Over 1 billion people live on less than $1.25 a day. Amazingly, very little is known about how they make economic choices and what might help ease their lives.

Economist Esther Duflo, 38, is changing that. As founder of the MIT Poverty Action Lab, she has broken out of the ivory tower to do something economists rarely do: gather real data to see what really works in alleviating poverty. One of her biggest findings is that microfinance, the poverty-reduction solution du jour, isn't all it's cracked up to be. Which, like many great economic insights, seems obvious when you think about it; after all, not everyone is born to be an entrepreneur. Duflo is relentless about questioning conventional wisdom, from the value of foreign aid (overblown) to how to entice parents to get their kids immunized (give the parents free food). Last year she won the John Bates Clark Medal, which makes her a Nobel winner in waiting. But she isn't waiting to make the world a better place.

Find this article at:
http://www.time.com/time/specials/packages/article/0,28804,2066367_2066369_2066106,00.html