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The gospel according to Banerjee and Duflo

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Book review

The gospel according to Banerjee and Duflo

Nicholas Spaul

Poor economics: A radical rethinking of the way to fight global poverty

V Abhijit Banerjee & Esther Duflo

Public Affairs, New York, 2011, 320 pp., R215/\$16, ISBN 1586487981

In their latest book, *Poor Economics*, Esther Duflo and Abhijit Banerjee present a highly readable overview of the problems facing the world's poor and the most effective ways of overcoming those problems. The book covers the usual suspects of poverty research (health, education, nutrition, family size and financial access), and provides an overview of the findings from randomised control trials (RCTs). It reads as a non-technical summary of the authors' research over the last two decades and is completely free of economic jargon and theoretical grandstanding, making the book accessible to non-economists.

Those familiar with RCT research will find the numerous illustrative stories enlightening and informative. By painting a nuanced picture of the lives and choices of the poor, the authors make it easier for us to understand the sometimes elusive logic that drives households, families and individuals to make the choices they do. Yet although the book is filled with colourful vignettes and moving anecdotes, the authors do not base their recommendations solely on a few personal encounters – as is so often the case in qualitative research. Rather, the anecdotes make the results more accessible to a general readership, while still providing exhaustive references to the less palatable RCTs in the endnotes of the book.

One of the motifs that runs throughout the book is the humanisation of the poor. By placing their evidence in the wider sociological context that poor people inhabit, the authors help us to see that while the world of the poor is vastly different from our own the contradictions and complexities inherent in all human behaviour are no less prevalent there.

An unusual feature of the book is its companion website (www.pooreconomics.com). This site provides downloadable data for each chapter, as well as data-visualisations and extensive references and research links. One section of the website is devoted to 'Teaching the book', offering lecture notes, problem sets, podcasts and assignments for each chapter. Another section, entitled 'What you can do', keeps in step with the book's pragmatic ethos by providing links to organisations involved in various philanthropic projects around the world.

The book concludes with 'five key lessons' from the authors' research, an interesting and informative list of five factors they consider to be significant reasons why the poor remain poor:

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- *Information deficiency*: The poor often lack information. For example, they may be unaware of the benefits of immunisation and early education, or the risks of HIV infection.
- *Lack of access*: They lack access to financial products such as savings and retirement accounts and to medically enhanced products such as chlorinated water, iodised salt and fortified cereals – all of which could substantially improve their lives.
- *Missing markets*: Although there are success stories of markets emerging to meet the needs of the poor (microcredit for one), often the conditions for a market to emerge on its own are simply not there. This deprives the poor of many services that would enhance their lives, especially health insurance and no-frills savings accounts.
- *The three Is*: Rather than predatory elites, it is often the Ideology, Ignorance and Inertia of experts, aid-workers and local policy makers that are to blame for policies failing and aid not having the desired effect. Rather than continually pointing to conspiracy theories that are difficult to prove, we should focus on the errors we know we are making
- *Incorrect expectations*: On the one hand, the poor often do not know what they are entitled to from local government. And, as the authors say, ‘politicians whom no one expects to perform have no incentive to try improving people’s lives’. On the other hand, low expectations of their own capabilities and their children’s educational capabilities become self-fulfilling prophecies.

Throughout the book the authors highlight solutions that have worked in the past and explain why they worked. They make many thoughtful proposals about the way forward, but their most valuable contribution is their pragmatism in tackling the global problem of poverty. They argue that although there are institutional deficiencies in many developing countries, these do not negate the possibility of improving governance and policy. Indeed, their research shows that improvements can be made in spite of these institutional deficits. Thoughtful policies that nudge people in the right direction can have large impacts: ‘We may not have much to say about macroeconomic policies or institutional reform, but don’t let the modesty of the enterprise fool you: small changes can have big effects.’

Having removed the straitjacket of academic formality, Banerjee and Duflo provide a flowing and detailed portrait of the lives of poor people. They are content to confine their world-class research methods and award-winning techniques to the end notes of the chapters and instead give centre stage to the problem at hand: global poverty. This combination of technical rigour, readability and pragmatism is likely to make this book a classic in development economics literature. By moving beyond platitudes and ideological dogma, they show us that a small group of thoughtful, committed researchers can change the way we look at poverty, and, hopefully, also the way to eradicate it.