

Challenges of world Poverty

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LECTURE 1

The magnitude of the problem

- Both the Sachs/Jolie video and the Easterly speech make the magnitude of the problem of poverty very clear.
- The Poverty Line in India is 16 rupees per person and per day. This is also the average poverty line for the 50 countries where most of the poor live.
- 16 rupees is 36 cents.... But life is cheap in India, so if we correct for world prices, it corresponds to 99 cents (this is what we mean when we talk about “life under a dollar a day”):
 - You have to imagine living with 99 cents in the US...
 - The poverty line in the US is 14 dollars per day.
 - Average GDP per capita in the US: \$47,400:\$129 dollar per person and per day!
- **865 million people in the world live with less than 99 cents per day.**

Poverty Is Not Only Lack of Income

- But also:
 - Poor health : 9 million children every year die under the age of 5, mainly of preventable disease
 - Poor education : 50% of children enrolled in school in India cannot read a simple paragraph
 - Poor quality of life: hours collecting water instead of playing, working, learning.
 - Difficulty to realize your ambition: Get a loan for a business, be insured for the risk of your farm.
- Amartya Sen: Development as Freedom

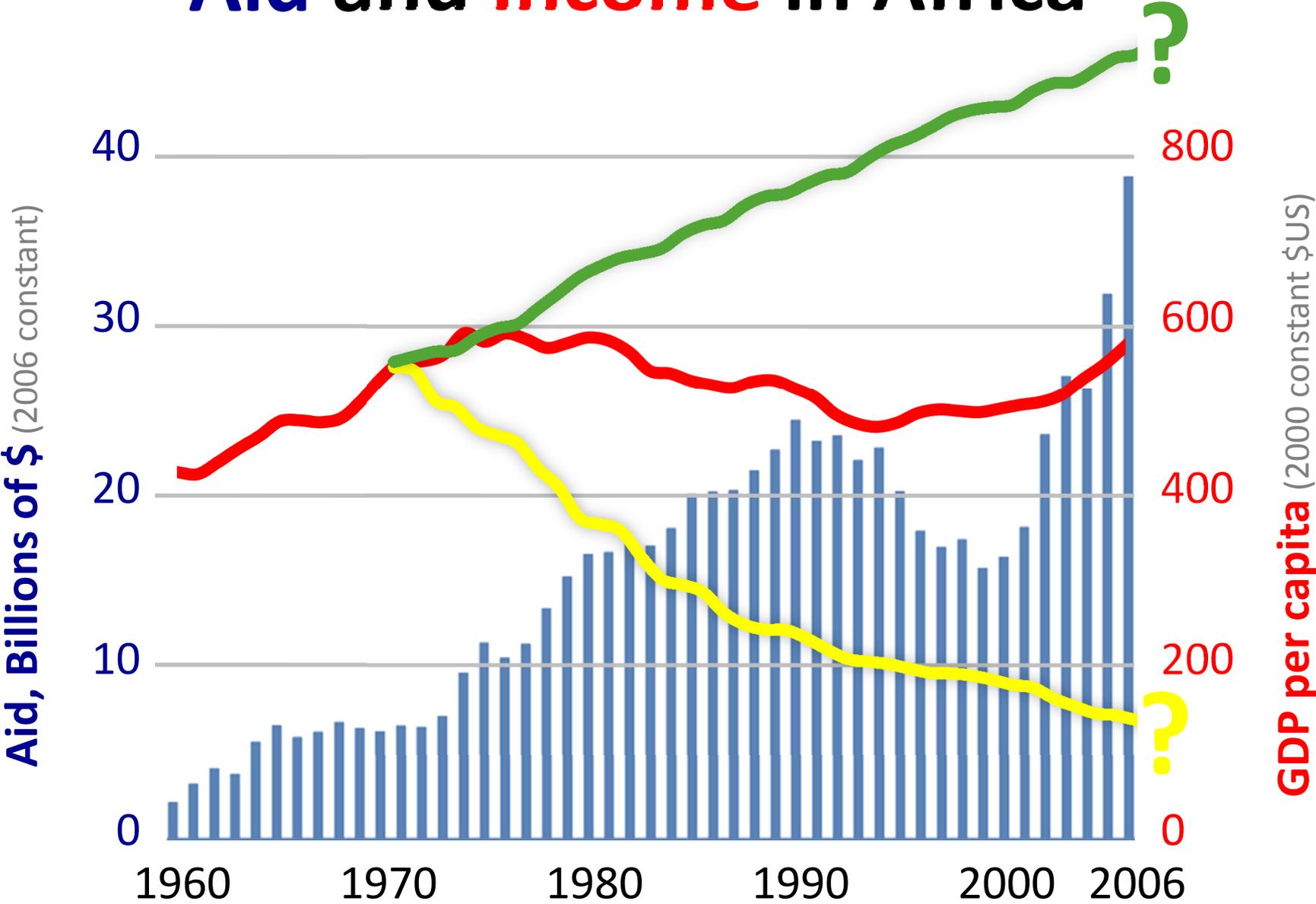
Saving Rokia or Saving the World

- It is easy to get discouraged....
- In an experiment very much like the one you just participated in, at Penn, students were asked to contribute to Save the Children after reading either a general text, or the story of Rokia
 - Statistics flyer raised 1.16 dollars per student on average
 - Rokia flyer raised 2.83 dollars per student on average
- The large problem makes us depressed.

The Easterly view

- In his video, Bill Easterly point out that there is a second tragedy:
 - Money HAS been spent, but it has not helped.
 - Africa is still poor.
- But what would have happened without the aid?

Aid and Income in Africa



Sources: Easterly, "Can the West Save Africa", WDI

What we will do in this course

- Not ask the big question: can AID solve the problem. But a more specific question: WHAT aid?
- Dig deeper into each of these problems (health, education, food, credit, etc.)
 - Are there really poverty traps? When are we likely to see them?
 - Why are the poor behaving the way they do? Are there things that could improve their lives? What are they? What are the barriers?
 - What are the mechanisms that underlie the persistence of poverty? What types of interventions have been tried or could be tried? What has been effective and what has not?