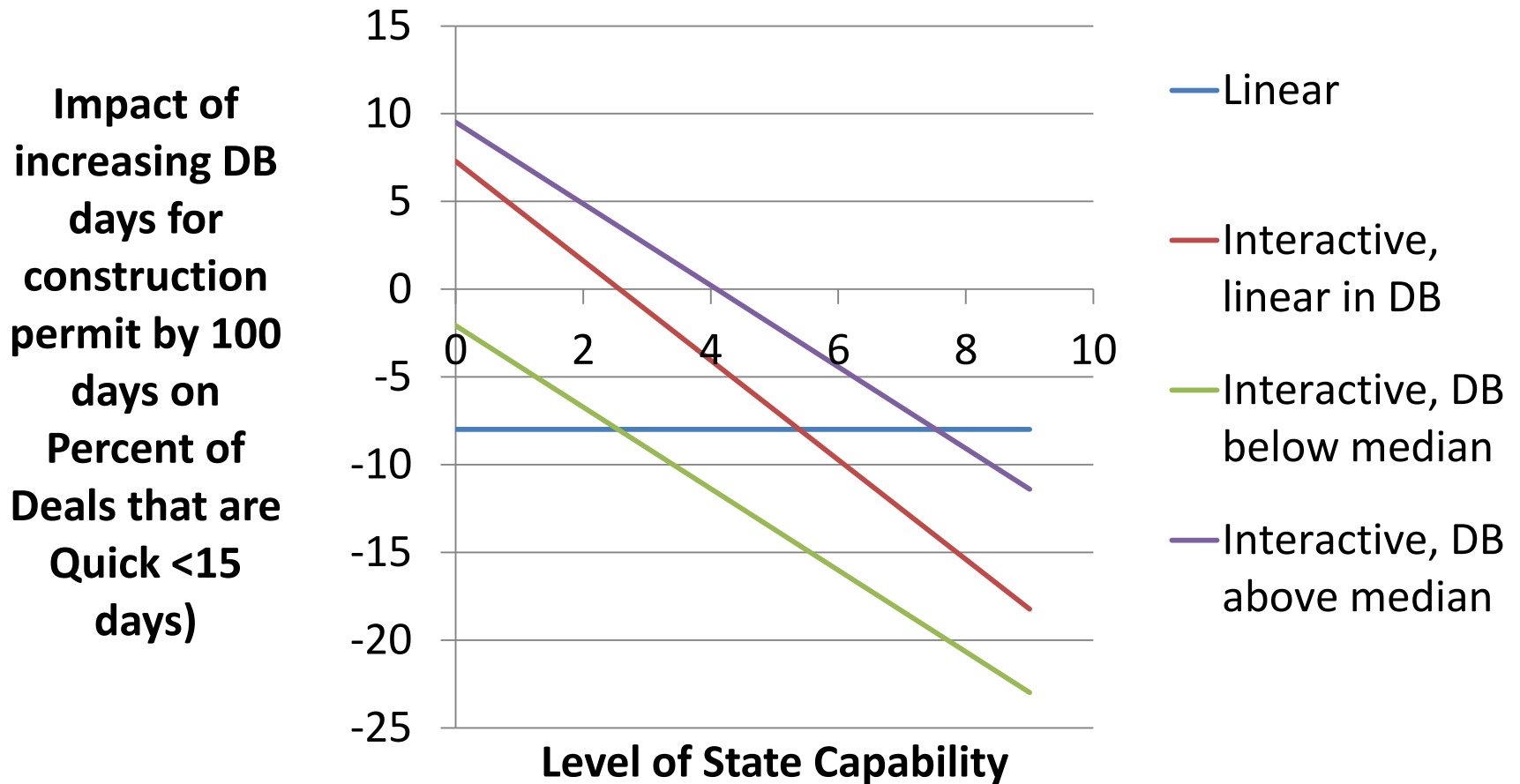


The “rules of the game” is that there are no rules, only deals



“...there are no rules in a knife fight”

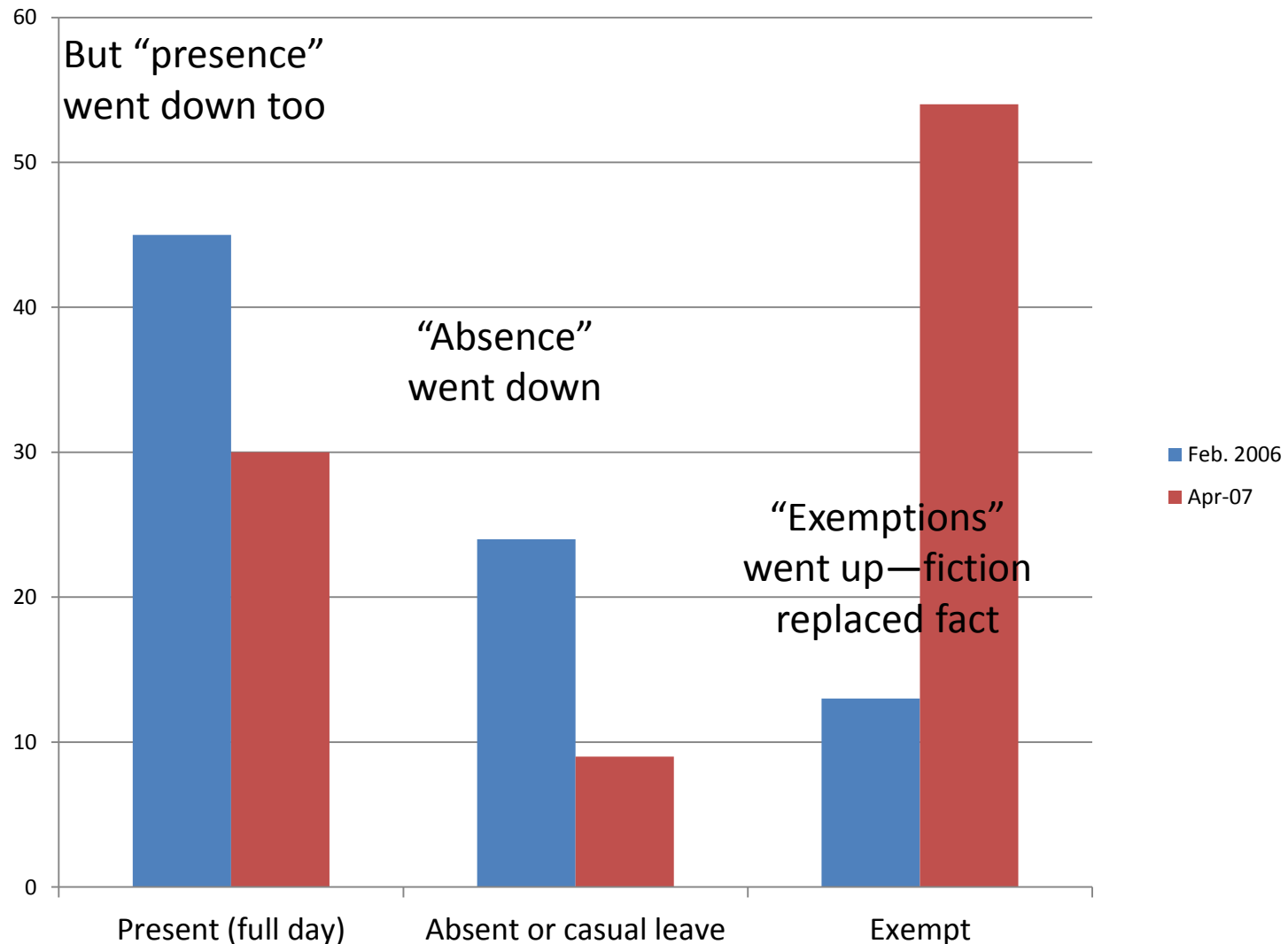
Regression of the “percent quick deals” shows in weak capability countries *increasing* the legal regulation by 100 days *increases* the firms who report quick deals, particular when regulation is already strong



Beautiful laws, no rule of law

- Countries adopt some “best practice” law or policy (e.g. financial regulation, environmental standards, etc.)
- The law is out of touch and makes it costly to do business
- “Deals” emerge that allow firms to do business
- The feature of (large) successful firms is their ability to secure favorable deals
- Organized capability for implementation is weakened destroyed
- Perfect storm as (a) advocates for the purpose don’t want policy “weakened”, (b) powerful interests have deals so don’t want law weakened, (c) the organization responsible accommodates itself to its new role as rent mediator/collector, willfully loses control of the facts, and has no way of building capability or creating the coalition to do so.

During the course of the field experiment to motivate nurses to attend their clinics with “best practice” design in Rajasthan...



Source: “Putting a Band-Aid on a Corpse: Incentives for Nurses in the Indian Public Health Care System” (with Esther Duflo and Rachel Glennerster), *Journal of the European Economic Association* 6(2-3), pp. 487-500, April 2008.

Who are the vectors of the big stuck via pre-mature load bearing?



- Global “experts” from rich countries
- “Consultants” who peddle “best practice” “solutions”
- “development agencies” who insist on “wishful thinking” goals rather than achievable progress
- Slap ‘em if they land on you