Economic Sciences' Nobel Prize

Why in news?

Economists Abhijit Banerjee, Esther Duflo and Michael Kremer were awarded with Sveriges Riksbank Prize in Economic Sciences in Memory of Alfred Nobel.

What is their work?

- **Development economics** just got a boost with the award of the Nobel Prize to the three economists.
- Mr. Banerjee and Ms. Duflo are from Massachusetts Institute of Technology (MIT), and Mr. Michael Kremer is from Harvard University.
- This is only the second time a woman has bagged the prestigious award, popularly called the Economics Nobel.
- It is the first time for a husband-wife duo to win the Economics Nobel - Mr. Banerjee is married to Ms. Duflo.
- They have worked and are still working **to understand and alleviate poverty**.
- The **experiment-based approach** of these laureates has transformed development economics and turned it into a flourishing field of research.
- The three adopted an **evidence-based approach** to apply theory to real-life situations using randomised trials and assessing the outcomes.
- The effort was to understand the impact of interventions to achieve desirable outcomes.
- The approach is derived from the concept of clinical trials in the pharmaceuticals industry.

What experiments were done?

- **Rajasthan experiment** - Despite immunisation being free, women were not bringing in their children for the vaccination shot.
- The two MIT economists decided to give a bag of pulses free to women who brought their babies for vaccination.
- Word soon spread and the rate of immunisation shot up in the region.
- **Mumbai and Vadodara experiment** - With this, they wanted to understand the learning outcomes in the field of education.
- They wanted to know whether it is the lack of access to textbooks or hunger that caused poor learning outcomes.

- Through field studies, Mr. Banerjee and Ms. Duflo established that the problem is that teaching is not adapted to the needs of the students.
- Learning outcomes improved in schools that were provided with teaching assistants to support students with special needs.
- One of their studies resulted in benefiting 5 million children in India through programmes of remedial tutoring in schools.

What could be done by the Governments?

- Governments across the world spend big money on social schemes without the vaguest of ideas on whether their objectives have been met.
- The field-work based approach that these economists have perfected has revolutionised the field of development economics and made it more relevant in policy making.
- The government would do well to borrow from the research of these laureates to understand the impact of its several schemes and where necessary.
- It will tweak them to derive maximum benefit for the thousands of crores of rupees that it spends.

Source: The Hindu

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