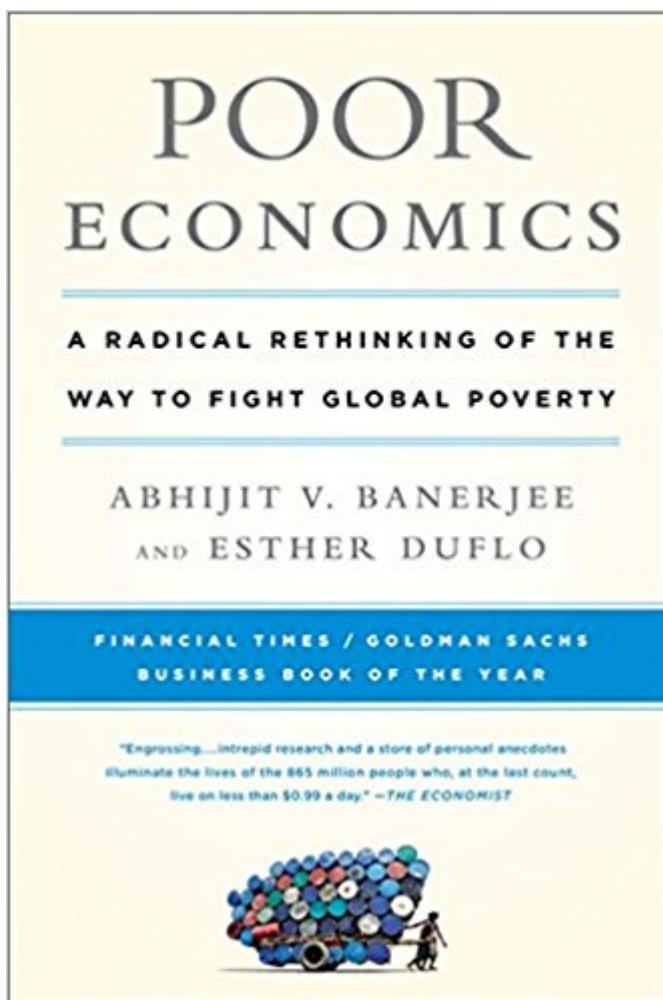


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# Poor Economics: A Radical Rethinking Of The Way To Fight Global Poverty



## Synopsis

Why do the poor borrow to save? Why do they miss out on free life-saving immunizations, but pay for unnecessary drugs? In *Poor Economics*, Abhijit V. Banerjee and Esther Duflo, two practical visionaries working toward ending world poverty, answer these questions from the ground. In a book the Wall Street Journal called "marvelous, rewarding," the authors tell how the stress of living on less than 99 cents per day encourages the poor to make questionable decisions that feed not fight poverty. The result is a radical rethinking of the economics of poverty that offers a ringside view of the lives of the world's poorest, and shows that creating a world without poverty begins with understanding the daily decisions facing the poor.

## Book Information

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## Customer Reviews

Amartya Sen; A marvellously insightful book by two outstanding researchers on the real nature of poverty. Steven D. Levitt; This book is a must-read for anyone who cares about world poverty. It has been years since I read a book that taught me so much. "Poor Economics" represents the best that economics has to offer. Robert Solow; Abhijit Banerjee and Esther Duflo are allergic to grand generalizations about the secret of economic development. Instead they appeal to many local observations and experiments to explore how poor people in poor countries actually cope with their poverty: what they know, what they seem (or don't seem) to want, what they expect of themselves and others, and how they make

the choices that they can make. Apparently there are plenty of small but meaningful victories to be won, some through private and some through public action, that together could add up to a large gains for the world's poor, and might even start a ball rolling. I was fascinated and convinced. *Philanthropy Action*, April 25, 2011; Banerjee and Duflo write exceptionally well, and given that there are two of them, the voice is surprisingly singular. But the real surprise in this book is its humility. Both the authors and the material they pull from are truly formidable, yet Banerjee and Duflo are not really out to make a hard pitch, least of all to die-hard Big Idealists who disagree with them. As such, there is nothing directly confrontational about Poor Economics. They are peeling the onion, not hacking it to pieces. *The Guardian*, May 18, 2011; Abhijit Banerjee and Esther Duflo's book, *Poor Economics: A Radical Rethinking of the Way to Fight Global Poverty*, is making waves in development circles. Beyond the strong focus on randomised control trials, the book distinguishes itself by wading into issues on which the development community has often ignored or made uninformed guesses. These include the rationale behind the decisions made by the poor, whether they make the "best" decisions available, and how policymakers should respond. *Matthew Yglesias*, May 7, 2011; Esther Duflo won the John Bates Clark medal last year for her work on development economics, so I was excited to read her new book with Abhijit Banerjee *Poor Economics: A Radical Rethinking of the Way to Fight Global Poverty*. It's a good book. It doesn't really contain a radical rethinking of the way to fight global poverty, but it does try to cut past lame debates over whether or not foreign aid works to instead attempt to find ways to actually assess which programs are working, which aren't, and how to improve those that don't. *The Wall Street Journal*, April 30, 2011; Marvelous, rewarding; More Than Good Intentions; and *Poor Economics* are marked by their deep appreciation of the precariousness that colors the lives of poor people as they tiptoe along the margin of survival. But I would give an edge to Mr. Banerjee and Ms. Duflo in this area; the sheer detail and warm sympathy on display reflects a true appreciation of the challenges their subjects face; They have fought to establish a beachhead of honesty and rigor about evidence, evaluation and complexity in an aid world that would prefer to stick to glossy brochures and celebrity photo-ops. For this they deserve to be congratulated; and to be read. *Business Day (South Africa)*; An inspiring book full of insights and empathy that should be mandatory reading for policy makers and aid workers alike. It strips away preconceptions and offers a wealth of new perspectives. With passion, enthusiasm and a true spirit of scholarship they have tried to pin down the often very simple ways in which the lives of the poor can be improved through, for example, better access to healthcare,

education, food and finance — all vital to economic growth. — Book Dwarf, February 14, 2011

They have a compelling argument that antipoverty programs can be effective if properly designed, and illustrate ways to test them to make sure they actually work. The writing style is accessible and engaging, but it's not dumbed down or over-simplified. The complexity of the subject means that this book is taking me longer to read than other books, but I've found the effort genuinely rewarding. — Kirkus Review, April 15, 2011

The Guardian, April 11, 2011

[Banerjee and Duflo] offer a refreshingly original take on development, and they are very aware of how they are bringing an entirely new perspective into a subject dominated by big polemics from the likes of Jeffrey Sachs and William Easterly; they are clearly very clever economists and are doing a grand job to enrich their discipline's grasp of complex issues of poverty — so often misunderstood by people who have never been poor. — The Economist, April 22, 2011

In an engrossing new book they draw on some intrepid research and a store of personal anecdotes to illuminate the lives of the 865m people who, at the last count, live on less than 0.99 a day. — The Economist's Free Exchange Blog, April 21, 2011

Let me recommend it; Poor Economics is more than just a compendium of the randomistas' greatest hits. For one thing, it contains some well-observed reporting. — The Economist's Free Exchange, April 21, 2011

To cut to the chase: this is the best book about the lives of the poor that I have read for a very, very long time. The research is wide-ranging. Much of it is new. Above all, Banerjee and Duflo take the poorest billion people as they find them. There is no wishful thinking. The attitude is straightforward and honest, occasionally painfully so. And some of the conclusions are surprising, even disconcerting. — The New York Times, May 19, 2011

Randomized trials are the hottest thing in the fight against poverty, and two excellent new books have just come out by leaders in the field. One is Poor Economics, by Abhijit Banerjee and Esther Duflo; These terrific books move the debate to the crucial question: What kind of aid works best? — Forbes.com, April 25, 2011

a compelling and important read; an honest and readable account about the poor that stands a chance of actually yielding results. — &#147;Their empirical approach differs from policy discussions that base support or criticism of aid programs on a broad overview; instead they illuminate many practicable and cost-effective ways to keep children and parents living healthier and more productive lives. An important perspective on fighting poverty. — The Guardian, June 6, 2011

Duflo and Banerjee tell these stories (of their randomised control trials) in a lovely new book called Poor Economics. As they admit, randomistas cannot answer some big questions — how to tackle food prices, for instance. But through lots of microstudies, they make a subtle

case for one big argument: aid really can help poor people, provided the money follows the evidence.â€¢ Vancouver Sun, June 11, 2011; This new book by Abhijit Banerjee and Esther Duflo eschews the ideology of both the right and the left, and focuses on what measurable evidence has to say about the often-conflicting myths that dominate discussion of international development. The book is unusual, perhaps unique, in that the authors took a lot of time to talk to poor people about what they think and what they want.â€¢ Seth Godin (blog), June 15, 2011; Fact-based, actionable and totally unforgettable insights on the fight to help the poor help themselves.â€¢ Financial Times, April 30, 2011; The ingenuity of these experiments aside, it is the rich and humane portrayal of the lives of the very poor that most impresses. Both books show how those in poverty make sophisticated calculations in the grimmest of circumstances; Books such as these offer a better path forward. They are surely an experiment worth pursuing.â€¢ Cleveland Plain Dealer, May 2, 2011; Here's something Jesus might recommend: Reading the clear, calm and revelatory book "Poor Economics," from Abhijit Banerjee and Esther Duflo. It is gloriously instructive, and bracing testimony in itself to the gold standard of the Enlightenment: the scientific method. The authors, both economists at MIT, spent 15 years in the field, running randomized controlled trials to test various approaches to combating poverty. They bring both rigor and humility to a predicament typically riven by ideology and blowhards.â€¢ Financial World (UK), June 2011; A remarkable work: incisive, scientific, compelling and very accessible, a must-read for advocates and opponents of international aid alike, for interested laymen and dedicated academics; Amartya Sen, fellow Nobel Prize winner Robert Solow and superstar economics author Steven Levitt wholeheartedly endorse this book. I urge you to read it. It will help shape the debate in development economics.â€¢ Financial Express, July, 2011; [Banerjee and Duflo] draw upon the latest literature in the domain, write simply and succinctly on complex issues, display a level of honesty and humility rare among economists, and take the help of many highly illustrative examples to help us understand poverty from many different angles. The overall message is unambiguous. This is a complex problem, the causes and symptoms of which vary highly between individual cases. The solutions? Well, they are rightly silent on that; at best there is a murmur or two. Poverty is not a single problem so the solutions are too case-specific for a single solution; This should be standard reading and essential material in all aid organisations and more so in the National Advisory Council, Planning Commission, Prime Minister's Office, and the various ministries; all those who don't spend time understanding poverty in close vicinity.â€¢ Development Policy (blog); The persuasiveness of 'Poor Economics'; lies in its authors;

intellectual approach; Moreover, it is well organised throughout and nicely written; Poor Economics; is well worth reading in full. *Fast Company*, June 15, 2011; Fascinating and captivating. Their work reads like a version of *Freakonomics* for the poor. There are insights into fighting global poverty from the remarkable and vital perspective of those whom we profess to serve; They remind us, I think, of our shared humanity and how at some fundamental levels we really do think alike. *IndianExpress.com*, June 18, 2011; This is a welcome shift in methodology as it implicitly concedes the need to combine social science with hard economics. *Outlook India*, June 25, 2011; It vividly, sensitively and rigorously brings alive the dilemmas of the poor as economic agents in a variety of contexts, whether as consumers or risk-takers. There are splendid chapters on a variety of topics that affect the poor: food, health, education, savings, micro-credit, insurance, risk and even some cursory observations on political behaviour. *Reilly Media*, *Radar* blog, June 27, 2011; This is possibly the best thing I will read all year, an insightful (and research-backed) book digging into the economics of poverty... Love that the website is so very complementary to the book, and 100% aligned with the ambition to convince and spread the word. *Publishers Weekly* (online), May 2011; *Business World* (India) 7/30; Banerjee and Duflo assemble a fascinating assortment of interventions from across the globe in their book and they use the sharply differing perspectives of Sachs, who leads the "supply wallahs" (this school believes in providing more schools, teachers, etc., to beat the education problem) and of Easterly who is a "demand wallah" (no point in providing education needlessly) as a backdrop to make their own points on how to avoid the poverty trap. They offer five key lessons. First: the poor lack critical pieces of information and thus do not make right decisions; second: the poor bear responsibility for too many aspects of their lives; third: markets are missing for the poor; four: governments start policies without understanding the reality within which these are supposed to succeed; and five: negative expectations of what people can do can be self-fulfilling prophecies. Modest suggestions? Yes, but this is part of the charm of the book. It is engaging and informative; which is more than can be said for many books of this genre.

Abhijit Vinayak Banerjee is the Ford Foundation International Professor of Economics at MIT. He is the recipient of many honors and awards, including most recently the inaugural Infosys Prize in 2009, and has been an honorary advisor to many organizations including the World Bank and the Government of India. Esther Duflo is the Abdul Latif Jameel Professor of Poverty Alleviation and

Development Economics at MIT. She is a recipient of the MacArthur "genius" award (2009) and the John Bates Clark medal awarded annually to the best American economist under forty (2012). In 2003, Banerjee and Duflo cofounded the Abdul Latif Jameel Poverty Action Lab (J-PAL), which they continue to direct.

As a development professional (i.e. someone who is paid to help poor people in poor countries) I'm very happy to see how the experiences and theories of the authors meld with my own experiences of how poor people in developing countries conduct their lives and organize their livelihoods. As such, I'd say the book serves as an excellent introduction to the economic lives of the poor (although there is another book entitled exactly that, also excellent) and what type of development interventions are likely to work. The authors advocate for a more measurable approach to development: conduct development projects like scientific experiments to see what works and what doesn't. In the jargon, this is known as using Randomized Control Trials (RCTs). The authors are very reasonable and don't see RCT's as a cure to all ills, but a step on the path to making development projects a bit more effective. The book functions as an introduction to the use of RCTs in development projects. There are many objections to the effectiveness of RCTs. But the major one is this: In most scientific experiments, an experiment can be replicated by someone else doing the exact same thing and end up with the exact same result. This is called, in the jargon, external validity, and is necessary for science to be, well, science. Unfortunately, there is no guarantee of external validity in international development. There are simply too many unknown unknowns and uncontrollable variables that a successful development project in one place and time has no guarantee of working in another. So, if this makes any sense, RCTs are not very effective in improving aid effectiveness. In my own experience, there are three practical problems with implementing RCTs: 1) You need to have very smart, well trained people involved from the beginning to ensure the construction of the experiment is valid. This is not always possible. 2) These things are very very expensive to do. 3) Development organizations that do the implementing of projects don't want their projects evaluated since they see it as a way to cut funding. Insofar as RCTs can be used as an organizational learning tool, there are cheaper methods of M&E (monitoring and evaluation, the jargon again) that can accomplish just that. All in all, a very good read. The book is obviously meant for a wide audience and is easy reading. As someone who knew a lot about what was introduced, I still found it worthwhile to read.

This book is great for those who seriously want to learn about how economics works for the very

poor, who Banerjee and Duflo categorize as those who live on 99 cents a day or less. If you're interested in political cheap shots, feel-good straw man arguments, or emotional windbaggage, look elsewhere. Economics is a subject that is easily derailed by partisan jargon and pseudo-intellectualism, so I am always wary of each new econ book I pick up. Poor Economics is written by serious economists who have no time for such nonsense, and this is reflected in the high quality of the book. The authors seriously engage two different perspectives throughout the book - one that argues that aid to the global poor often makes matters worse, and the other that argues that the poor cannot rise without heavy external (often government) help. The strengths and weaknesses of each are pointed out dispassionately for a variety of cases and circumstances. With each explanation of why one approach succeeded or failed, you gain a better understanding of how economics for the very poor works. The authors make pervasive use of empirical studies and provide meaningful analysis for each one. Good (economics) books teach you not what to think, but how to think. With this definition, Poor Economics easily qualifies as quite a good book.

One of the few books on alleviating poverty rooted in experimentation. It is an approach that is more likely to be correct for two reasons - 1. there is less ideology, aside from the need to measure and 2. You are forced to re-evaluate bad theories. This is such a welcome approach compared to the deeply ideological approaches of a Jeffrey Sachs or Easterly or Mohammed Yunus. Most books in this genre have grandiose single concept theories with minimal experimental support. They also frequently need to upend common sense to make a point. This book takes the reader where the data leads - sometimes reaffirming common sense, sometimes overturning it. Ideas emerge out of an openness to experimental outcomes.

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