Policy Brief: The contributions and limitations of Banerjee and Duflo's *Poor Economics* and the potential for RCTs in influencing macro level development policy

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Poor Economics suggests an alternative approach to tackling global poverty. Rather than approaching global poverty by looking into the big questions that have often been the main targets of development policy, such as whether aid works or if democracy is important, it suggest a "one-step-at a time" approach to solving poverty. This approach relies on experimental evidence, mostly from RCTs, to understand the lives of the poor and why they make certain choices.

According to the authors, three I's of i.e Ideology, Ignorance, and Inertia are responsible for failure of current development policies to adequately address poverty. Ideology touches on policy makers' belief in looking at deeper problems when tackling poverty. Ignorance addresses not knowing ground-level realities of the poor or not relying on evidence in making policy decisions that impact the poor, and inertia talks about the unwillingness to change how development policy is done within existing policy implementation structures.

Covering issues ranging from food and nutrition, health, education, microcredit, and politics, the authors show how and why policies affecting the poor should be informed by experiments and a deeper understanding of the lives of the poor. For example, RCTs of treated mosquito nets in parts of Africa have shown great reduction in the rates of malaria deaths among children and mothers. The uptake and use of the nets vary depending on factors like market prices. Free net distributions typically result in low usage of bed nets, but frequent use is observed when the nets are given at subsidized costs, thus making the case for subsidized costs of treated nets in development policy.

However, as Ravallion[1] notes, the proposed approach in the book has its limitations. The main one being external validity or generalizability of the experiments. In most of the cases illustrated in the book, it is assumed that the experiments are generalizable, and that we would expect similar outcomes should the experiments be carried out in different places. This might not necessarily be true. For example, the deworming experiment by Miguel and Kremer in Kenya mentioned in the book had huge and significant health and education benefits. However, a similar project in India[2], found much smaller and insignificant effects. The authors in the latter experiment noted that the difference observed could be because of the difference in prevalence rates of worm infections among children between the two places.

While RCTs may have their limitations when it comes to implementation, I support the authors' view that they are the best way to approach tackling poverty. Even though RCTs are run at small scale levels, the potential for impact when the experiments are rolled out on larger scales could be huge. I also think that if RCTs became the norm, policy makers could be influenced to try experimental approaches to bigger poverty questions like aid and democracy.

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[1] Martin Ravallion. 2012. "Fighting Poverty One Experiment at a Time: A Review Essay on Abhijit Banerjee and Esther Duflo, Poor Economics." Journal of Economic Literature 50(1): 103-114.

[2] Bobonis, G.J., Miguel, E. and Puri-Sharma, C., 2006. Anemia and school participation. Journal of Human resources, 41(4), pp.692-721.