

Sean Richardson  
McCarthy  
Economic Development

### Reading Review I

In this reading review, I focus on “Poor Economics” Chapter 2. This chapter focuses on the discussion of: “is there a nutrient based poverty trap?” The existence of this poverty trap appears intuitive: if the poor cannot afford the proper diet, they will be too weak to work and be stuck in poverty; however, the data conflicts with the theory. For instance, there is the phenomenon of the “flight to quality” -- the tendency of the poor to buy better food over more food with an increase in income -- which indicates that the poor are not desperate for more food to escape the trap. Additionally, eating more calories provides diminishing returns. A small increase in calories results in a smaller increase in productivity if the current level of caloric intake is large. This behavior of the “inverted L” relation is the opposite of what one would expect in a poverty trap. Ultimately, the evidence suggests that a nutrition based poverty trap does not exist and giving the poor more cheap food is not an effective solution. Rather, there is more value to fortifying food that the poor eat with extra vitamins.

Firstly, the “flight to quality” behavior described in the chapter raises some interesting economic questions. The evidence shows that if the government subsidizes the cheap bland food, the poor will buy less of the low quality food and use the money they save on the cheap food to buy higher quality food to complete their diet. This behavior of a decrease in price resulting in a decrease in demand goes against the law of demand, an important assumption to the supply and demand model. It seems as though we are then unable to analyze the economics with this theory; is there an alternate model that should be applied in this situation? As another note, many of the provided statistics -- world food production, amount of food needed to survive, increase in

performance per food unit, and others -- were given in terms of calories. In fact, Duflo & Banerjee even suggested the cheap option of “eating only bananas and eggs” to fulfill the calorie requirement, which does not appear to be a healthy and balanced option. While the measure of calorie is convenient, I fear that it dismisses the complexity of a healthy human diet. Towards the end of the chapter, Duflo & Banerjee do discuss the benefits of iron in the diet, but the majority of the arguments in the chapter still rely on the calorie.