

# FINANCIAL TIMES

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## Difficult truth

By Abhijit Banerjee



We don't need more urban ingenuity. We need a world where less ingenuity is necessary to survive.

Ingenuity is everywhere the world's poor live. Ingenuity is the tiny tailor shop I saw in Dakar. It was a kind of treehouse a couple of feet off the ground, with a wooden ladder that the tailor would throw down so his clients did not have to step through the garbage surrounding his shop and then quickly pull up to leave the pavement unobstructed.

It is the group of women described by Esther Duflo and I in *Poor Economics*, our book on how to fight poverty, who sat on the kerb across from the stock exchange in Mumbai drying wet sea sand by laying it out on the road, quite literally under the wheels of commerce. Then they sold the sand to their neighbours who used it to scrub their pots.

It is Abdul, one of the central figures in *Beyond the Beautiful Forevers*, Katherine Boo's magnificent description of life in a Mumbai slum, who figured out how to sort the "new

garbage” that came with modernisation and globalisation into the categories that the owners of recycling plants demanded.

But why was Abdul, a boy of 15, spending 12 hours or more a day hunched over a pile of rubbish? What did that do for his physical development? Why was he not in school? He was bright enough to figure out how to sort rubbish better, and willing to put in very long days; would he not benefit from finishing his schooling?

The answers, if I am reading the book correctly, are the usual ones. The family needed him to work—they could only afford to send one child to high school. The Indian government does little to protect the young from such economic exigencies. And it is probably true that even if he had been given the chance to try, he would have flunked out, like his brother did. The education system in countries like India seems stacked against the poor, emphasising the ability to master vast amounts of content rather than basic universal skills, and providing no support for those, including a vast majority of the first-generation learners, who fall behind.

We should also ask why there was a tailor shop in a rubbish dump. Why endure the noxious fumes rising from the waste, and the risk of illness? Why not locate somewhere more salubrious? The answer, presumably, is that this was one spot where the shop could be visible, that was nevertheless available and cheap. Paying for a proper shop in that neighbourhood would probably make the tailor unaffordable for most of his (poor) clientele.

I don't know enough about Dakar to swear that this is what happened, but most cities artificially inflate real estate prices in the city centre by restricting construction, and by underinvesting in transport and other infrastructure outside the centre. This is what forces businesses to seek out “creative” solutions.

Finally, while the idea of drying the sand under the wheels of cars is inspired, it is not at all clear that four women needed to be there to watch the sand; one could have easily done so. The reason four showed up is, presumably, because they had no other way of making a living.

The truth is that most poor people prefer someone else to supply the ingenuity (and the capital and know-how) so they can focus on the one thing they are best equipped to do: work hard. A combination of poorly developed capital markets, ill-considered labour regulations, reliance on technologies that are imported from more labour-scarce economies and a host of other factors means many developing countries fail to create jobs.

So the primary reforms that we in the developing world need are in things like enhancing

access to a quality primary and secondary education, improving labour, capital and land markets and changing urban policies, all of which will hopefully reduce the need for the average poor person to be ingenious.

But here is where I lied to get your attention: we will need a great deal of ingenuity to make that happen. From our leaders, present and future, economic, political and social, who will certainly include many who are themselves poor.

How does one improve the delivery of high-school science in countries where relatively few of the potential teachers themselves have a good grounding in science? How do we reduce the cost of monitoring borrowers, and improve the incentives for banks and borrowers, so there is a greater willingness to lend to people who are long on ingenuity and short on cash? Here I do not mean microcredit, which offers tiny loans to those without any demonstrated ingenuity; I mean much larger loans for those with really good ideas.

How do we change the urban landscape, the victim of years of bad policies, without razing the existing infrastructure? How do we prevent the streets of Kolkata or Karachi exploding from growing traffic? How do we make the slums less slum-like?

Only when we start finding real answers to these questions will we be able to offer people like Abdul liberation from the ingenuity of everyday survival.

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