

**Authors**

Kerry Brennan

**Researchers**

Abhijit Banerjee

Massachusetts Institute of Technology

Esther Duflo

Massachusetts Institute of Technology

## Why "temptation goods" matter

Nicholas Kristof is catching a lot of flak these days for a [recent column](#) on what he calls an "ugly secret of global poverty." Citing conversations with people in Congo, as well as [research](#) by IPA Research Affiliates Abhijit Banerjee and Esther Duflo, Kristof explains that it is not necessarily true that the poor *can't* afford certain important purchases such as mosquito nets or school fees. Rather, funds that could have been spent on those crucial items are instead funnelled away to less than virtuous items such as alcohol, tobacco, or gambling.

But calling this tendency to spend money on small luxuries an "ugly secret of global poverty" is misleading. It's not only about global poverty. Everyone spends money on things they don't necessarily *need*, and could forego in order to save for bigger, important purchases. I, for one, would have around fifty more bucks a month in my savings account if I could kick my Diet Coke habit. (Ouch!) It's just that I'm fortunate enough to live in a space where that fifty bucks isn't the difference between whether or not I get a primary education, or a deadly malaria infection. I don't think it's that the poor are necessarily more susceptible to temptation than the rest of us. The poor just have less room for error.

Kristof's article has been criticized for, among other things, getting too close to a sort of "culture of poverty" argument that alludes to the poor's complicity in their own condition. (The title, "Moonshine or the kids?", certainly didn't help.) But perhaps the most important part of Kristof's piece is the one gaining the least attention. He writes: "...we need to look unflinchingly at uncomfortable truths -and **then try to redirect the family money now spent on wine and prostitution.**"

So the question becomes *how* can we best help people (because it's not just the poor that could benefit here) make better decisions about how they spend their money? A number of IPA projects have explored these issues, from how [commitment savings accounts can help people quit smoking](#), to how [text message reminders can help people remember to save](#). Even simply providing access to finance may be a good start. One of the lesser-cited outcomes from the Spandana [microfinance impact study](#) is that for those most likely to start a business, access to microcredit helped them cut down on spending on "temptation goods" like tobacco, alcohol, and tea.

May 27, 2010