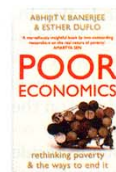


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## 'There are no magic bullets to eradicate poverty'

**Abhijit V. Banerjee** and **Esther Duflo**, authors of *Poor Economics: Rethinking Poverty and the Ways to End It* need little introduction. The former, a Ford Foundation International Professor of Economics and the latter, the Abdul Latif Jameel Professor of Poverty Alleviation and Development Economics at MIT, have for the past 15 years, tried to understand the lives of the poor in all their complexity and richness. Together, they also founded the award-winning Poverty Action Lab, which pioneered the use of randomised control trials in development economics. In an e-mail interview, they tell **Kiran Yadav** that, quite often, the economics of poverty gets mistaken for poor economics. "Because the poor possess very little, it is assumed that there is nothing interesting about their economic existence. Unfortunately, this misunderstanding severely undermines the fight against global poverty... The field of anti-poverty policy is littered with the detritus of instant miracles that proved less miraculous. To progress, we have to abandon the habit of reducing the poor to cartoon characters and take time to really understand their lives"



**POOR ECONOMICS**  
**Rethinking Poverty and the Ways to End It**  
Abhijit V. Banerjee and Esther Duflo

Published by: Random House India

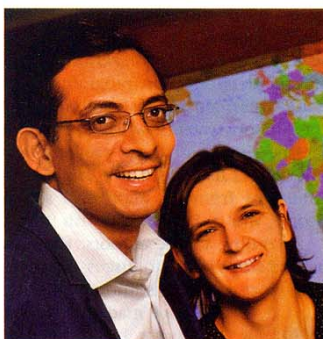
Pages: 303+xi;  
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**As your book shows, there are 'no magic bullets to eradicate poverty, no one-shot cure all'... What are the key lessons then that emerge through which multi-dimensional poverty can be addressed?**

Well, since we insist on the fact that there are no magic bullets, we cannot really answer your first question by listing a few! The key, overarching lesson is to indeed treat poverty as a multi-dimensional issue, and a series of challenges, which can be overcome, if properly understood. This is why the book, although it highlights many successful interventions, does not end up with a few 'quick wins': we feel that what we have learnt is how a better understanding of deep reasons behind the choices that the poor make, and a willingness to experiment and be proven wrong, is the key to solve the problems of poverty.

**You cut through many abstractions and generalisations in the context of poverty alleviation. Is there a long-term challenge that you see in your endeavour to design narrowly targeted interventions? Would a large policy framework still be essential to complement the interventions or to steer the micro initiatives?**

We devote the last chapter of the book to this important question. Every 'large policy framework' is an accumulation of 'narrowly defined interventions':



even democracy, or property rights are but a collection of specific rules that are each important individually and collectively. One can never escape the tyranny of details: at the end of the day, details make the difference between what is effective and what isn't.

**A vigorous debate has been going on in India about revisiting the mechanisms to identify the poor in India, so that social assistance can be better targeted. How in your opinion should this debate be resolved?**

This may be controversial, but perhaps the best way to solve this problem is by giving up on targeting. It is hard to target the poor effectively, and India is doing a bad job: studies have shown that a large fraction of the poor do not

have a BPL card, while many of the non-poor do. It seems corruption and inefficiencies would be cut down drastically, if everybody were entitled to a minimum transfer. People who don't need it would probably not feel that it is worth the while to claim it while, at the same time, it could make a difference to the very poor.

**Several policy experts are advocating the cause of cash transfers as the instrument to implement anti-poverty programmes in India more effectively. Do you see a case here?**

There is certainly a case. Several countries have implemented cash transfer programmes, and evaluated its impact. Mexico was the leader, and dozens of studies have shown that a conditional cash transfer programme (the cash is conditional on pro-children behaviour by the family) has had beneficial effects, all the way from improving education and health to encouraging savings and micro-enterprises. Other studies suggest that the conditionality may not be strictly necessary. In India and Bangladesh, just giving an asset to the poorest in a village (along with some training and encouragement) has tremendous beneficial effects, ranging from improved nutrition to lower incidence of depression and higher self-esteem. With the unique ID system, it becomes practical to implement such a programme with low overheads. So, there is a strong case for trying it out: but before reaching conclusions, we feel a rigorous, randomised evaluation should be conducted. The experiment can be structured such that several alternative variants are tried out. The lessons would then help decide whether or not to scale up the programme and in what form. ♦