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Review of Abhijit Banerjee and Esther Duflo, Poor Economics: A Radical Rethinking of the Way to Fight Global Poverty, *Public Affairs, 2012, 303 pp.*

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The World Absenteeism Survey, funded by the World Bank, concluded that in 2002 and 2003 teachers in Bangladesh, Ecuador, Indonesia, Peru, and Uganda missed on average one instructional day out of every five. The proportion was even higher in India. In fact, a team of researchers headed by economist Nazmul Chaudhury found that 50 percent of teachers in the Indian public school system were not in the classroom when they should be. It is not surprising then that 60 percent of children ages 7 to 14 are unable to read a story written at the second grade level. In the absence of teachers, how are children supposed to learn?

This does not suggest, however, that the problem of teacher absenteeism cannot be remedied. Esther Duflo, an MIT based economist who specializes in poverty alleviation, piloted a simple intervention in Rajasthan, India. She distributed cameras with a date and time function to teachers, with instructions to have one of the students photograph his classmates with their teacher at the beginning and end of each school day. In those schools with cameras, teacher absenteeism declined by nearly half, and students performed better on academic assessments.

Duflo and colleague Abhijit Banerjee advocate targeted interventions like these in their *Poor Economics*. They argue that progress toward poverty reduction is best made through "the accumulation of a set of small steps, each well thought out, carefully tested, and judiciously implemented." (p. 15) More than twenty years of combined experience in the field of poverty alleviation have taught Duflo and Banerjee that changes in the socioeconomic fabric of society take time; there are no quick fixes to the problems of poverty. Additionally, the authors acknowledge that successful poverty reduction is circumstantial. It must be tailored to address specific community needs, which are best articulated by the poor themselves.

Understandably, then, Duflo and Banerjee are openly critical of Jeffrey Sachs's paternalistic approach to poverty alleviation, as well as William Easterly's focus on the "Big Questions" about poverty: What is the root of poverty? Can we trust that the free-market system will eliminate income inequality? Sachs, Director of the Earth Institute at Columbia, asserts that large-scale economic investment in the form of aid from international donors will lift developing countries out of poverty. Easterly, a professor of economics at NYU, on the other hand, claims that foreign aid actually does more harm than good; free markets should be allowed to provide adequate incentives for people to engage in poverty-reducing economic activity. Duflo and Banerjee disagree with both. They write that the market system has exacerbated global inequalities, not raised the standard of living of the world's poor, and that Sachs's belief in increased foreign aid as a magic bullet has failed to acknowledge poverty's inherent complexity.

Returning to the issue of education, in 2000, the United Nations adopted the Millennium Development Goals to inform the global development agenda. One of these goals is to "ensure that, by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling." (p. 73) Sachs, whom Duflo and Banerjee term a "supply wallah," contends that this Development Goal could be achieved if the international community were to improve education supply by channeling aid into school construction. Duflo and Banerjee counter this argument, however, citing data which show that, while 95 percent of children in India have a school within a half-mile of their homes, primary and secondary school enrollment rates in South Asia remain at 88 and 51 percent, respectively. (p. 73-74) Access alone cannot adequately explain why children in the developing world are not being educated.

Relying on both in-depth quantitative and qualitative research conducted under the auspices of the Abdul Jatif Lameel Poverty Action Lab, which they co-founded in 2003, Duflo and Banerjee find numerous barriers to educational attainment of Indian children, including racial or caste prejudices, failure to group students by ability, and teacher absenteeism. Responding to these findings, Easterly claims that schools are failing because there is not sufficient demand for improved educational quality. He and other "demand wallahs" believe that if parents were to demand that students be grouped by ability or that teachers commit to being in the classroom during the school day, these demands would be met by the market in education. For Easterly, the question becomes: What prevents parents from demanding more from the educational system?

Answering this question depends upon understanding the complexity of the decision-making process faced by the poor. Investing in a child's education is rational only if educational attainment guarantees future employment at a wage high enough to compensate the family for the loss of the child's immediate income earning potential. Duflo and Banerjee describe this trade-off in the context of "time inconsistency," a concept from behavioral economics. Human psychology is such that we often postpone costs in preference for wellbeing in the present, regardless of the impact that such a decision has on our future. Therefore, there must be some guarantee that our future selves will be substantially better off, if we are to sacrifice in the immediate. A randomized controlled trial conducted in India demonstrated that organizing recruitment sessions for young women in rural villages increased girls' school attendance by five percent. Thus, when ensured that there was some economic benefit to sending their daughters to school, parents were more willing to educate their daughters.

Again, this intervention illustrates the kind of poverty alleviation work that Duflo and Banerjee believe to be most effective. Rather than endeavoring to broadly address the issue of poor education in the developing world, Robert Jensen, the UCLA economist who authored the trial, defined a specific problem (rural Indian parents' unwillingness to invest in their daughters' education) and offered a practical solution.

This approach to poverty reduction arguably has merit as an alternative to the "Big Answers" theories championed by Sachs and Easterly. Whereas Sachs argues that only by increasing the international aid budget will we eradicate poverty, the success of the small solutions advocated by Duflo and Banerjee in *Poor Economics* suggests that meaningful progress toward improving the lives of the poor can be made through interventions on the micro scale. Additionally, such interventions reinvigorate faith in the effectiveness of advocacy, contradicting Easterly's claims that intervening on behalf of the poor distorts market incentives and prevents the free market from naturally eliminating economic disparity.

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Despite championing programs that are tailored to the needs of individual communities and which provide measurable results, Duflo and Banerjee seem to fall victim themselves to the temptation of Big Answers to Big Questions by the end of *Poor Economics*. Their final chapter, "In Place of a Sweeping Conclusion," outlines several over-arching themes that have emerged from their research on poverty, including that the poor lack access to adequate information and that, even in the possession of better information, they are faced with a paralyzing number of decisions. These generalizations suppose that poverty can be eradicated with simple solutions, such as campaigns to educate parents regarding the benefits of immunization, or government programs that require flourmills to fortify their products with B-vitamins. If policy makers concentrate on simple solutions, rather than investing the time to truly understand the complexities of poverty and the concerns of individual communities, they risk undermining the sort of targeted intervention that Duflo and Banerjee have demonstrated to be successful.

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