

Challenges of World Poverty

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Poverty: what are the challenges?

- ▶ Watch the movie "Diaries of Jeff Sachs and Angelina Jolie in Africa"
- ▶ What are the main themes of the movie?
 1. The magnitude of the challenge
 2. The implications of poverty on everyday life
 3. The causes of poverty
 4. Vicious circles: How causes and consequences of poverty mutually re-inforce
 5. Possible solutions

The magnitude of the challenge

- ▶ Poor countries are very poor indeed
 - ▶ What is the richest country in the tables from the World Bank development report (per capita)
 - ▶ What is the poorest country in the tables from the World Bank development report (per capita)
 - ▶ What is the ratio of the two?
- ▶ But wait... isn't life cheaper in poor countries?
 - ▶ Since people are poorly paid and land rents are desirable, anything that is mainly produced by people should be cheaper (food, etc.). On the other hand ipods will be just as expensive...
 - ▶ We can correct the National income for the cost of living: this is called a *Purchasing Power Parity* adjustment
 - ▶ What is the richest country in the world, PPP adjusted
 - ▶ What is the poorest country in the world, PPP adjusted
 - ▶ What is the ratio?
- ▶ This difference is still quite big

The magnitude of the challenge

- ▶ An internationally used poverty line is two dollar per day per person (poor) or one dollar per day per person (extremely poor).
- ▶ How many countries are there where the income per capita at PPP is less than \$ 365 (one dollar per day per person). How about 2 dollars per day per person?
- ▶ (roughly) how many people is that?
- ▶ However..... there are poor people in richer countries: The income per capita of India is less than a dollar a day, but there are many people who live with less than a dollar a day in India. Why?
- ▶ And there are rich people in poor countries.
- ▶ How many people live under a dollar a day?
 - ▶ According to the World Bank, in 2005, there were 1.4 billion people who lived under a dollar a day.
 - ▶ Out of how many people in the World?

The implications for everyday life

- ▶ Mortality: what country has the highest child mortality?
- ▶ Education: what countries as the lowest literacy rates?
- ▶ Hunger: According to the FAO, more than a billion people are hungry
- ▶ Quality of life: time spent carrying water; others?

The causes of poverty

- ▶ Poor land quality: low agricultural productivity
- ▶ Poor infrastructure: schools, water,
- ▶ Poor health: malaria makes people weak; the widow cannot feed her children

Vicious circles

- ▶ Health and wealth
- ▶ Education and production
- ▶ Land productivity and individual productivity

The solutions

- ▶ The movie proposes a number of solutions:
 - ▶ Fertilizer
 - ▶ Bed nets
 - ▶ Internet in school
 - ▶ School meals
 - ▶ Clean water sources
 - ▶ Others?
- ▶ What are the common feature of all these solution?
 - ▶ They are highly cost effective (fertilizer; Bednets)
 - ▶ They “jumpstart” virtuous circles, out of the vicious circle

Why aren't these solutions implemented already?

- ▶ According to Jeff Sachs?
 - ▶ Lack of political will in rich countries to help the poorest.
- ▶ According to someone who would be more skeptical (Bill Easterly “White Man’s Burden”, Dambisa Moyo “Dead Aid”)?
 - ▶ Are these solutions really effective?
 - ▶ Can they really generate a virtuous circle? If not, how can we sustain them?
 - ▶ Are they so easy to implement?

What we will do in this class

- ▶ Dig deeper into each of these themes...
- ▶ What is poverty? How to measure it? Can economic growth eradicate poverty? How do the poor people live?
- ▶ Causes and consequences of poverty: nutrition, disease, education, etc. What is their role in maintaining poverty? what are the conditions for vicious circles to emerge?
- ▶ How can we best enter to break the vicious circle? What has been tried? What has been successful? What can we (as individual) do? what can our governments do? : trade, aid, and all that....

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Fall 2009

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