

## Remarks in Honour of Esther Duflo

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It is an honour to introduce Esther Duflo, CES Distinguished Fellow 2012, who will be delivering this years' Munich Lectures.

It is fitting that CES-IFO, which is one the leading centres for translating economics into policy in Europe, is hosting these lectures. Indeed much of what I will have to say about Esther by way of introducing her lectures concerns the influence she has had on the way that economics now informs policy making particularly in the developing world.

I have gotten to know Esther well over the last twelve years. I used her office at MIT in 2001 when she was visiting Princeton and stayed upstairs from her in Michael Kremer's house in Cambridge when I was visiting Harvard and the NBER in 2005. And since 2006 we have co-directed the CEPR Development Economics Program. I count her as friend but also as someone who, along with Timothy Besley, as one of the principal influences on the work that I do.

Esther came out of the Grande Ecole system in France where she graduated in economics and history from Ecole Normale Supérieure. She then went on to do a Master in Economics at DELTA and a PhD in Economics at MIT.

Esther's rise since she graduated from MIT has been nothing short of meteoric. She was the recipient, in 2009, of Macarthur Fellowship. In 2010 she was awarded the John Bates Clark Medal and her book "Poor Economics" (co-authored with Abhijit Banerjee) published in 2011 has become an international bestseller.

I think it is fair to say that she has engineered a revolution in the way we do development economics. And that revolution is now spreading to many other areas of economics. As I see it the revolution has three elements; (i) going into the field (and here Esther was building on the pioneering work of people like Chris Udry), (ii) doing field experiments to work out what works as regards interventions and programs so as to build up an more scientific evidence base for policy formation and (iii) trying to see the world through the eyes of poor people in order to understand their behaviour and the factor that were keeping them poor.

To allow you to understand Esther's influence on economics I want to take you back to a day in the fall of 2004. On that day I was in a car in Hanoi with my wife who was pregnant with our first child. I was in Vietnam with Joe Stiglitz meeting as part of an effort to provide policy advice on key policy issues that the country was confronting

at that time. We had spent the week talking to ministers, mayors of cities and senior civil servants about issues as diverse as WTO entry, rural banking, attracting FDI, reducing rural poverty and so on.

Out of the car window as the light was falling I saw a young girl, probably seven or eight years old, on the back of a bicycle that her mom was riding. Despite the snarled traffic and associated fumes the girl had a serene look on her face as mom weaved between the cars.

Perhaps it was because I was about to start a family but for some reason seeing that girl made me think about what the factors that would determine the quality of life that she would lead. Would she attend school? Would the teachers at the school she attended show up? What would she learn? Would her education allow her to get a decent job or start a business? Would her children be better off than her? What about her grandchildren?

Everything about development collapsed down to this single girl. For me it was a cathartic moment for some reason it led to me think about Esther and the work she was doing at the time. It struck me that by going into field and doing experiments Esther was taking the perspective of this girl and many poor people like her and trying to work out, piece by piece, what interventions, programs and behaviours would make them better off.

In 2004 this perspective was truly refreshing and innovative. The evidence base for policy also contrasted starkly with that which Stiglitz and I had at our disposal at the time. We would spend our days in Vietnam in meetings trying to provide frameworks to think about policy issues referring to experiences and papers almost all from other countries where a literature existed. Despite our best efforts, when evening fell after a full day of meetings I was always left doubting whether our policy advice was built upon solid foundations.

If we roll on to 2012 it is striking how things have changed. Not just governments but also NGOs, bilateral and international organizations have shifted towards a much greater emphasis on evaluation often involving randomised interventions. Esther and her many co-authors have been at the forefront of this revolution. She has been pivotal in arguing that we need to build up an evidence base for policy piece by piece, experiment by experiment.

And this evidence base becomes all that more powerful as similar interventions are replicated in different countries. To take an example Esther and I have been separately evaluating a program that promotes basic entrepreneurship amongst the poorest rural women in South Asia. The program, which was the brainchild of the worlds' largest NGO BRAC attempts to shift women into running small businesses (such as livestock rearing). The results from a randomised evaluation that I carried

out in Bangladesh with BRAC and co-authors from LSE, UCL and BRAC suggests that earnings of women who receive the program go up by about forty percent (and their happiness and confidence also significantly improve) relative to similar women who did not receive the program. Esther and her team are finding similar results for the same program which is being implemented by another NGO Bandhan in West Bengal in India.

This growing evidence base which suggests that the program can have a transformative effect on the economic lives of poor women is in turn spurring others to pilot the program in places as far flung as Haiti, Yemen and Ghana. It is undeniable that the field experiment revolution that Esther and others sparked off in the early 2000s lies behind the ability for big new ideas in development like this one to travel across countries. It is also undeniable that the evidence base that lies behind this policy idea is much more robust than the one that Joe Stiglitz had at our disposal in our travels through Vietnam. The world of policy making is richer as a result her efforts.

Esther has done path breaking work in range of areas on gender (which we will hearing more about today), on education, on agriculture, on health, on political economy, on infrastructure, on banking and on economic growth. Much of it is inspired by spending time in the field talking to poor people. This has allowed her to delve into the factors that keep people poor and to design programs that confront these factors. This people centric approach where we build knowledge from the bottom up is very different to top down approaches that characterised much of the thinking in this area ten or so years ago.

It also means that she is sceptical of those who come with their magic bullets for confronting global poverty whether this be aid, technology, trade or whatever. For evidence based policy making to take hold in the developing world Esther recognises that evidence must be built locally, that policies and programs must be locally owned and must pay proper attention to political and other constraints on implementation. Development in short is in the hand of the citizens and countries that are underdeveloped.

Esther and her work has transformed the way we do development economics. Growing numbers of graduate students and faculty are engaged in field experiments and other forms of evaluation across the developing world. The approach, which was initially focussed on sectors like health and education, is increasing being practiced in areas like public finance, finance and industrial organization. These fields are crowding into the approach that she pioneered thus providing a means of testing between different theories of how the world works. Many of the experiments are jointly devised with governments or NGOs thus feeding directly into policy.

Organizations like JPAL which she directs have sprung up out of universities are now providing a bridge between academia and policy making which did not exist before.

To conclude, Esther has not only transformed the way we do development economics. She has also championed the use of robust evidence in making policy decisions. This in turn has engendered demand for higher quality, evidence based policy making within governments, NGOs and bilateral and international development organizations. To have achieved all this in such a short period of time is a major achievement.