

EASING POVERTY

Relevant for: Indian Economy | Topic: Issues Related to Poverty, Inclusion, Employment & Sustainable Development

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On Monday, the Royal Swedish Academy of Sciences awarded the 2019 Nobel Prize in Economics to Abhijit Banerjee, Esther Duflo and Michael Kremer for their “experimental approach to alleviating global poverty”, which, it said, has had a clear impact on policies to fight poverty around the world. Among the things that make this moment special is the fact that Banerjee becomes the second Indian to have received the Nobel prize in Economics, and Duflo is only the second woman to have been awarded after Elinor Ostrom in 2009.

Banerjee and Duflo co-founded the Abdul Latif Jameel Poverty Action Lab, which has helped popularise Randomised Control Trials (RCT), a technique of exploration which draws from medical research to examine the impact of policy interventions on individual behaviour through controlled trials. It involves selecting two sets of individuals at random, one of the two is then exposed to a policy intervention. The experiment examines the impact of such interventions, often over long periods of time, to gauge the impact of policy, and whether it justifies the costs associated with it. Drawing on these field experiments to understand the lives of poor, they have examined government interventions to see what works and what doesn't in developing countries. For instance, they found that it was possible to dramatically increase the quality of education in urban India, at a relatively reasonable cost, through remedial education and computer assisted learning programmes. The results of another experiment suggested that multi-topic medical training of informal healthcare providers may offer an effective short-run strategy for improved health care, while another found that most businesses funded by microfinance firms tended not to grow. Banerjee, who has been in favour of shifting to cash transfers, has in the past argued for a [universal basic income](#) architecture.

Though RCTs have become widespread in recent times, some are sceptical about over-relying on them. Angus Deaton, who won the 2015 Nobel prize in economics, noted that while RCTs can play a role in building scientific knowledge, they can only do so as part of a cumulative programme. “Small scale, demonstration RCTs are not capable of telling us what would happen if these policies were implemented to scale”, he noted. But, despite the conditional nature of these studies, it is difficult to deny that policy interventions require better understanding to ensure efficient outcomes, especially in countries with limited state capacity and resources. In India, where billions are poured in the name of the poor, often without proper understanding of what works and what doesn't, and where there is little faith in evidence-based policy-making, such research can be enormously valuable in informing public debate.

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