

Life on a dollar a day

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Children collecting water as part of a J-PAL study in western Kenya. Credit: Aude Guerucci/J-PAL

Imagine, for a moment, that you must live on 99 cents per day. How would you manage it? For roughly 850 million people around the globe, this is not a hypothetical question; those people really have daily purchasing power roughly equal to what a dollar buys in the United States. And yet they carve out lives, run businesses and raise children.

Frequently, though, aid programs are not tailored to the contours of daily life among the poor. “You have to understand how the poor live,” says Esther Duflo PhD ’99, the Abdul Latif Jameel Professor of Poverty Alleviation and Development Economics at MIT. “But the way policymaking is done is usually miles away from that.”

For instance, shipping vast quantities of grain to poor countries, a common aid practice, is inefficient because the poor are reluctant to eat such repetitious meals. The poor often shun health care until given the right incentives. Schools are usually ill suited to the educational needs of the poor.

In short, the wrinkles of human nature and society mean we should closely study the poor, then prescribe remedies that will actually appeal to those living on 99 cents per day, suggest Duflo and her MIT colleague Abhijit Banerjee in their new book, "Poor Economics," published this month by *PublicAffairs*.

“A lot of good-hearted people have a clear and committed view of what should be done, and we’re flying in the face of that,” says Banerjee, MIT’s Ford International Professor of Economics.

Food for thought

Banerjee and Duflo have earned prominence as champions of randomized controlled trials in development economics — essentially, field experiments showing which aid programs are effective and affordable. They are co-founders of MIT’s Abdul Latif Jameel Poverty Action Lab (J-PAL), a network of economists that supports such trials and works to implement programs with governments and non-governmental organizations. (The economist Sendhil Mullainathan of Harvard was a third J-PAL co-founder, in 2003.)

Yet, as Duflo notes, *Poor Economics* “is not a book about randomized trials. It’s about what we’ve learned from decades of development work by many people, not only J-PAL researchers.” Consider: Are the poor living in a kind of poverty trap caused by a lack of food? That is, if only the poor could eat more, wouldn’t they be more industrious and better able to escape poverty?

The answer: Not necessarily. Banerjee and Duflo each cite work by other scholars suggesting that this kind of poverty trap does not exist, at least as commonly depicted. “The food-based poverty trap has been a workhorse of development economics, and it’s the first lecture in any graduate class,” Duflo says. “But it turns out that for food, you don’t see it [a poverty trap].”

For one thing, malnutrition and starvation may be declining: In India, 2 percent of people said they did not have enough food in 2004, compared to 17 percent in 1983. In the Philippines, it is possible to consume a healthy 2,400 calories on 21 cents per day by eating only eggs and bananas. But therein lies the rub: When the poor can afford more food, they do not desire nutrition, but variety. Moreover, they will eat less to pay for social rituals such as weddings or burials.

“The poor value having a reasonable quality of life within constraints,” Banerjee observes. “Having some amount of pleasure in the moment is important to them, as it is to us. It contradicts the vision that they will spend every penny they have getting more nutrition.”

In practical terms, “governments and international organizations need to completely re-think food policy,” Banerjee and Duflo write, by making a diversity of low-cost foods available, and supporting nutrition programs for children and pregnant women.

A ‘sea change’ among foundations

More broadly, *Poor Economics* invites readers to question whether poverty traps exist at all, and what this means for aid — whether interventions can spring the poor from the clutches of poverty for good, or whether aid requires more diverse and sustained efforts.

To grasp the dynamics of poverty, economists affiliated with J-PAL

have conducted 267 randomized evaluations in 42 countries since 2003, on subjects including food, education, health care and governance. J-PAL-backed research has laid the intellectual foundations for programs that are ridding millions of African children of intestinal worms, and providing Africans with free anti-malaria bednets. In one study, Banerjee and Duflo found that giving Indian families some lentils increased child immunization rates from 6 percent to 38 percent.

“One of the biggest impacts of Abhijit and Esther’s work is the idea that you’ve got to be on the ground if you want the answers,” says Dean Karlan PhD ’02, a development economist at Yale and author of the recent book *More Than Good Intentions*.

Such findings have impressed foundation leaders targeting poverty, including Bill Gates, of the Bill and Melinda Gates Foundation, and officials at the William and Flora Hewlett Foundation. “Relative to the foundation landscape 15 years ago, both the Gates and Hewlett foundations are extraordinarily evidence-driven,” Banerjee says. “You can start a conversation about the evidence rather than what’s politically correct. It’s a sea change.”

Yet J-PAL’s researchers are still fighting some powerful currents. Banerjee believes “very solid” J-PAL findings show that struggling schoolchildren learn more when separated from better students and given lessons at their own level, not the level of star pupils. Yet he also says J-PAL is currently fighting “a losing battle” on this front; few schools in developing countries take this approach. Educators should realize, Banerjee and Duflo write, that “schools have to serve the students they do have, rather than the ones they perhaps would like to have.”

Poverty and paternalism

Resistance to anti-poverty programs often comes from those who claim

aid constitutes paternalism, preventing the poor from becoming self-sufficient. However, Duflo asserts, the well-off benefit from paternalism themselves.

“We tend to forget that the richer you are, the more things are taken care of for you,” Duflo says. “Just having a paycheck every month makes an enormous difference. Your tap water is clean, but we don’t think of that as paternalism. At some level, it is. Yet we think these poor people have to be enterprising, and that we cannot have a nanny state.”

J-PAL’s policy ideas, she adds, are not meant to tell people how to run their lives, but to guide the poor toward new options, which — even if as modest as a de-worming pill — can have large effects. “You might like to hear a grander message, that poverty is all about systems or power,” Duflo says. Rather, she says, J-PAL wants “the lives and behavior and needs of [poor](#) people to be taken into account when we make policies. And we will keep pushing for that.”

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