

Banerjee, A. V., and Duflo, E. (2019). Good economics for hard times: Better Answers to Our Biggest Problems

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Over the last few years, a great many social issues have arisen. As might be expected, this has generated different reactions in public conversation. The spread of fake news and controversial opinions given by political figures or even economists with little expertise has contributed to build a distorted perspective about what's happening in the world economy, what could be the right solutions and their possible impacts on welfare.

Good Economics for Hard Times, the second collaborative book of MIT professors Abhijit V. Banerjee and Esther Duflo, winners of the Nobel Prize of Economics in 2019, addresses some of the main problems faced by poor and rich nations nowadays in politics, migration, trade, growth, technology, environment, and government. For authors, "economists do not really write books, least of all books human beings can read" (p.7), but in this particular one, they make explanations in a very readable way. Besides, propose examples supported both by empirical evidence and their own fieldwork experience.

This book is divided into nine chapters. The first one, *MEGA: Make Economics Great Again*, analyzes political polarization and its influence on people's points of view. Also, it exposes some reasons why the population

has stopped listening to economists. The second part, *From the Mouth of the Shark*, discusses extreme conditions that force people to migrate and whether the arrival of the newcomers is beneficial or not to countries considering the impact on the labor market. After that, *The Pains from Trade* presents the disadvantages of free international trade in “sticky economies” (where workers and capital don’t move easily) and how to compensate those who lose out.

Banerjee and Duflo emphasize the difference between beliefs and preferences in *Likes, Wants and Needs* as well as examine how the context in which individuals live can affect decisions and not end up being so rational as the assumption of standard preferences. Then, *The End of Growth*, fifth part of the book, presents a brief review of growth evolution and contrasts ideas of economists concerning the future. Subsequently, the chapter *In Hot Water* talks about the problem of pollution and global warming, their impact on productivity and alternatives to finance clean energy transitions. Part seven, *Player Piano*, covers the uncertainty that exists regarding artificial intelligence (AI) and the displacement effect that it may cause in labor market.

In the next-to-last chapter, *Legit.Gov*, the Nobel-Prize-winning economists explain why the Government has lost the trust of people and hence, how its role in wealth distribution has been affected. Some of them are negative perceptions about taxes and corruption that involve public officials. Last, but not least, *Cash and Care*, the chapter in which the authors highlight important elements to take into consideration when designing a social policy: rules for signing up, restrictions about the kind of purchases they are allowed to make and all the organization oriented to the respect of beneficiaries.

Undoubtedly, economics plays a crucial role in the development of today’s world. Most of the vital decisions that a country makes have an economic dimension. Nevertheless, it’s worrying to realize that modern society is paying less attention to the experts and acclaiming the ones that exaggerate statistics. Banerjee and Duflo argue this situation happens almost everywhere and more constantly during political campaigns. The case of French presidential candidate Marine Le Pen in 2017 who said that 95 percent of migrants in her country were “taken care of by the nation”

when in reality 55 percent of them were working is a good example presented in the book.

Although this seems harmless, the truth is that people have constructed their beliefs based on those propositions and become reluctant to accept foreigners, partly because they think labor market can be understood just by a simple interpretation of the law of supply and demand: if labor supply increases, wages decline. However, studies cited by the authors show that migration doesn't have a significant impact on wages. Actually, migrants' consumption stimulates the creation of jobs, so the labor demand also expands and this compensates for the initial influx of new workers.

Similarly, there are conceptions extremely rooted in our logic that it's easy to ignore the other side of the story. For instance, "the idea that more trade is good (on balance) is deeply engrained in anybody who went to graduate school in economics" (p.72). Nonetheless, some controversial research like the one written by Petia Topalova¹ found that poverty decreased slowly in certain Indian districts more exposed to trade liberalization after 1991. Based on those results, she concluded that the resource reallocation was the problem: workers and capital move slowly due to law restrictions.

One story connected to those results is the case of *the China Shock* in the United States between 1991 and 2013. Writers explain in the third chapter that the entrance of a giant in manufacturing like China to a foreign market could negatively impact employment. When this happened in the US, workers from some commuting zones couldn't change their jobs or move to another sector quickly, so the Government had to create a way to compensate them through a social program called Trade Adjustment Assistance (TAA)².

In this present-day world, one of the main objectives is growth, but some think periods of high growth are over like Robert Gordon, an economic historian from Chicago's Northwestern University who underestimates the progress of artificial intelligence and says it won't contribute as much as we think to economics. On the other hand, his colleague, Joel Mokyr is more optimistic. He considers globalization as the perfect scenario to compete and innovate more in the future.

However, there won't be a future if countries don't raise awareness about the environment. Global warming is here and although reducing carbon emissions is part of the plan to save the Earth, is it sufficient? The authors think that the transition to clean energy seems to be a reasonable solution, but expensive for poor countries, so the richest nations could help them pay for new green infrastructure.

In conclusion, this book proposes rethinking economics and working hard to turn it into a powerful instrument for improving human beings' lives. That's what Banerjee and Duflo called good economics, policies that led us to build a better world for all. Conversely, they suggest avoiding bad economics that only seeks selfish desires, tells people phrases such as "trade is good for everyone" but doesn't take the time to explain why and repeat the same old ideas without questioning them. Finally, they invite readers to interest more on these topics due to "economics is too important to be left to economists" (p. 253).

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Notas al final

¹ Petia Topalova, "Factor Immobility and Regional Impacts of Trade Liberalization: Evidence on Poverty from India," *American Economic Journal: Applied Economics* 2, no. 4 (2010): 1–41, DOI: 10.1257/app.2.4.1.

² Trade Adjustment Assistance (TAA) Program consists of benefits, services and support provided by the U.S. Government for the ones who lost their jobs due to foreign trade.