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Poor Economics

1. In the fight against poverty almost everyone wants the same thing, to eradicate it. While we share a common goal, there is fierce debate about how to achieve it. Segregation among approaches to trivial components of a solution is commonplace, but generally speaking there are two schools of thought in the fight against poverty. The most common belief is that poverty is a product of physical environments. Jeffery Sachs is the forerunner of this argument, stating that “impoverished countries are hot, infertile, malaria infested, often land locked”. He propagates the notion of the “poverty trap” which is a postulate that those who are impoverished lack the financial resources to afford food, education, and health care and as a result are caught in a vicious cycle of poverty. This argument implies that neither free markets nor democracy can aid in the fight against poverty unless massive financial aid is first provided. On the opposing side of the argument is William Easterly, who believes that without the right market and incentives, financial aid propagates a self perpetuating lobby of aid agencies while simultaneously corrupting and undermining local institutions. This school of thought asserts that when provided with the right incentives, people will come up with novel solutions to their own problems, and further, that for-profit investment is a far more sustainable solution than large sum handouts. Each of these approaches has their merits, which include stories of real life success and failure on small scales. When observed on an international level, Easterly’s approach is far more practical because it is based on the model of success that drives most current first world nations. Sach’s approach has been proven to work in isolated cases, for example, the prosperity that resulted from post Rwandan genocide aid however in most cases it either fails completely or only produces marginal results in the face of the large donations made.
2. The nutritional poverty trap is a phenomenon in which the impoverished cannot afford to purchase enough caloric content and or nutritious calories. As a result of malnutrition they preform poorly at work if they are even employable and thus remain poor continuing the cycle. While this trap appears to be the result of inadequate resources or governmental allocation, in reality it is often a pitfall of human psychology. While investing in good nutrition might enable someone to work more productively and rid himself or herself of poverty, when presented with the opportunity to do just that, most peasants will spend their money poorly. Among the lowest income families in India, just under 30% of income was spent on leisure, such as festivals rather than food. In cases where income improved, families spent money on better tasting calories rather than more nutritious or plentiful food sources. When incomes improved in Maharashtra, the poor spent money on sugar and wheat rather than millets, which provide more calories at a lower cost. In China, when a wheat noodles subsidy (cost of less than 20% of the original price) was introduced as an experiment, peasants actually consumed less noodles. They purchased small amounts of meat instead. Rather than facilitating their purchase, the subsidy turned the noodles into an “inferior good” in economic terms. Unfortunately, poor culture prioritizes entertainment and comfort over the necessities needed to secure comfort over the long run.
3. The fight against poverty is unnecessarily complicated; there are a plethora of widely accessible tools “low hanging fruit” that could very easily be implemented in order to combat the most crippling causes of poverty. One example of low hanging fruit is Oral Rehydration Solution (salt, sugar, potassium chloride and an antacid) , this solution is capable of treating often fatal cases of diarrhea, unfortunately a large fraction of patients refuse this treatment because they believe they should receive antibiotics or a fluid drip instead. In areas where most people do not have access to clean water some governments have made chlorine available for as little as 18 cents USD for a bottle capable of purifying a family of six’s water for a month yet only 10% of the population utilizes this resource. Unfortunately making affordable solutions available does not guarantee they will be used to their full potential.
4. In Poor Economics the argument that education is pointless for those who do not have access to higher-level jobs is presented. At first glance this seems like a no brainer; why waste time and lost wages on education only to return to the same caliber of job? What this argument fails to recognize is that education is a positive externality in society. Those who are educated are more likely to address a need in their community and create their own job, or travel to a better job elsewhere. Furthermore an entire community of educated people has the ability to collectively rais it’s self up out of poverty and interact with a global market in ways the uneducated are simply not capable of.
5. Governments throughout the world often encourage top down family planning in an effort to curb the depletion of natural and economic resources but is this initiative right? In short, yes, we are at a stage in human civilization where the population is far past it’s natural carrying capacity. Countries that observe low population growth rates are characteristically more “well to do” then their faster growing counterparts. Shortly after the bubonic plague, Europe experienced increased wages and widespread economic prosperity. Furthermore, when raising a family, parents have to make a decision between the quantity and quality of their parenting. It stands to reason that a family with two children could provide better, educational, financial, and emotional resources to each child than a family of six. While incentivizing top down family planning is undoubtedly an ethical quandary, the environmental and economic need supersedes the mores of it’s opposition.