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Schools, Weddings and Funerals on \$2 a Day

By Carlos Lozada
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PORTFOLIOS OF THE POOR

How the World's Poor Live on \$2 a Day

By Daryl Collins, Jonathan Morduch, Stuart Rutherford
and Orlanda Ruthven

Princeton Univ. Press

283 pp., \$29.95

THE BEAUTIFUL TREE

A Personal Journey Into How the World's Poorest People Are Educating Themselves

By James Tooley

Cato Institute

302 pp., \$19.95

For all the billions of dollars devoted to foreign aid, the thousands of economists toiling in international development agencies and the countless think tanks holding conferences on market reforms and "best practices," the big debates over how to end global poverty can be summed up in that most immutable schoolyard standoff:

Nah-uh! Yeah-huh!

Poor nations need more aid . . . unless it bogs them down further. Government intervention is our only hope . . . except when governments prove hopelessly corrupt. Globalization and free markets are the magic bullet . . . until the markets crash, and the bullets turn out to be blanks.

The battles rage in high-profile books with competing explanations and solutions for poverty. Smackdowns include [Jeffrey Sachs](#) ("The End of Poverty") versus [William Easterly](#) ("The White Man's Burden") on whether aid helps the poor; [Jagdish Bhagwati](#) ("In Defense of Globalization") versus [Joseph Stiglitz](#) ("Globalization and Its Discontents") on, well, globalization; with [Paul Collier](#) ("The Bottom Billion") and [Dambisa Moyo](#) ("Dead Aid") in the mix as well.

The squabbles can get deliciously nasty and personal. Sachs [calls out](#) Easterly and Moyo for criticizing aid to poor nations even as they accept scholarships and grants. Easterly [retorts](#) by listing times when Sachs has cited his writings. Moyo [charges](#) Sachs with trying to "obfuscate the facts." Collier [muses](#) that Moyo's arguments have been "overtaken by events." And Bhagwati [accuses](#) Stiglitz of deploying his Nobel Prize as a

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"weapon of mass destruction."

Oh, it's *on*.

As the economists rumble, however, the poor get on with the messy business of living. On this, two new books chart a refreshingly distinct path. "[Portfolios of the Poor](#)" and "[The Beautiful Tree](#)" avoid the big picture and zoom in on the basics of daily poverty, exploring how poor families manage their money and educate their children. Their conclusions leave room for hope, based less on trust in big answers than on faith in human ingenuity.

In "Portfolios of the Poor," authors Daryl Collins, Jonathan Morduch, Stuart Rutherford and Orlanda Ruthven tackle the question of how some 2.5 billion people, roughly 40 percent of humanity, survive on \$2 a day. The answer? Creatively. Turns out that the poorest people on earth engage in the sort of sophisticated money management that would make Chuck Schwab proud.

The authors spent several years collecting and studying "financial diaries" from more than 250 households in Bangladesh, India and South Africa -- detailed accounts of how poor families earned, spent, borrowed, saved and invested. One key finding is that the poor do not live hand to mouth, exhausting every last cent on food and shelter. Earnings shift by season, job and health, so the poor spread them out.

Meet Hamid and Khadeja, a married couple with one child, living in coastal Bangladesh. They earn \$70 a month from Hamid's job as a rickshaw driver and Khadeja's sewing and spend most of it on rent and food. "You wouldn't expect them to have much of a financial life," the authors write, but their balance sheet tells another story. In savings, the couple keeps \$2 at home for daily shortfalls and \$30 with Hamid's parents for safekeeping. They have lent \$40 to relatives and invested \$76 in life insurance. They have also borrowed \$153 from a microfinance institution and owe \$24, interest-free, to family, friends and an employer. Finally, Khadeja serves as a "moneyguard" for her neighbors, holding \$20 for women who are stashing cash beyond their husbands' reach. "I don't really like having to deal with other people over money, but if you're poor, there's no alternative," Khadeja said. "We have to do it to survive."

Poor households also must finance expensive events, such as weddings -- which in India can account for more than half of a family's annual spending -- or funerals, which in South Africa are highly elaborate affairs. When South African diarist Xoliswa lost her mother, she employed a variety of financial instruments to pay for the meals and ceremonies that surround death. She tapped funds from her "burial society," a group to which members pay premiums and which gives them a set sum when a relative dies. She received a cash payout and a coffin from a funeral parlor where she had purchased insurance. She withdrew money from a local "savings club" her mother had joined. And she obtained 13 goats plus cash from relatives. The total came to \$2,424, nearly twice the household's annual income.

Yet even if the poor can actively manage their finances, the financial tools at hand can be unreliable and expensive. Instead of earning interest, for instance, poor savers often have to fork over fees for someone to care for their cash. And what happens when other members of a savings club don't pay their share? The diaries reveal a "real, ongoing, and substantial demand" for better financial services, which poor families need to provide better health care and schooling for their children.

Schools for the poor are the obsession of James Tooley's book, "The Beautiful Tree." An education specialist with a severe case of wanderlust, Tooley had always believed that in developing nations, the upper classes attend private schools while the poor rely on public ones. But during a drive through the slums of Hyderabad, India, in 2000, he came across an unexpected phenomenon: an unending line of small, no-frills private schools catering to poor kids.

Tooley began seeking out and finding private schools for the poor across the developing world, interviewing

students, principals, parents and officials in China, Ghana, India, Kenya, Nigeria, Somaliland and beyond. Parents everywhere cited similar reasons for paying the small fees for private schools rather than sending their kids to state schools. For some, especially in rural areas, the public schools were too far from their homes. To others, teachers and administrators in private schools seemed more attuned to their concerns. And despite the foreign aid and state spending on public school facilities, many parents simply felt that their children learned more in private schools. "What's the point of having such nice buildings," asked a mother in a fishing village in Ghana, "if learning doesn't go on?"

The officials Tooley encountered in his travels often denied the existence (much less the superiority) of private schools for low-income children. "There are no private schools for the poor," a bureaucrat in China's Gansu province told Tooley, "because the People's Republic has provided all the poor with public schools. So what you propose to research does not only not exist, it is also a *logical impossibility*."

Undeterred, Tooley spent years surveying private schools across the developing world. He found that, on average, they had smaller class sizes, higher test scores and more motivated teachers, all while spending less than public schools. With the zeal of a convert, Tooley invokes the market's "invisible hand" to explain why private schools perform better: When parents pay the fees that keep a school afloat, he reasons, the school becomes more accountable to them. Tooley blasts development experts for recognizing the problems with public education and still insisting that more investment in public schools is the way to go. "Why wasn't anyone else thinking that private schools might be part of a quicker, easier, more effective solution?" he asks.

Stylistically, the contrast between "Portfolios of the Poor" and "The Beautiful Tree" could not be sharper. With its somewhat clinical tone, "Portfolios" feels written by committee, and with four co-authors, it probably was. Tooley, meanwhile, with a Rough Guide in one pocket and an endless supply of exclamation points in the other, drowns readers in local color, detailing every "bright-eyed" school child and every "thin drifting smog" above a shantytown.

Still, Tooley's passion comes off as genuine, and the understated tone of "Portfolios" belies the authors' fervor and commitment to their ideas. In fact, Rutherford is founder of a microfinance cooperative in Bangladesh, while Tooley now lives back in Hyderabad and presides over a \$100 million fund, launched in 2007 with an outside investor, to boost private schools in poor nations.

Rather than waiting for the world to debate and accept their ideas, these authors have taken them up on their own. In the war against global poverty, that feels like one small battle won.

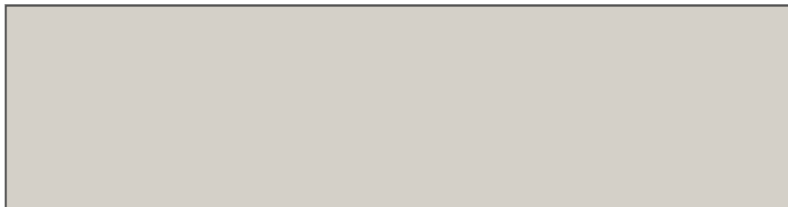
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