

BOOK REVIEWS

**Good Economics for Hard Times: Better Answers to Our Biggest Problems,
by Abhijit V. Banerjee and Esther Duflo,
Penguin Random House, 2019, pp. 541.**

This book is written by a couple, very eminent economists and both have won Noble Prize of Economics in 2019 for their excellent exposition of unrelenting global economic problems, addressing issues pertaining to poverty and inequality and possible solutions to alleviate them.

The common ground emerges from the discussion in the book as authors peep through the prism of certainty on various diverse contemporary debates on climate, migration, trade, economic growth and socio-economic policies. The unembellished language of the book is surely an evidence of authors' knack of explaining the complex economic theories and complementary quantitative work with applications to hard core policy puzzles, in an effortless manner.

The authors have referred the skilled economists as plumbers who exhibit a knack of tenacity to "solve problems with a combination of intuition grounded in science, some guesswork aided by experience, and a bunch of pure trial and error". Their chosen device is essentially randomized controlled trial but they have used various other evidences to prove their point.

Generally economists focus less on analyzing the types of institutions and the policies that stimulate growth and prosperity. But Abhijit V. Banerjee and Esther Duflo have precisely done this exercise and they have very courageously undertaken the task of exploring very vital issues and come up with their relevant and effective solutions.

Every single chapter in this book is a reflection on global problem which all thinking minds discuss more often. The debates on varied controversial issues; from climate change adaptation to voting for those politicians with hard core agenda for poverty reduction and policy implications of social safety net measures. All such issues are being debated creating a balance between the range of evidence based research, group discussions and public opinion.

Authors in this book have applied an interesting approach of integrating the outcome of empirical investigation on selected vital issues employing Randomized Controlled Trials (RCTs) and ordinary experiments. Through random allocation of people receiving some kind of product or service and the other group which is control group of people that did not get anything and the comparison of both groups of

peopled to the very significant inference that is drawn in this book. It is invalidation of major economic concepts and theories implying substantial changes in the discipline of Economics as a taught course and the applications of its techniques in research and interpretation.

The discussion on trade in a chapter in this book exposes unsoundness of the basic economic model - Law of Comparative Advantage given by a British political economist David Ricardo which explains how beneficial for the trading countries to trade freely. The example of India as a country that responded massively to trade liberalization in 1990s is given as the country which did not get the anticipated results from free trade. The objective of uniformly distributed gains in the society from free trade was not actually realized and there were vast variations as far as the impact of trade liberalization on destitution is concerned resulting in to skewed and huge benefits in favor of the few.

The authors have coined a word 'stickiness' for the discrepancy between the economic models and the real experiences of life which these models do not take in to account. The change in the system and acceptance of change is an incredibly sluggish process as status quo is a preferred option for the people in general. The authors have very clearly exhibited the ramifications of 'stickiness' and have laid emphasizes on framing of economic policy with a completely altered method focusing on experiments and real data as opposed to theoretical models and forecasting. The obvious reasons of support for such an approach on the part of authors is because of their firm believe and advocacy of RCT as the appropriate apparatus to formulate economic and social policies.

The other repercussion of change in strategy in devising economic and social policies is that the objectives of developed countries economic policies that are largely based on economic growth are needed to be changed too. Very interestingly, the authors have given the name of 'Bad Economics' which does not exhibit a clear and authentic support system for the people in distress during hard times which leads to uncertainty. So the 'Good Economics' is referred to such economic policies capacity tools that can deal with inequality and boost resilience.

The altruistic bent in terms of equality and social justice is evident in authors' rejoinders to many a prominent issues which they have attended to. The major global concern of climate change has also been looked in to through the prism of ethics and not as a technical problem. The reduction in luxuries that consumers in developed world enjoy may result in to provision of basic life amenities and needs to millions of poor in developing countries. They have very rightly pointed out that the individual consumer's behavior and norms could be easily influenced through adoption of public policies.

The authors have dedicated a chapter on universal basic income, transfer of cash and welfare system of the USA which in their opinion has been much politicized depicting the contradiction in the economic wisdom in theories and the stark

realities and experiences. They have referred to number of studies on the impact of cash transfers since 2014, on more than one billion people in many countries which get the transferred cash, both conditional and unconditional one. The evidence shows that lives of people do not become easy in terms of workloads even after getting cash transfers.

The new emerging technologies like AI and associated concerns and their impacts on the society in general and labour class in particular is also addressed in the book. The emphasis of authors is on a very careful analysis of technical innovation and progress in the past and its interaction with the politics and government institutions as a whole subsequently impacting poverty and inequality.

One of the reviewers of this book has very aptly written and I quote, ‘filled with personal anecdotes and experiences, the book provides a grounded bird’s-eye view of policy debates that are shaping the discourse on today’s most pressing global problems’. Furthermore, in carefully laying out the evidence and not preaching dramatic solutions, the book imparts an important lesson to anyone engaged in scholarly work: be less strident with your views. Every question has multiple answers and new findings can easily overturn well-established ‘knowns’.

Undoubtedly, though, the authors’ biggest contribution stems from a recurrent critique levied throughout the book against the economics profession’s obsession with growth. They repeatedly underline the shortcomings of using financial incentives to influence behavior. Many a time, they illustrate how the line between economics, psychology and communication, as well as the distinction between micro- and macro-economics, is an unhelpful construct. ‘Economics is too important to be left to economists’. In making this argument, Banerjee and Duflo clear a path for more interdisciplinary work centered on improving citizens’ wellbeing and protecting human dignity.

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