

# Global Poverty & Economic Development

**GS 200**

**Guest lecture: Wafa Hakim Orman**

# Fundamental question of economics:

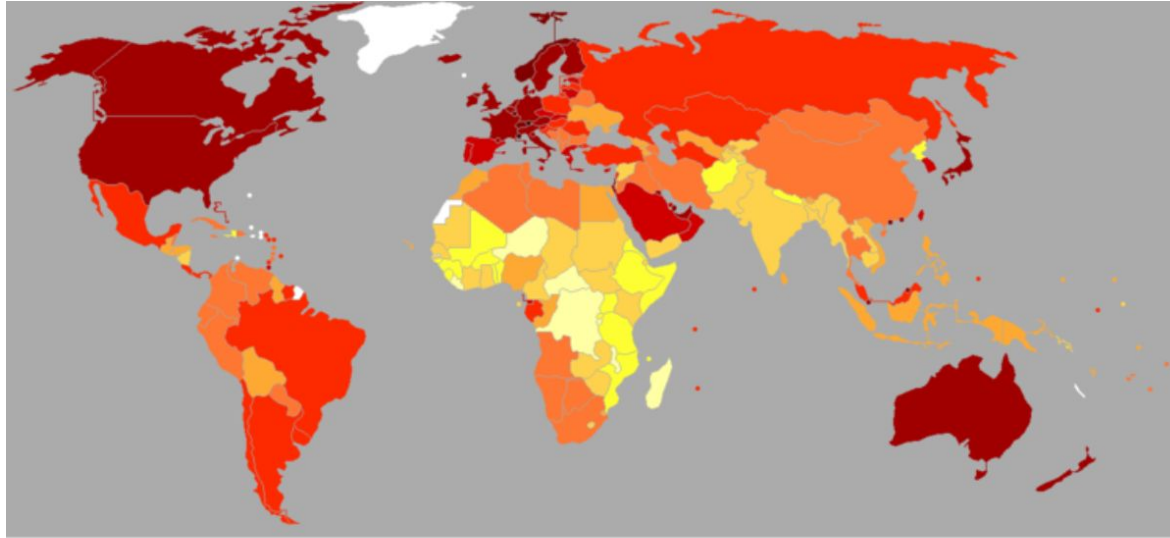
Why are some countries rich & some countries poor?

(or some people, or some states, or...)

Eg: Norway —> 496 times richer than Burundi;

per capita income \$84,290 v/s \$170

# GDP per capita around the world



Countries by 2014 GDP (nominal) per capita.<sup>[1]</sup>

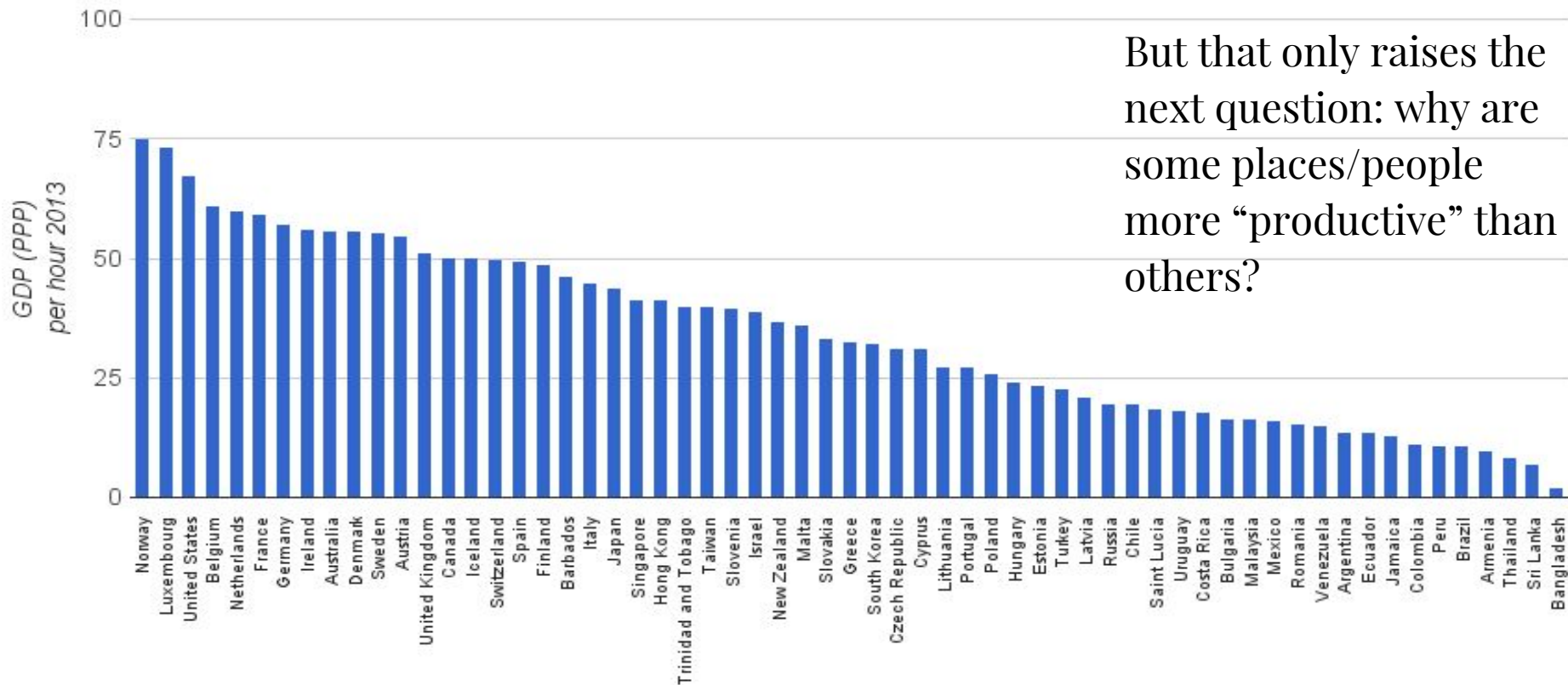


	> \$129,696
	\$64,848 – 129,696
	\$32,424 – 64,848
	\$16,212 – 32,424

	\$8,106 – 16,212
	\$4,053 – 8,106
	\$2,027 – 4,053
	\$1,013 – 2,027

	\$507 – 1,013
	< \$507
	unavailable

# Short answer: productivity



# So what determines productivity?

- Education?
- Health care?
- Aid?
- Trade?
- Quality of governance?

# Potential Solutions

Human  
Development?\*

\*composite index of life expectancy, education, & per capita income.

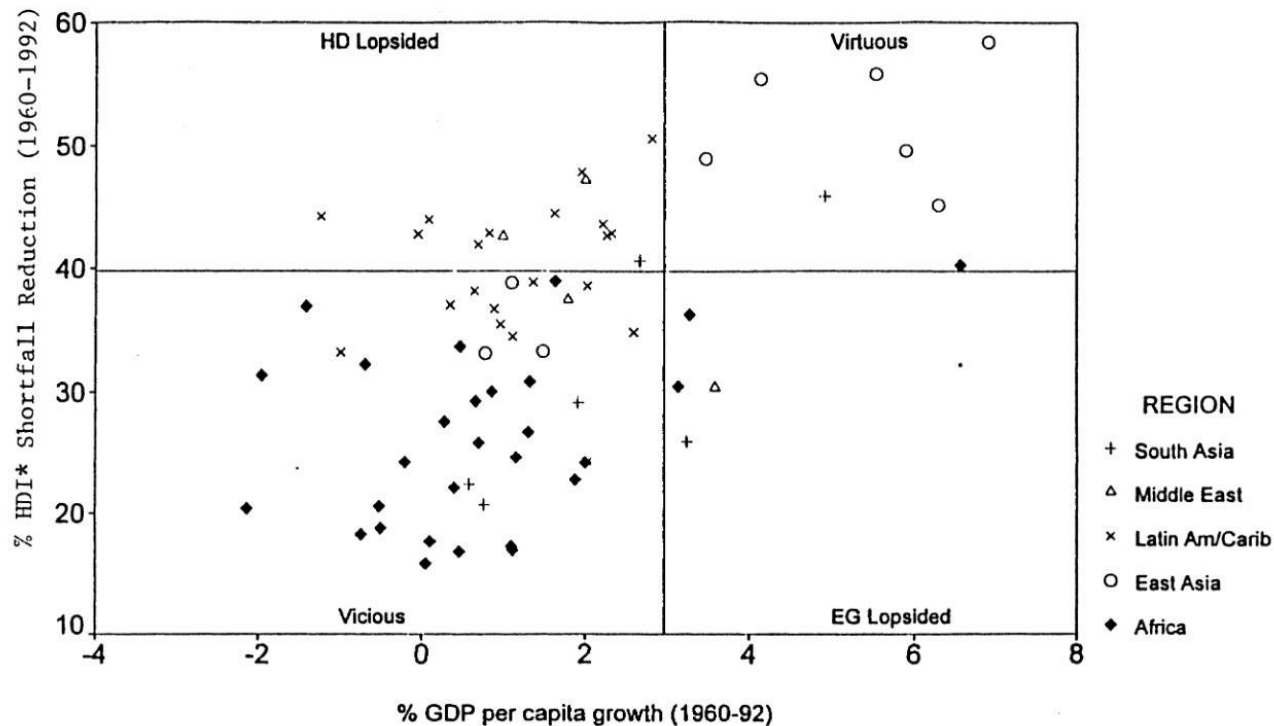


Figure 2. *Classification of country performance (1960-92). Note: The horizontal and vertical lines defining the four quadrants represent developing country averages weighted by population.*

Image credit: Ranis, Stewart, & Ramirez (2000)

# Potential solutions

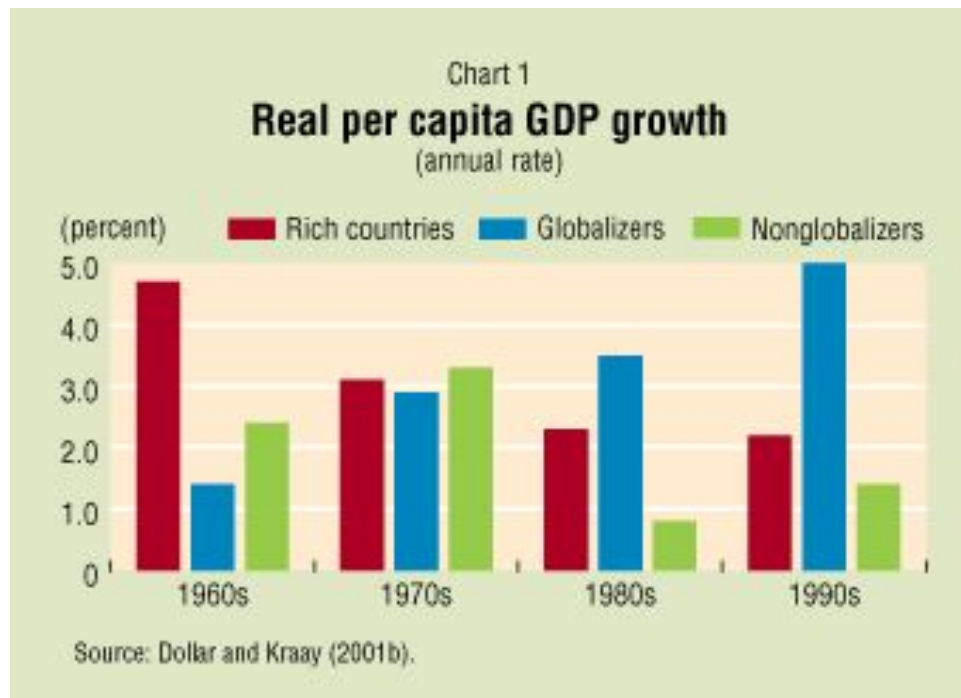
**Aid and Growth in Africa**  
(10-year moving averages)

Aid?



# Potential solutions

Trade?





# Turns out quality of governance determines all the rest

- Good governments (mostly) do the right things
- But what determines quality of governance?
  - *Inclusive* v/s *Extractive* institutions
    - What do these mean?

# The difference that institutions make

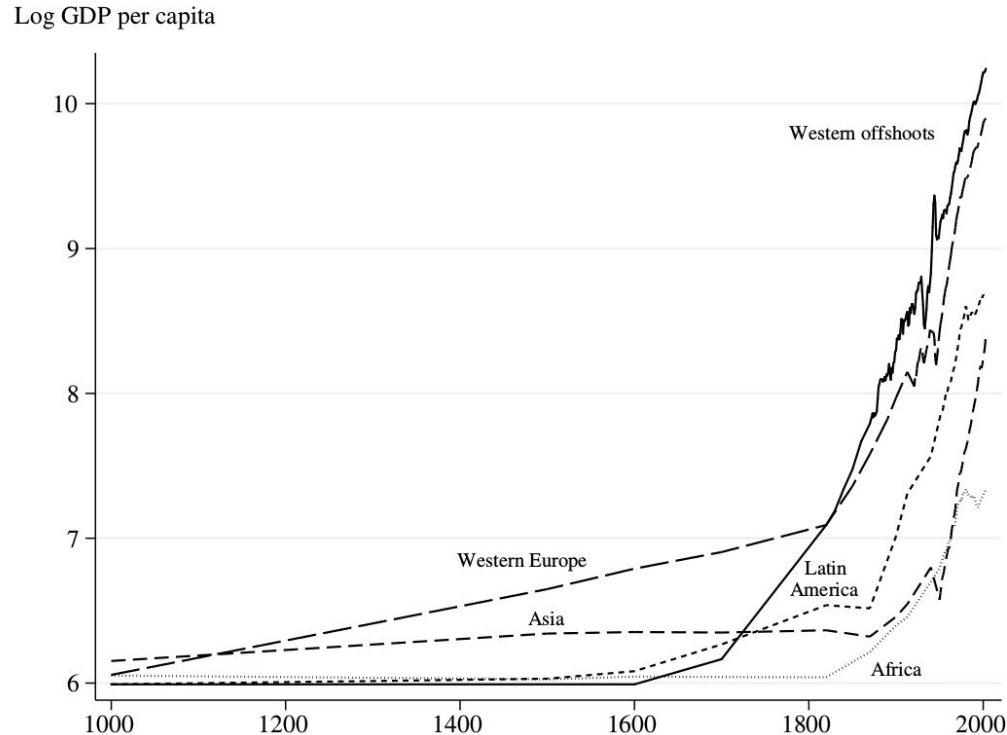


# How do inclusive or extractive institutions develop?

- History: there is a lot of path-dependency
- Events & decisions from centuries ago affect outcomes today
  - Examples?

**Is history destiny, then?**

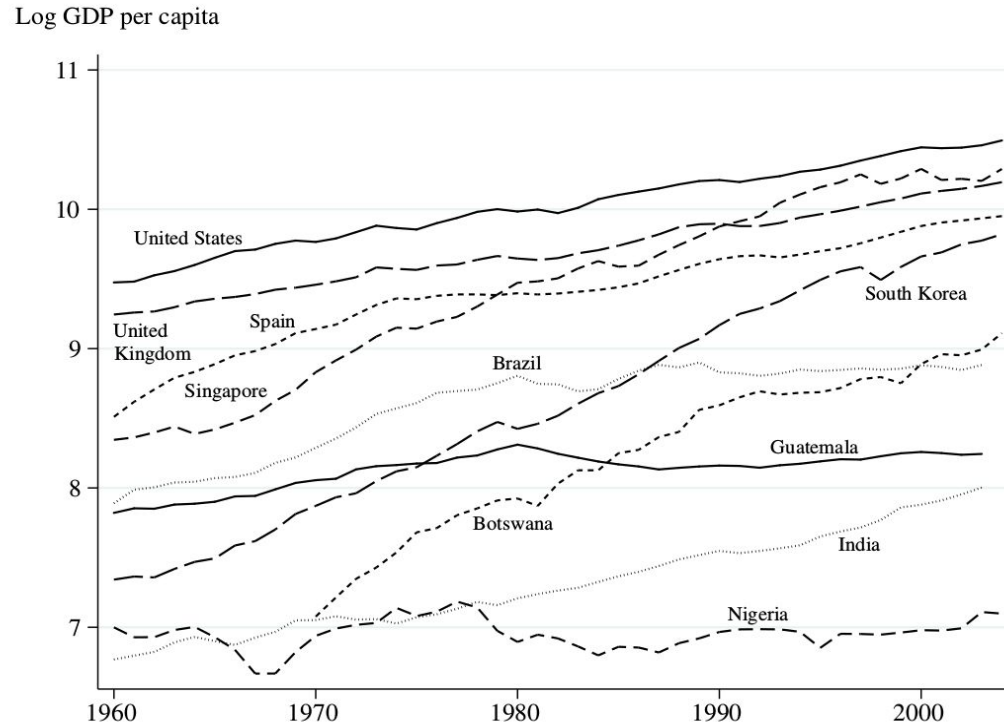
# It doesn't have to be... (long view)



**FIGURE 1.11** The evolution of average GDP per capita in Western offshoots, Western Europe, Latin America, Asia, and Africa, 1000–2000.

Image credit: Daron Acemoglu, Introduction to Modern Economic Growth. “Western Offshoots” are US, Canada, Australia, NZ

# It doesn't have to be... (a closer look at recent history)



**FIGURE 1.8** The evolution of income per capita in the United States, the United Kingdom, Spain, Singapore, Brazil, Guatemala, South Korea, Botswana, Nigeria, and India, 1960–2000.

Image credit: Daron Acemoglu, Introduction to Modern Economic Growth.

# **“Engineering prosperity”**

- What is it?
- Why hasn't it worked?

# Other explanations for large variations in prosperity

Jared Diamond: geography/environment