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The MIT Lab Solving Foreign Aid Efficiency

Throwing money at the developing world isn't going to fix it. So the Poverty Action Lab found a way to measure the usefulness of a textbook.

By: Tim Heffernan



Picture this: You're the head of an aid agency working to improve conditions in an impoverished African nation, and you've got \$50 million to spend as you see fit. So you pick a hundred struggling schools and supply them with the works -- teacher training, new textbooks, free meals for students, a free medical clinic. And at the end of the school year, hey, *presto*, attendance and grades have gone up across the board, just as you'd hoped. That's great.

But what have you learned?

Nothing. At least nothing you didn't know already. Naturally, spending vast sums of money on desperately poor students improved their performance. But was it the teacher training that had the biggest impact or the textbooks? The free meals or the health gains the clinics provided? Because all the schools got the same aid package, there's no way to sort it out. And because of that, when you apply for funds to keep your project going next year, all you can say is...money helps. So please give us more of it.

And that is the story of economic aid over the last half century. Tens of billions have been spent, and there have been measurable gains across the developing world. What there hasn't been is a systematic

way to determine what kind of aid works best. And so aid as it exists is a game of chance: You lay your money down and pray the cards break in your favor.

Esther Duflo is changing that.

"No tess tyoobs een zis lap," she says as she opens the door to a spartan room in a building on the edge of the MIT campus. It's true: There are no test tubes in this lab. But it *is* a lab -- the Jameel Poverty Action Lab, to be precise -- and it's filled with the equipment of the modern economist: whirring computers and a dozen brilliant young students, all busily crunching a galaxy of hard-earned numbers.

Duflo, a native of Paris, co-founded JPAL in 2003, when she was an assistant economics professor at the Massachusetts Institute of Technology. The lab's purpose is simple: to apply the tools of pharmacology -- randomized testing and double-blind trials -- to economic-development projects. Just as drugs are tested for efficacy, so, Duflo believes, should aid dollars. Her goal is to determine precisely what kinds of development projects work most effectively.

Take, for example, the issue of education raised above. It's enormously important in the developing world: Better-educated students become higher-earning adults. In an early experiment conducted by colleague Michael Kremer of Harvard, textbooks were distributed randomly to half of one hundred schools in Kenya.

Testing determined that the textbooks did not improve overall academic performance -- while an existing program that treated students for parasitic worms showed that better school attendance trumped better tools. Lesson? Skip the books and invest in health care. It's cheaper, more effective, and, crucially, is now proven. Donors can invest in it with confidence, making it more likely that they will.

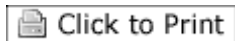
Now just 5 years old, JPAL is running trials in 22 nations and employing hundreds of researchers, many of them locals. And the World Bank, the biggest bull and bellwether in the herd of development agencies, has been consulting with JPAL from the beginning and implementing its philosophy. Many Bank programs now have built-in experimental protocols that permit efficacy testing, and other agencies have begun to follow its lead. As for Duflo herself, she is reportedly on the short list for the Clark Medal, economics' highest honor.

But there is another measure of JPAL's impact, and it may prove to be the lab's greatest achievement. Development economics has been split by partisan fighting in recent years, with aidists -- those who support giving money directly -- squaring off against marketists, who support helping people to make money for themselves. JPAL's philosophy ends the argument, and in the most concrete and moral terms. Aid is about creating not wealth but wealth's benefits. How that happens does not matter; *that* it happens is imperative. Money is tight. Needs are increasing. We can no longer afford to gamble. Because of Esther Duflo's insight, we no longer have to.

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