

## Rationally Speaking #175: Chris Blattman on “Do sweatshops reduce poverty?”

Julia: Welcome to Rationally Speaking, the podcast where we explore the borderlands between reason and nonsense. I'm your host Julia Galef, and with me is today's guest, professor Chris Blattman. Chris is a development economist at Harris Public Policy at the University of Chicago and I'm a big fan of his blog, [ChrisBlattman.com](http://ChrisBlattman.com). It's got a lot of thoughtful essays as well as some of the best link roundups that I've found.

I've been wanting to have Chris on the show for awhile, but the most recent impetus that spurred me to reach out to him for this episode is a paper of his that came out a few months ago, that was well designed with interesting results, investigating the question of: What are the effects of factories that we might call sweatshops on the workers who work there, in other countries? Chris, welcome to the show.

Chris: Thanks for having me.

Julia: I gave my colloquial stab at the question that your paper was addressing, but why don't you kick things off by giving us the more precise articulation of the question you are investigating?

Chris: Sure. I spend a lot of my time working on anti-poverty programs. I've worked mostly in Sub-Saharan Africa and some in Latin America and a little bit elsewhere, and I look at a lot of government and NGO programs that are trying to reduce poverty by generating jobs or some sort of social transfer. These have been largely successful, but I guess I always had the suspicion that really, how much poverty could we relieve? How sustainable was this? How effective was this?

Certainly I don't think there's any debate. The way that the poorest countries are going to not be poor is mainly by getting firms, and that probably means industry. And that most of the national income that's created in middle income countries is in the formal sector — in industry, sometimes in services — and so for a country to go from \$2,000 a head to maybe \$12,000 a head, they are going to basically have to industrialize. So I thought, maybe I'm wasting my time on this.

The other thing I used to see that made me think about this is once in a while ... There weren't many factories in some of the places I've worked like Uganda or Ethiopia, but there have been many more recently, certainly in the last decade, and when I did see a factory sometimes there would be a job call and maybe for 10 or 20 or 50 jobs you'd see a few hundred people lining up around the corner. Economists would look at that and say, "Well, it's revealed preference. If they're lining up for these jobs then these must be pretty desirable jobs."

So I thought, wouldn't this be interesting to test? I looked around for opportunities to do so, and if you think about it, this lineup of people outside of a factory... If 300 people want this scarce set of jobs, this is a terrific opportunity for a randomized control trial, potentially, where we take the people who were interested and eligible, if there's an excess of them, and what if we could assign those jobs by lottery?

That's essentially what we did, and we did that in a small number of firms and we tried to see what happened over the short run, and we're going back now to see what's happening in the long run.

Julia: Interesting. What kind of firms were they?

Chris: In the end we found five firms to work with in Ethiopia. Obviously we have to be circumspect about what we learn. How much can we learn from just five firms in just one country?

At the same time Ethiopia is an interesting place. A lot of people when they hear Ethiopia, they conjure these images from the 1980s and some kind of famine and maybe some anthem by Bob Geldof. Many parts of Ethiopia are quite prosperous.

The center and most populous part of the country, and I think it's the second most populous country in Africa, maybe 80 million people. The center of the country and the most populous is the source of the Nile so there's no lack of water there. It's green. It's verdant. There's a lot of development. There's a huge industrial boom, especially in the last few years but over the last 15 years really as there's been a lot of domestic industry exporting to Europe and elsewhere.

Increasingly you're seeing Chinese and Indian firms, big firms that have huge factories back home and what they're doing is they're starting up new ... They're getting a toehold in Ethiopia and they're thinking, "Is this the place that we're going to start to jump to as wages start to rise in China and India, and is this a place where we can do business profitably and ship to Europe really cheaply, especially if fuel prices go back up?"

Julia: I was actually asking more concretely, what kinds of products were these firms making?

Chris: One was a textile and garment factory. They'd make the textiles, and most of the people are employed in the garment making, so this was the cutting and the sewing. One was a water bottling plant. Beverages is usually a huge industry in a lot of developing countries. Another was a shoemaker. There's a long history of shoemaking in Ethiopia. There's a decent chance if you bought a pair of Italian shoes they were actually made in Ethiopia. One was a greenhouse operation for flowers and another was a greenhouse operation for herbs and vegetables and things of this nature. These are industrial, factory-like in the sense that it's production. It sounds like agriculture but the way it's organized, it's really tightly concentrated production.

Julia: So there were more workers who wanted these jobs than there were actually jobs for them, and so you randomly assigned workers. You got the firms to agree to randomly choose which of the applicants they would hire. Then did you just have two groups, of the people who were given jobs, and the people who weren't given jobs?

Chris: At first yes. Eventually we added another treatment where we offered some of the people cash to start a business, so essentially help starting a business. To not only compare factories to what their often poor outside options were, but also to compare to some sort of improved self employment. But at first we didn't have that chance.

The first cohort with the first factory we worked in was just a simple comparison, and it came about mainly because I met an industrialist in London who was building a bunch of factories in Ethiopia, had just taken over a water plant. And as I had with many factory owners over the years — not that I had met that many, but when I did I'd pitch this idea — and usually they thought it was interesting but they didn't have time for that...

Julia: "Not in my backyard"?

Chris: Right. Well he was super keen— I was actually surprised. We found this in Ethiopia. A lot of people were really interested, I'd say the majority of firms we talked to. We approached about 3- or 400 firms. A lot of them were open to it.

The ones that were just opening up were saying, "Listen, we've got enough going on without dealing with that." But others were really interested. They were interested because they thought the question "Were their jobs relieving poverty and were there problems?" was an important one.

But they all had problems with turnover. They had a lot of people who'd quit. And they didn't know why and they didn't know where they were going, and so they also thought this was a good opportunity to learn something about their workforce. Saying you're going to track their workforce, and track people who don't work for them over time, was in some ways an attractive proposition.

Julia: I see. I'm intrigued by the idea that the industrialists were interested in the question of whether their jobs were relieving poverty. I guess I cynically have to assume that they must ... I don't know if this counts as cynical or not, but they must think that there's a decent chance that their jobs are relieving poverty, or else they probably wouldn't want the study done, right?

Chris: I think that's part of it. Maybe this makes Ethiopia a bit different from other places. It has this Marxist history, and so a lot of people have ... There's a certain social consciousness that pervades a lot of things. And I do remember one factory manager, not the owner but the floor manager, saying, "This is such an important study. Our factories really exploit people and I think it's really important to see that."

Julia: Wow.

Chris: Exactly.

Julia: Way to bust my stereotypes.

Chris: There was a lot of stereotype busting.

...We saw some cynicism with maybe some of the foreign, particularly some of the Indian, investors we talked to. Sometimes if I felt I detected cynicism there I think it was maybe a selection effect; the people who are coming over to pilot these new factories where they could find the cheapest labor. Maybe that's true, but even then I think that had they been a bit more established, they would've been interested partners. I think they valued this information.

Julia: What about you? What were your expectations about what you would find doing this study?

Chris: I did this with Stefan Dercon who's at Oxford University, and Stefan and I were extremely optimistic about these jobs. We thought there's a chance the jobs paid more than most people's outside opportunities. Also, a lot of the people coming in, they were young women mainly and they basically were finding maybe 10 or 12 hours of work a week. That's the most they'd had over the last month before they'd applied, and so we didn't know what their employment options looked like outside the firm.

It wasn't so much that the firm was going to pay them a higher hourly wage than whatever else they could do, but we thought it would guarantee them 45 hours a week, so that would raise their total income because they'd have more hours, and it would also be more stable. Volatility is really problematic.

Julia: Right, when you don't have much cushion.

Chris: Well, they do have a cushion in that a lot of them are living at home, and so this is ... If they're unemployed, their outside option, or their reservation wage, the way we talk about it sometimes, is high in the sense that they can always go home and be fed. Not always, but most of the time.

But we thought — a steady wage, even if it's not that high, is important, and it may be that these jobs are hard to get and maybe that's why people are lining up.

Even if that was only part of the story... Let's say that you're getting some scarce skill that firms desire, so you get this textile job. And as textile jobs grow, the next firm that comes along wants to hire you above some completely inexperienced person. So it may be that over time you see rising wages as firms bid up the wages of the people who have acquired the scarce human capital. That's what we were thinking could happen.

Julia: Great. So — maybe now it's time to talk about what *did* happen.

Chris: We found the opposite. We were completely surprised. Maybe we shouldn't have been surprised, but I think we were ... I don't know. I don't know what to think after the fact.

What we found was, first of all: these young women and the young men, they had pretty decent employment opportunities outside the firm. A year later we went back and for the most part, if they hadn't worked in the factory or if they had quit the factory, they were finding 30 or 35 hours of work a week doing other things. Working in the informal sector or doing casual labor, working in construction, working on their own farm. You could say their employment prospects outside the firm were much better than it appeared in the months before they were applying for the job.

That's not totally shocking. People are applying for jobs precisely at the time when they have the least employment, but it was anyone's guess what their outside opportunities were.

Then it turned out that these informal opportunities in farming and what not, as miserable as the wages were and as uncertain as they were in some ways, they were much higher than the factory was paying. And so if you stayed with the factory your income was essentially identical. You had a lower wage but more and steadier hours, at least from a week to week basis; and your option outside of the factory was a higher wage with lower and less steady hours, but over the course of a month most people were getting the hours they needed.

Over the horizon of a month or a few months your income was the same in both options. So unless you really hated month to month or week to week volatility, then it's not clear there was any real income advantage to one over the other.

Julia: But then can we still conclude that people were at least made not worse off by having the option of taking the factory job? Because they ... Well, potentially better off in the sense that they might prefer lower risk or more stability, and that bundle is worth it to them?

Chris: Some people did, and if it weren't for the fact that we also found a rather puzzling but rather worrisome increase in health problems amongst those who were offered the job.

Here's an important detail before I get into that. Most people quit the job. They started the job — they often didn't have any factory experience, and something like 10% didn't show up or quit the first day, and then within a couple of weeks, something like a third had quit. By the end of the year, only about a third of the people who were offered the job were not only in the job, but still in the industrial sector anywhere.

So two thirds of the people offered this job not only quit the job but quit the whole sector and didn't try to get a job in another industrial firm. Meanwhile [some] out of the control group managed to try out one of these jobs, and also for the most part quit, so-

Julia: Oh, got it, because you weren't banning them from taking any job at any factory. You were just withholding a job from this particular factory. Or, not withholding, but just not putting them in the group of people —

Chris: We didn't blacklist anybody. We told the firms, "Just try not to hire these people for a few weeks," and for the most part the firms didn't end up hiring them.

The people in the control group — who didn't get either the job offer or our other cash grant and business development program — they found jobs if they really wanted to at another factory eventually. By the end of the year, all we'd done is ... You could think of the treatment actually as increasing the number of weeks of time you had factory work during the year. The average person who was offered the job had 20 weeks of factory work during the year, and the average person who wasn't offered the job had 10 weeks of factory job per year. So the treatment was 10 weeks of factory work, is one way to think about it.

Then the people who didn't get offered any of the programs, at the beginning, nobody had any real health problems. By the end of the year, on the day we interviewed them, about 4% reported some sort of serious difficulty doing some sort of basic activity of

daily life, like standing or walking, and those mostly seemed to be chronic issues. It wasn't just malaria that day or maybe a flu, although sometimes that was the case. So 4%, that's the baseline. 4% have some sort of health problem.

And in the people who were offered the job it was 8%. So that doubled. You have to remember, most of these people had quit, so what that is, is an extra 10 weeks of factory work raised your risk of reporting a serious physical ailment by 4 percentage points. That's like 1.2 or 3 percentage points per month of factory work.

Julia: Yeah, and if you can extrapolate forward...

Chris: Yeah, these are small numbers, so we do have to be careful. We're talking about 1,000 people in total, and each treatment group is about 300 and change. In each treatment group we're talking 20 or 30 people with a serious ailment, and so you have to be a little bit careful. But they're statistically significant and rather worrisome numbers that aren't pointing in the direction you would've hoped.

Julia: Yeah, and the whole argument about how giving people additional options, even if they're bad options, can't make them worse off — That if people are freely choosing those options then clearly they must think that those are better than what their outside options were — That whole argument relies on the assumption that people have full information about what the relevant costs and benefits of the options are. So that their free choice is an informed choice.

... So I'm wondering whether the health risks of the factory jobs, whether we have reason to believe that those were known to the workers who chose them.

Chris: We have a little bit of information on that. I'd say at the end of the day the punchline is I think they understood at least in part. You can understand their decision probably in two or three ways.

One is that they knew there was a risk but they underestimated those risks, and I think that's probably true. They didn't necessarily change their perception of risk, even after the experience. I think they understood that there were some risks. You could see it as they make that choice because it's rational, but nonetheless they're making a very constrained choice.

We look at the factory jobs in some sense as a safety net. This is how people were using them. They were using them for a few weeks or a few months when they really needed cash, because they were unpleasant and a bit risky, and so they're not necessarily a choice people would've made if they weren't somehow desperate.

You might look at them in the same way that we look at payday loans or other quasi-extortionary lending. A market will generate these, and it might be myopic people who take up these loans, but it's such a big portion of the population sometimes, and it's actually people who just really need that thing and they take it even though it actually could lead to bad outcomes. It might be better than their alternative. On the other hand, I think there is something to the story that they might not have really understood the choice they were making.

Julia: And you can make the case that \*even if\* people are freely choosing this unfortunate bundle of health risks and low wages, et cetera, there is still potentially an ethical case for not giving them that option. I'm a little leery of that case, but I know many people make it. But then there's the separate question of, are they even freely choosing? Which makes it even harder to defend. ...Or not freely, but with full information.

Chris: I'm not sure that anybody has full information. I think even the factories are ... The factories are providing protective equipment. Take the greenhouse operations for example. There's a lot of chemicals. This is one of the sources of repetitive stress injuries and things associated with chemicals seem to be part of the story. We're going back in a few months to investigate this in more detail four or five years afterward. This happened some years ago, and we're going to have much longer term results now with much more detailed health impacts.

There's a lot of chemicals involved in dyeing textiles. There's a lot of chemicals involved in gluing shoes. There's cleaning solvents and there's sprays and other things in these commercial farms. Say your job was spraying at the commercial farm, spraying chemicals to get rid of pests. They would test your blood every week and check for toxins, and then if your toxin levels got too high because you'd gotten exposed to something then they'd send you off to the packing area for a few months or at least a few weeks, and then you might get rotated on.

Julia: So you think that the health problems were not the result of lax worker protection standards, or the result of cutting costs or taking advantage of the low regulation in Ethiopia, or something like that? These were just risks inherent to the work?

Chris: Who knows what these chemical effects are? Maybe they know, but I'm not sure the firms or anyone really understands. I certainly don't understand the precise risks associated with some of these chemicals.

But if your toxin levels are going up enough that they're rotating you off, that might be a reasonable thing to do as a firm, especially if you're uncertain of the health impacts. And it may seem reasonable to the employee, but that doesn't mean that a year or two later, unbeknownst to everybody, that actually there are all these hidden costs that people who quit and go on to other things suddenly tend to experience over time. And it may get worse over time, or it may get better over time. We don't know yet.

But I think there's a lot of hidden risk. It's very hard to connect cause and effect in these circumstances, and I can see how this becomes an argument for for more systematic testing and application of the knowledge.

Probably these are questions that wouldn't have been answered 100 years ago at the same stage of industrialization in the West, but they are answered now, but no one's essentially being held accountable to maintain certain health standards because of what we now know. It's not known there and it's not applied.

Julia: The concern I think people sometimes raise about requiring stricter worker protection laws at these factories is just that it'll raise the cost of operating for the business. And then they're going to be less likely to want to locate in that country with those laws, so

then maybe they go to another country. And the workers in the first country are now worse off because they no longer even have the choice of taking these risky jobs that nevertheless might support them through a rough patch. Does that ...

Chris: Yeah, it's absolutely true. It's a hard tradeoff to make. Right now, what this evidence is suggesting is that someone's bearing the cost. There's always a cost borne for those risks and problems. It looks like the workers might be taking on those costs, and they might be taking on those costs as a result of not being fully informed, not through any malicious way but just because maybe even the firms don't fully understand some of the long term risks and costs.

It's certainly true that if a country unilaterally moved in that direction then it would probably be at a disadvantage. But if the whole industry moved, if those protections or if that insurance was somewhat cost effective... and it might not be, but a lot of measures and a lot of this sort of insurance against these costs and risks might be relatively cost effective. It's not clear to me that you'd see investment globally go down that much. But that's a really hard coordination problem.

Julia: Is there actually empirical evidence that when a country unilaterally passes stricter worker protection laws, that foreign business are less likely to locate there, or more likely to move away? It seems very intuitive that that should happen, but I know there are many cases in economics of some cause and effect seeming very intuitive and common sense, but then the empirical evidence is much more mixed.

Chris: I have no idea. On some level this factory work is very distant from what I've worked on. To the extent I've worked on anti-poverty employment ... Most of what I study is violence and I started studying poverty and employment programs because I wanted to look at the relationship between employment and violence, and this burning question that I had about factories and this existential question about, why am I working on these anti-poverty programs when there firms? Ate at me. That's how I stumbled into this project, but this project is in some ways a bit of a detour.

Julia: What was your personal update from this result? Did it bear at all on that question of the merits of anti-poverty programs, relative to just letting business run its course? Or did it bear on anything else?

Chris: Fundamentally I still believe that unless a country is sitting on a billion barrels of oil, the only path to riches is through industrialization. I don't think we know another way. So there's that.

The gains from that industrialization, I suspect — especially for unskilled, labor intensive industry — the gains from that are probably not accruing to the workers who have a lot of people to compete with. It's not until you get a lot of firms and a huge increase in labor demand, and that's likely to happen at later stages of industrialization.

It's very early days in Ethiopia. At that point you're going to start to see wages get built up and you may start to see those profits being shared. On some level this is just labor markets working like we expect them to. Labor isn't very scarce and skills don't seem to be required for production in these firms, and so firms are just using interchangeable

workers and paying them their reservation wage. Their reservation wage is the least they'd be willing to accept over whatever their outside option is.

Julia: Right, so it doesn't make the worker themselves ... It makes them only negligibly better off, because they're not getting paid more than what they otherwise would've gotten.

Chris: Exactly, and over time as you get lots and lots of labor demand out there for more and more and more firms, and workers' outside options improve, and you can get rising wages, and that's what ... Whether it's in the Mexican maquiladora region, or whether it's in China or whether it's in Bangladesh, we see rising wages over time.

This is precisely why a lot of these firms are looking in Ethiopia, why they went from Mexico to China in the first place, and now why they're looking to go from China to Ethiopia, for example. Because wages are rising in both places. Textile firms and some of the other industries we're looking at are the first ones to jump as soon as wages start to rise.

This is always as expected, so there's no revolution here in economics. It's just saying — yeah, labor markets are pretty competitive and people are being paid no better than their outside options, and there's nothing wrong with that... but these health risks give us some pause.

But meanwhile when we do improve ... The cash grant and the business startup invention, we gave people, I think it was about \$300, plus a few days of business skills training, which is a lot of money in Ethiopia. It's several months of wages at least for these people.

Julia: Did they have to use the money to start their own business, or could they have spent in on anything?

Chris: No, they could do whatever they want with it, and that was made very clear. But you're not going to eat it all. You want to eat some of it in the future. That's what we do when we get a huge lump sum.

It's really hard to save in most developing countries. The idea of putting something in a bank account, or buying mutual funds or things, just doesn't really exist. Inflation is high enough that you don't want to hold it in a bank account or in cash, because inflation is like 15% a year in Ethiopia, so it just depreciates.

Julia: Wow.

Chris: So what do you do to push money into the future? Well, you invest it. You put it into productive assets. That's what most people do. They spend a little, they save a little, but they put a lot of it into productive assets. They put it into cows or a little trading enterprise or things, and they get about 4 or 5 or 6 more hours of work a week. But in this case their earnings went up, I think it was about a dollar a week. Their earnings went up by a third. A dollar isn't a lot-

Julia: Relative to the control group and the factory group?

Chris: Exactly. Their earnings were higher. Their earnings were about 33% higher. It was a small increase over a small number, which is the only reason you get a big percentage change like 33%, but if you're making that little that's a big change. That's a big difference.

Julia: Right, that actually matters! What was your motivation in including that third group to compare to the factory jobs? Was the idea that these kinds of grants are actually a feasible alternate approach to development?

Chris: No. We knew from other research that that was likely to happen, that people will invest money in productive assets and they'll raise their earnings.

I think the idea was to say, let's simulate an alternative-universe Ethiopia where people's outside options are better because something's different. Maybe the informal sector works better, or access to finance is really cheap, so that people can productively invest when they have good ideas. They don't have to get a cash grant. A cash grant won't lead you to invest if financial markets are working well, because you could've borrowed that money anyways and you'd be producing your best amount.

So cash grants only work when people are constrained financially for some reason. So we were simulating a world where people's outside options were better, and we were saying: how does the factory job compare to that alternate world, where some event, not necessarily a large scale cash transfer program which isn't too sustainable, but one where maybe informal labor market opportunities are better? How well do the factories perform relative to that?

In those cases we actually saw, for example, I think the control group — who didn't get either program — I can't remember the exact number, maybe it was half, tried out a factory job during the year. It was probably a little less than half.

By the end of the year, 20% were engaged in factory work. That's compared to the 33% of people who'd been offered the job. Being offered the job increased the likelihood that not only you had tried factory work but you were still in it, but it was only 10 percentage points.

It was only 10% of the people who received the cash grant, so it basically halved the likelihood that you went searching for a factory job and that you were still in a factory job at the end of the year. So you improve your opportunities just a little bit outside, and you get some extra cash. You do the equivalent of making financial markets work better, and people are half as likely to apply for these factory jobs, at least at the prevailing wages.

Julia: Oh, did you also have thoughts about the connection between factory jobs and violence? I was interested in that thread and we didn't really go down it.

Chris: We are a little bit now because there has been some unrest in the region of Ethiopia where a lot of this industrial development is going on, and some of that unrest is over this industrial development, particularly some of the land issues it's creating. That gets us into the muckety-muck of Ethiopian politics and what's going on right now.

So we're going to look a little bit into this, but I don't expect a big connection. In general, across the board, it's hard to find a connection between how well someone's doing economically in terms of their employment and their income, and maybe how aggressive they are.

Or — well, there's some relationship in terms of whether they pursue criminal careers. If they go into work as a mercenary or if they go and work as part of a criminal, either petty crime or engaged in organized crime, at least where those opportunities exist. They don't exist in Ethiopia for the most part, but places where they do, having more income affects that margin a little bit. You're a little bit less likely to engage in crime or paid conflict. It's not clear it has much of a relationship to the kinds of conflicts that are not motivated by your material interests.

Julia: I actually would have expected there to be a correlation, at the very least — because I believe that IQ is correlated with propensity for criminal activity, and also IQ is correlated with your income, so I would expect that to be transitive.

Chris: There could be a correlation ... I'm not sure if that would hold in developing countries where I think the things could work, but I guess I'm talking about the evidence we have from, say, randomized control trials. Trials where we would take very poor people — I've worked with a lot of ex-combatants, particularly in Liberia, and a lot of street youth and people engaged in crime, and worked on programs to increase their incomes, and maybe increase their incomes by a dramatic amount. The same way we increased Ethiopian incomes by a dramatic amount. And they have opportunities for crime or illicit activity — you then see those criminal and illicit activities and mercenary work go down somewhat, but it's certainly not one for one.

Another interesting thing is they often don't exit. If you have the opportunity ... Economic life for a lot of poor people is about having a portfolio of activities that generate income. Just like your retirement portfolio has many, many stocks in it, because that's your optimal strategy for maximizing return and minimizing risk.

The same holds true if you're very poor. Over the course of a year, maybe even over the course of a week, you'll work on multiple activities with multiple streams of income, and that's risk-mitigating. If one of those things that's open to you is crime, for example, if the returns to crime go down relative to your non-crime work, then you're going to shift away from crime towards non-crime, and that makes sense.

In fact if you're engaging in this as a risk mitigating strategy, it's not clear it ever makes sense for you to stop doing crime, just for these economic incentives. It always makes sense to still have it in your portfolio. Partly so that you can shift back over if the returns change, and partly because having this extra item in your portfolio actually reduces risk. That's the other reason why you wouldn't expect there to be a really strong relationship between income and crime.

Julia: While we're on the topic of crime, I remember reading — I don't remember if this was a study you yourself did, or a study you were discussing on your blog, but it was about the effects of cognitive behavioral therapy on combatants, or ex-combatants, in some African country. Can you talk a little about that?

Chris:

Yeah. That's a little bit closer to my day job, in the sense that, after working for a long while on different economic programs to see if they raise the legitimate employment opportunities of these high risk men, whether or not that reduced their participation... when that didn't seem to be so effective, I started looking at other strategies. And one of them was stumbling across this program, this small organization in Liberia. An organization of ex-combatants and people who had lived on the streets, or engaged in mostly disorganized crime, and had either rehabilitated themselves or gotten lucky and gotten out. Or more specifically, had been helped out by the founder of this organization, a guy named Johnson Borh.

I knew Johnson through various means, but I didn't know him that well until one day when I was actually sick and I was stuck in Monrovia, ill. I recovered, but not well enough that I could leave the capital. And so I decided I'd get to know the seedier side of the capital to understand how illicit markets were working, and what sort of problems were there.

I had Johnson take me around, for maybe a week, to the seedier corners of the city. To understand how drug markets work, to understand how fencing of stolen goods works, and all this. And every time we would go to some drug den run by so-and-so, or some little guild of — and I use the word guild generously, but basically the area where all the cellphone thieves hang out and so forth... There would always be somebody, maybe with a little legitimate business nearby, and he'd come over and give Johnson a big hug. And I asked how they got to know each other and he said, "Well, I used to be like those guys," and he'd point over to the drug den or he'd point to the cellphone thieves. He says, "And then I went through Johnson's program."

At one point I said, "Johnson, what is this program? Tell me what you do." He says, "Well, we transform youths' lives." "Whoa, whoa, whoa. I don't even know what that means. What do you do on day one? Okay, what do you do on day two?" Step by step. And we wrote it out. Now it's a 50 page manual, now it's a long manual, but we sketched it out in a few pages.

Then I showed it to my wife who's a psychologist, and I showed it to a colleague who's a psychologist, and I said, "What do you make of this? Do you remember that guy Johnson?" And they went, "Oh. This basically looks a lot like cognitive behavior therapy."

This is like an approach that we would use to treat a lot of problems in any normal population. It's used widely in the US. There's a lot of rigorous evidence for it. It's similar to the way we would treat aggression problems in the US, but it's got these weird applications. It's basically trying to treat a different set of problems. For example, it's trying to get people to basically try on a new social identity as somebody who is not criminal, someone who is mainstream and normal, rather than an outcast and a criminal.

CBT or cognitive behavior therapy is basically learning by doing. That's the simplest way to describe it. It's helping people practice their way to a better life, and learn simple

techniques to overcome automatic impulses or to overcome issues that they're having. You start with baby steps and you can get gradually more difficult.

Julia: I've been interested in it because, in many ways, it's kind of like applied rationality. It's training you to question your initial snap judgments about what's true, training you to recognize your fallacious thinking about yourself and what you can or can't do, or about assumptions you're making about why someone did something, et cetera.

Chris: And recognize physiological responses that maybe lead you to do things that aren't in your long term interest. And that's largely what this was trying to do. It was trying to help people become more planful, and to slow down their thinking at crucial moments.

But also it was trying to let them realize that they could begin to act differently, and behave differently and learn to behave differently, and that people would accept them and they would be happier as a result. It was also helping them get over a hump through some encouragement and some practice and some support.

And that was very successful. It was successful particularly in combination with an economic program, for lots of reasons, including that the economic program helped to reinforce the lessons. But also give them some space, so that it actually helped them exit crime because they could afford to take the risk of getting out of it for a while, and practice being a new person, and then maybe not return to that old self that they maybe didn't like as much.

Julia: Wow. Do you recall what the size of the effect was?

Chris: The first few weeks you saw various types of criminal and aggressive behavior drop by 30 to 50%. And what that is is that's maybe a third or half of the group going from committing a couple crimes a week to committing none, and then the rest maybe just continue with the normal business. Not everyone switches off, but a lot of it is some people just saying, "I'm not going to stop doing that."

Then after a year, the people who only got the therapy had reverted to where they were before, in that in some sense they were drawn back shortly after the therapy into this life. Maybe they couldn't escape it, especially because of immediate financial needs, but a year later the people who had gotten both the therapy then followed by this economic program had these 30 to 50% gains depending on which behavior you're talking about had persisted.

Whether they go beyond a year we don't know. I think about going back. It was such an atrociously difficult study to do that I really don't ... I think it's really important to go back. I often do on a lot of my studies. This is one where I don't know that I have the money or the patience or the capacity for stress involved in trying to work with this population, but I think eventually I'll collect myself and find a donor and we'll do it.

Julia: You're getting too old for skulking around drug dens in Liberia?

Chris: No, I've actually started to skulk around those places in Medellín in Colombia right now, so it's not so much that.

Julia: Okay, that's not exactly safer!

Chris: It was extraordinarily difficult. These were guys with no fixed address, and many aliases and often are evading people. Maybe the law, maybe somebody they owe money to, maybe some unsavory character. It's just extraordinarily difficult to find them, and then it's just extraordinarily difficult to work in what's ... It's not quite a failed state, but it was.

And then it's one of the world's poorest countries for a reason. Life is disorganized. The state's disorganized. Society's disorganized. Crime's disorganized. It's just extraordinarily difficult to get things done. Things go wrong every 15 minutes and it's very hard to solve those problems, and so it just becomes ... It's superhuman, and it's just really hard to work there.

Julia: Yeah, that makes sense. Well, that was a fascinating tangent that I hadn't actually originally intended to discuss, but I'm glad we went down.

We have just a few minutes left in the episode, and there was one other globalization related question that had been on my mind as I was reading your blog that I wanted to pose to you. Basically, this is broader than sweatshops but about globalization more generally.

A lot of people have been thinking and discussing in recent weeks about whether the downsides of globalization might be greater than we had blithely assumed all this time, or that maybe we were failing to give enough respect to the people who are being hurt by globalization. And we were just blithely saying, "In the long run it makes everyone better off," but of course there are losers as well as winners. Some of the support for Trump and some of the support for Brexit were vindications of that view, many felt.

There were several things you posted on your blog recently about your thoughts on the ethics and strategy of globalization. Has your perspective on that changed at all after recent events? Do you take the standard, utilitarian [view] "We should just do what's best for everyone, and there's no justification for prioritizing workers in our home country just because they're in this country, if prioritizing their needs means that people as a whole are worse off then?"

Chris: Over the past few years, my thinking has evolved. Before I even entered graduate school, and this is now more than 15 or 16 years ago, I think the reason I started working in international development was partly because I felt the need and the desperation in other countries was so great. I thought the returns to spending some time and energy were much greater because the problems are going to be easier to solve.

I think those things are all true and remain true, and I did have the sense that when someone complains about a job leaving the US to go to Africa, I think, well, it can really be used here. Being poor here is one thing and being poor in Africa is another thing. In most African countries it's a battle of survival.

I guess what's happened over the last 15 years is I think the pace of globalization and the speed of economic transformation in the United States, and the developed world in general but really the United States, has really surprised people. I don't think that many people ... David Autor at Harvard, or is it MIT? Now, I'm blanking. Has done some great work on this, and I've heard him speak about how what we've seen was not outside the realm of possibility but was somewhat unexpected in its speed.

Also, the seemingly dismal prospects for a lot of people, mid career, to change and retool for another job... and so it's not so much that I think in the long run or even the medium run we should have a different outcome. I do think that some equalization of industrial development around the world is really important — and indeed ethical and essential and inevitable. But it's happened so quickly that it's been dislocating. And so I can see a really good conceptual argument, maybe an incredibly strong conceptual argument, for trying to slow the pace of change and that this is too rapid.

Now, doing that in practice is incredibly difficult, but we haven't spent a lot of time thinking about it. And people are very careful, and yes, a lot of things get perverted by the political process and what not, but I guess I look back and I say, I think it happened too fast. And I think it's fair ... I think it's unreasonable to say all the jobs should just stay in the US. But I think it's reasonable to say that all of us ... None of us know what's going to befall our industry in the next so many decades, including academics, and so all of us have a shared interest in in some sense insuring ourselves against rapid change. And that seems like a reasonable-

Julia: Even at the expense of ... Because even if we end up at the same end point, making the pace slower is still causing harm. Or it's failing to help people in the short term who are not getting the jobs as quickly as they would have if you hadn't slowed down the pace, basically. So it still seems like a compromise between — maybe this is intentional on your part? — It seems like a compromise between prioritizing the needs of people in our home country versus the needs of people worldwide.

Chris: Partly it's a compromise. And it's reasonable in part because, as a society, I do think that you can choose if you want to prioritize insiders over outsiders. I think that's a legitimate choice to make as a society, at least in part, especially if it's saying “we want to slow change down.”

But also I think with the recent election, and indeed in many recent elections around the world and many recent events around the world, I think that pace of change isn't really politically sustainable. It may be that the smoothest, least volatile path towards equalizing global income requires a slower transition path, and that might actually do more good in the long run.

That's a really tricky argument to make. I think the only way you can really make it in a strong way is by saying “Listen, we as a society, we as a country are allowed to weigh some people more than others. We're not going to be strict utilitarians.” And that's a hard choice to make.

Julia: My own evolution on this subject has been not just strategic — although I agree with you that there is a strong strategic case for slowing the pace, even if all you care about is the total utilitarian outcome.

But even just ethically, I think I've been moving from a local way of making utilitarian calculations — where, in this particular instance people would be better off if we made this particular choice... I've been moving away from that, to a broader conception of utilitarianism.

Where in this case, that might mean saying, “Well I don't necessarily think the social compact that we've ended up at, where it's okay for people to prioritize their own tribesmembers over non tribesmembers — maybe I don't agree with that. But I do think that a world in which social compacts are honored is going to be a better world than a world in which social compacts are not honored. Or in which social compacts are not honored if in that particular case there was a utilitarian reason to not honor them.”

Chris: Right, especially when a social compact is based on something very reasonable which is insurance. Which is to say that we all face risks. You pull down the veil of ignorance... You don't know maybe what kind of career you or your child will have, and so having a social compact that allows some insurance against these unpredictable technological changes that could rob you of your job mid career is actually a reasonable kind of insurance contract to make with your neighbors. And that is very naturally going to be done with people potentially nearby you, and in your country and in your political unit.

So if you're born into a world of social compacts and of this territoriality, then I think it's a very reasonable and ... It's something that reasonable people are going to disagree about, but it's something where I've shifted a little bit away from being a very in some ways extreme ... I wouldn't say utilitarian, but someone who regardless of your calculus, if you spent time in northern Uganda during and after the war, or if you spent any time in Liberia, if you spent any time in some of the places where I've spent time, it is very, very difficult to come back and say, well the allocation of energy and resources and empathy that we have as a society is allocated anything close to correctly.

Julia: Yeah, absolutely. Well Chris, we're actually over time but I wanted to give you the opportunity before we close to make a recommendation to our listeners. We call this the Rationally Speaking pick of the episode. It's a website or a blog or a book, or even a journal article that has influenced your thinking, or that you think would be interesting to our listeners.

Chris: Sure. I have a post on my blog where I say the ten books or something ... I think it's called the books that development and international workers should read but never do, or something like that.

Julia: Oh, great. We can link to that on the podcast website, but why don't you pick one to talk about?

Chris: I would say two authors and two books in particular that I always push on my students, my colleagues, a lot of people who work internationally... One is called *The Anti-Politics Machine* by an anthropologist at Stanford named James Ferguson. Another is really any

book by the political scientist at Yale named James Scott. *Seeing like a State* is a fantastic one, or *The Art of Not Being Governed* is another.

There's so many things to talk about with these books. I think maybe a couple of the big picture thoughts: One is, it's an error commonly made as social planners, or people who are even just thinking about how to make the world a better place. It's easy to treat international development or international intervention of any kind as a technical problem to be solved, and not a political problem, one that relies on a lot of complicated political and social assumptions. And if you ignore those, you really misdiagnose the situation. A lot of things go wrong, in that the social planner — or the do-gooder or really any bureaucrat or anybody who's just trying to go out and make a difference — falls into these traps all the time.

And so I think they're really enlightening books. I think they're two of the deepest books and deepest thinkers out there, and they're universally read by PhDs in political science and anthropology, and then almost ignored outside of that. So I really urge people to go read those books because I think those are two of the most influential books on my thinking in the last 10 or 15 years.

Julia: Actually *Seeing like a State* is on my list of books that have deeply influenced my thinking too, despite not being in that field.

Chris: That one's more commonly read than *The Art of Not Being Governed*, but arguably that's the better book.

Julia: Interesting. Excellent. Well, we'll link to those books as well as the list on your wonderful blog and to your papers as well. Chris, thank you so much for being on the show. It's been a pleasure.

Chris: Yeah, thank you.

Julia: This concludes another episode of Rationally Speaking. Join us next time for more explorations on the borderlands between reason and nonsense.