

Poverty and Undernutrition

part 2

Banerjee and Duflo,
“Poor Economics, A Radical Rethinking of the
Way to Fight Global Poverty”,
Chapter 2

Question 1: The poor consume little food. Is there really a nutrition-based poverty trap?

- Is there an S-shaped relationship between income today and income tomorrow? The very poor earn less than they need to be able to do significant work, but those who can eat enough can do serious work. This creates a poverty trap. Is this true?
- One assumption here is that the poor eat as much as they can. If there were any chance that they could earn more by eating more, then they should eat as much as possible.

- This does not seem to be the case.

Among people living on less than \$0.99/day, food represents 36-79% of the budget.

Not all of the rest of the money is spent on absolute necessities. Therefore, the poor seem to have many choices.

If livelihood depended on extra calories, then we would expect the poor to spend every extra penny on food. However, even for the poorest group, a 1% increase in income leads to about 0.7% rise (less than 1%) in food expenditure.

- Equally remarkable, even the money spent on food is not spent to maximize the intake of calories or micronutrients.
- In an experiment in China, households were offered a large subsidy on the staple food. As a response, households consumed less of the staple. Overall, neither caloric intake nor the nutritional content of their diet improved.
- Evidently, the priority was getting better-tasting and more expensive food.

Question 2: Why do the poor consume little food?

- One explanation is that they do not need too many calories, since hard physical work is no longer very common and the poor are usually small people. Does this make sense?
- Some statistics: Many poor individuals in India consume about 1400 calories/day, too little. Roughly half the children under 5 in India are stunted; they are also underweight given their height. One in 5 children under 3 are severely malnourished. The corresponding rates in sub-Saharan Africa are half those in India !!

- Should we worry? Yes. There is a lot of evidence that childhood malnutrition directly affects the ability of adults to function successfully.
- In Tanzania, children who were born to mothers that received sufficient iodine during pregnancy completed more schooling.
- There are benefits for adults too.
- Improving nutrition for adults pays for itself: In Indonesia iron supplements (which cost \$7) made the men able to work harder and earn \$46 more.
- It does not seem that people do not need extra food.

- Another explanation is that these people are unaware of the benefits of better nutrition. The importance of micronutrients were unknown to us until fairly recently.
- Maybe their employers are unaware too. If they knew the workers would be more productive with better nutrition, they would provide that for them. Studies show that with better nutrition only the earnings of the self-employed improved. Another study shows: If employers pay flat wages, there is no reason to eat more to become more productive.

- Moreover, people tend to be suspicious of outsiders who tell them what to eat.
- Anecdote: Rice prices went up sharply in 1966-67. Chief minister of West Bengal (India) suggested that eating less rice and more vegetables would be better for health and for the household budget. Protesters greeted the minister with garlands of vegetables wherever he went.

- It is not easy to learn about the benefits of proper nutrition based on personal experience, since the benefits accrue many years later.
- As a consequence, the poor choose food not mainly for their cheap price and nutritional value, but for how good they taste.
- George Orwell: “A millionaire may enjoy breakfasting off orange juice and Ryvita biscuits; an unemployed man does not... When you are unemployed, you don’t want to eat dull wholesome food. You want to eat something a little tasty. There is always some cheap pleasant thing to tempt you.”

- The poor often resist the plan that others (the non-poor researchers, ministers etc.) think up for them, because they do not share the faith that these plans work for them.
- Another point is that there are things that are more important to them than food.
- Ex: People in the developing world spend large amounts on weddings, dowries, funerals etc. In South Africa, social norms on how much to spend on funerals were set when most deaths occurred at old age. People save money for their funeral during their lifetime. With HIV/AIDS, many prime-age adults die before they could accumulate burial savings. The more expensive the funeral, the more depressed the adults are one year later, and the more likely it is that children have dropped out of school.

- Another example on things more important than food: An unemployed poor man in a village in Morocco who lives in a house without water or sanitation has a TV, a parabolic antenna and a DVD player in his living room. When asked why he bought these when his family did not have enough to eat, he answered “Oh, but TV is more important than food”.
- The basic human need for a pleasant life can explain why food consumption is so low in India.
- Countries with a large domestic market where a lot of consumer goods are available cheaply (like India and Mexico) tend to be countries where food spending is the lowest.

- In contrast, in a country like Papua New Guinea there may be few things available to the poor. As a consequence, the food share in the budget is higher.
- Orwell wrote: “... they don’t necessarily reduce their standards by cutting out luxuries and concentrating on necessities; more often it is the other way around. Hence the fact that in a decade of unparalleled depression, the consumption of all cheap luxuries has increased.”
- But these indulgences are not impulsive purchases. They are planned and carefully thought out.

Question 3: So, do the S-shaped curve and the poverty trap not exist?

- The poverty trap exists. The idea that better nutrition would propel someone on the path to prosperity was very important in history, and it may still be important in some circumstances today.
- Food production was not always sufficient to sustain a full working population. During the Renaissance and the Middle Ages, food production could not sustain a full working population. There were large numbers of beggars.

- There was an epidemic of “witch” killings in Europe during 1550-1800, when crop failures were common and fish was scarce. When resources are tight, it makes “economic sense” to sacrifice some people so that the rest have enough to eat to be able to work and earn money.
- During droughts in India in the 1960s, little girls in landless households were much more likely to die than boys, but the death rates of boys and girls were not very different when rainfall was normal.
- Poor families might occasionally be forced to make choices.

- Starvation exists in today's world, but only as a result of the way food is shared among us. There is no absolute scarcity.
- The fact that the nutrition-based poverty trap is not at work for many of the poor does not mean that nutrition is not a problem for the poor.
- The problem seems to be the quality rather than the quantity of food, in particular the shortage of micronutrients.
- Benefits are particularly strong for unborn babies and young children (who do not decide what to eat).

- There may be an S-shaped relationship between parent's income and income of the children. A child who gets proper nutrition in utero and during early childhood will earn more money not just for a few years but every year of his/her life.
- Small investments in child nutrition can make a huge difference in benefits in adulthood.
- The solution is not providing the poor with cheap grains or increasing their income.
- Better: Giving away fortified food to pregnant women and small children. Deworming children. Providing children with essential micronutrients .