

Introduction I: Introduction to 14.740x: Foundations of Development Policy

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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 1.25 per day per person (extremely poor).
- ▶ What is used is consumption per capita (usually not including imputed rent)
- ▶ These are PPP dollars: imagine living under a dollar a day IN THE US (after lodging is taken care of)
- ▶ what is the largest fraction of people living under a dollar a day?

The implications for everyday life

- ▶ Mortality: what country has the highest child mortality? Maternal mortality? And the lowest?
- ▶ HIV and tuberculosis
- ▶ Education: what countries as the lowest literacy rates?
- ▶ Malnutrition

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 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.
 - ▶ If we only wanted to do it we could replicate the Sauri example and be done with it.

Puzzles....

- ▶ If fertilizer is so great why doesn't Kennedy get some and use it on his own? Why does he need it free? Cannot he save? Borrow?
- ▶ If having so many children lead to poverty why people have so many children?
- ▶ Why are people not buying bed nets? Feeding their children a proper meal? Sending them to school without a school meal?
- ▶ Are these really good investments? are people not caring about their children?
- ▶ Conversely if they are not buying bed nets will they use free ones? won't they undo what Sachs is trying to do? If not how can we explain it?
- ▶ Why are people so sick?
- ▶ Why is the hospital so poorly appointed?
- ▶ Why are people not helping the widow? Why did she not have some sort of insurance.

What we will do in this class

- ▶ Dig deeper into each of these themes and puzzle
- ▶ 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? How can we even find out