9   Global Poverty and Exploitation

- Madagascar, like other island and coastal countries, is in a precarious position when it comes to climate change and the storms it precipitates. This African nation was hit by its fourth devastating tropical cyclone of 2022 even before the month of February was three quarters over. Storms such as these are even more destructive because of the deforestation Madagascar has endured over the last two decades. Ironically, this African nation is also experiencing a devastating drought. Thousands of people are displaced and facing hunger (Jeff Masters, Yale Climate Connections, *www.yaleclimateconnections.org*, Feb. 21, 2022).

PURPOSE

This is the first of four chapters focused on global issues. While their international emphasis is a common theme, there are other close links between the four chapters. We see in Chapter 9 that after decades of improving conditions in the developing world, global poverty is once again a major threat, an outcome of the "Three Cs": climate change, conflict, and the coronavirus. One ramification of poverty is hunger and famine, which is closely linked to the topic of global agriculture in Chapter 10. Global agriculture is threatened by climate change, as addressed in Chapter 11, and one of the outcomes of the climate crisis is conflict over increasingly scarce resources. Global trade and partnerships can address these issues and hopefully bring improvement to the world's growing dangers. In this chapter, students will become acquainted with the developing countries (countries they may not have thought about much before). And if your college is like mine, there may not be a lot of courses addressing these developing countries. Nevertheless, the four-fifths of the world's population living in the developing countries of Africa, Asia, and Latin America are important in themselves and increasingly important to the rest of the world. This is why I urge you to cover this chapter in your course, even if you are pressed for time! I also urge you to encourage your students to consider study abroad in a developing country. If no such programs are available, perhaps you can help students arrange independent studies with programs offered by the Council on International Educational Exchange (*www.ciee.org*).

WHAT'S NEW?

1. A new U.S. president brought a new U.S. attitude toward the developing countries, which was one of respect. This is greatly welcomed, as indicated by the opening statement to the chapter.

2. After decades of improvements in poverty indicators and standards of living in the developing world, matters are once again reversing. There is new material on poverty and extreme poverty, and the causes of poverty and hunger include the three "Cs": the coronavirus pandemic, climate change, and conflict. These are all linked and discussed in much new detail.

3. The coronavirus pandemic is obviously new, and the absence of vaccinations in much of the developing world is both an example of scarcity and scandal.

4. There is new data and discussion of conflict-driven fragile situations, as described in terms of 1) numbers of refugees and displaced persons and 2) military spending.

5. There is greater attention to income distribution and the rights of Indigenous people.

TEACHING SUGGESTIONS

➢ *Student Interest*

-   Unfortunately, students may have never studied the developing countries of Africa, Asia, and Latin America. This is your opportunity to ignite their interest!

-   Students (and Americans in general) are woefully unfamiliar with global maps and the location of various countries of the world. It really isn't possible to envision the countries in this chapter without some idea of where they are located on a map.

-   I encourage you to make copies of maps of the three regions of the developing world so students can easily identify countries as their names arise in the classroom.

➢ *Controversy*

-   Students may have heard other professors speak to the problem of population growth and the need for developing countries with high population growth rates to develop family planning programs (often very stringent ones). Many students will be challenged by the less intrusive strategy of the text that focuses attention on development rather than population growth *per se*.

-   Students, mostly conservative ones, may view the emphasis on "women in development" as biased. It needs to be emphasized that women and men in developing countries often have very different sets of responsibilities and constraints, and that, by addressing gender issues, the well-being of the family and the country is enhanced. The goal is to improve the living standards of everyone.

➢ *Economic Theory and Models*

-   This chapter includes the theoretical concepts of investment in human capital, investment in infrastructure, and rural-to-urban migration.

-   Students struggle with graphs of price ceilings and price floors. They think "ceilings are high," so they want to place them high in the graph! Remind them the price ceiling must be below the equilibrium price if it is to be "effective."

-   Students also need to be reminded they should not shift any curves (though they *really* want to) in the context of price ceilings and price floors. Teach them to label the price ceiling along the vertical axis, and label the corresponding quantity demanded and quantity supplied along the quantity axis. (Emphasize they should not place labels within the graph itself!) We still need to remind students to practice drawing and re-drawing the graphs.

➤ *Data and Terminology*

▪ Students need to become aware of the concepts of GDP, GNP, and GNI; plus GNI per capita (for example) and average annual growth of GDP per capita (for example). They need to know the precise definitions for the various terminology.

▪ You may wish to point out to the students, as is done in the text, that this chapter focuses on gross national income (GNI) data, where appropriate. The World Bank now uses GNI as its broadest measure of income. It is identical in value to gross national product, but it draws our attention to income as opposed to output.

▪ In addition to these data, statistics are all updated for income distribution, life expectancies, infant mortality rates, poverty rates, the population of the largest cities, the share of the population in urban slums, access to safe drinking water and sanitation, HIV incidence, as well as the variables mentioned earlier. Regarding standards of living, students should have some sense of which countries are doing well, which are doing poorly, and possible reasons why.

➤ *Fundamentals*

▪ There are vastly different degrees of income distribution among developing countries, depending on the policies of their governments.

▪ The distribution of income also depends on the distribution of wealth, and greater attention to the land rights of Indigenous people and group lending to women will in theory improve income distribution.

CLASSROOM EXERCISES

1. Consider the market for sugar cane in Mexico. Label the equilibrium point E within the graph, along with the equilibrium price (P) along the price axis. Now label a price ceiling (P_C) along the price axis, keeping in mind that an effective price ceiling must be below the market equilibrium price. Label the quantity demanded (Q^D) and quantity supplied (Q^S) that correspond with the price ceiling along the quantity axis. What is the problem that results? [A shortage of rice.]
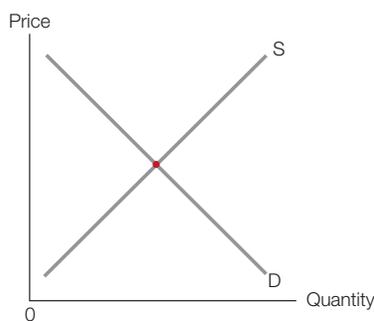
SAMPLE TEST QUESTIONS

Multiple Choice Questions

1. Which of the following is *not* true? The developing regions of the world are defined as including:

    a. Eastern Europe.
    b. Latin America.
    c. Africa.
    d. Asia.

2. GNI per capita is calculated as:

    a. GNI minus population.
    b. GNI plus population.
    c. GNI times population.
    d. GNI divided by population.

3. According to the textbook, what country has the lowest GNI per capita?

    a. Mexico
    b. Brazil
    c. Costa Rica
    d. Burundi

4. Which of the following countries have the greatest inequality in income distribution?

    a. Honduras and Brazil
    b. Egypt and Indonesia
    c. Nigeria and Tanzania
    d. Vietnam and Mongolia

5. Which of the following is the most heavily populated city in the world?

    a. New York City, New York
    b. Los Angeles, California
    c. Tokyo, Japan
    d. Mexico City, Mexico

6. Economic development entails:

    a. reductions in poverty.
    b. improvements in standards of living.
    c. resolving the conditions that lead to fragility.
    d. all of the above

7. If GNI is $100 million, and population equals 2 million, what is the value of GNI per capita?

    a. $50
    b. $50 million
    c. $102 million
    d. $200

8. The composition of GDP refers to:

    a. the distribution of income.

    b. the distribution of GDP.

    c. what GDP consists of.

    d. how rapidly GDP increases.

9. Which of the following measurements gives the *least* accurate indication of the economic well-being of people?

    a. Average life expectancy

    b. GDP growth

    c. Distribution of income

    d. Infant mortality rate

10. The six poorest countries in the world are in:

    a. Africa.

    b. Asia.

    c. Latin America.

    d. Eastern Europe.

11. Based on the table in the text, the countries with the greatest equality in income distribution are:

    a. Haiti and Belize.

    b. Costa Rica and Zambia.

    c. Venezuela and Botswana.

    d. Bangladesh and Burundi.

12. Which of the following can achieve a more equitable income distribution?

    a. Eliminating price distortions

    b. Redistributing assets such as land

    c. Shifting government resources to programs benefiting the poor

    d. All of the above

13. "NICs" refers to:

    a. newly incorporated countries.

    b. non-income earnings countries.

    c. newly industrializing countries.

    d. nonincorporated countries.

14. Capital intensive technology:

    a. utilizes much capital relative to labor.

    b. has been part of many industrialization strategies.

    c. may not be appropriate for countries with high levels of unemployment.

    d. all of the above

15. The agricultural sector is important in many developing countries because:

    a. it is where most of the poor live.

    b. it often offers the greatest potential for development.

    c. it often offers the greatest potential for employment.

    d. all of the above

16. Price ceilings on food products in developing countries contribute to:

    a. shortages of food.
    b. reduced incentives for food production.
    c. reduced incomes of farmers.
    d. all of the above

17. The text suggests which principle about international food aid?

    a. Emergency food aid is harmful.
    b. Food aid is always beneficial.
    c. Continuous non-emergency food aid can hinder economic development.
    d. U.S. food aid is very efficient in its distribution.

18. "Social overhead capital" is the definition of:

    a. industry.
    b. infrastructure.
    c. education.
    d. government.

19. Which of the following is *not* an investment in human capital?

    a. Education
    b. Training
    c. Industry
    d. Healthcare

20. Women in developing countries often:

    a. have much lower literacy rates than men.
    b. are primarily responsible for production of subsistence food crops.
    c. lack access to extension services and credit opportunities.
    d. all of the above

21. According to the textbook, what city has the largest population?

    a. Tokyo, Japan
    b. Mexico City, Mexico
    c. New York, United States
    d. Mumbai (Bombay), India

22. Which of the following is *not* generally a characteristic of informal sector employment?

    a. Low incomes
    b. Industrial production
    c. Irregular work hours
    d. Service work

23. Variables such as life expectancies and infant mortality rates are good indicators of standards of living because they:

    a. avoid many of the measurement problems associated with GNI and GNP.
    b. are easily conceptualized by all.
    c. are not severely hampered by issues of distribution.
    d. all of the above

24. Poverty is expected to worsen due to:

   a. climate change.
   b. the coronavirus pandemic.
   c. violent conflict.
   d. all of the above

25. Formal credit opportunities are often unavailable to women who lack:

   a. basic literacy.
   b. collateral.
   c. access to transportation.
   d. all of the above

True / False Questions

1. The United States has the world's highest GNI per capita. **(F)**

2. Honduras has the greatest inequality, as shown in the table in the text. **(T)**

3. In general, the Latin American countries tend to have a high degree of inequality. **(T)**

4. We can think of GNP as the value of production, and GNI as the income generated from the production of GNP. **(T)**

5. GDP and GNP are identical in value. **(F)**

6. GNI per capita tells us the level of well-being of the people of a country. **(F)**

7. GNI per capita does not tell us the level of well-being of the people of a country because it doesn't address the distribution of income or the composition of output. **(T)**

8. When we compare GDP between two countries, this automatically adjusts for population size. **(F)**

9. The GNI per capita of the United States is over 200 times that of Burundi. **(T)**

10. Costa Rica has such poor standards of living because it spends a large share of its total income on the military. **(F)**

11. Infant mortality rates show the number of infants who die before age one, per 1,000 live births. **(T)**

12. The level of GNI per capita is more important in terms of peoples' well-being than the distribution of income and the composition of output. **(F)**

13. Life expectancies sit around the lows in the 50s in Central African Republic (CAR), Lesotho, Nigeria, and Chad. **(T)**

14. Life expectancy in Vietnam is relatively high, due in part to its relatively equal income distribution. **(T)**

15. The developing country with the lowest (best) infant mortality rate is Afghanistan. **(F)**

16. South Africa, Botswana, Namibia, and other southern African countries experienced high levels and spread of AIDS and the omicron variant of the coronavirus. **(T)**

17. Export cropping refers to a pattern of agricultural production for export. **(T)**

18. Agricultural price ceilings generally create surpluses. **(F)**

19. A major issue for Indigenous people in Chiapas is the right to land. **(T)**

20. Investments in human capital can improve productivity and standards of living. **(T)**

21. Health and education are investments in human capital. **(T)**

22. Social overhead includes roads and communications. **(T)**

23. The clearing of trees in forested areas is the definition of desertification. **(F)**

24. Desertification may result from deforestation. **(T)**

25. Informal employment consists primarily of service occupations. **(T)**

26. Economic development generally results in lower birthrates. **(T)**

27. Underemployment includes the situation where people work a limited number of hours. **(T)**

28. Rural-urban migration in developing countries is generally in the form of people moving from the urban sector to the more peaceful lifestyles of the rural sector. **(F)**

29. Conservative economists generally favor a growth-oriented strategy for economic development. **(T)**

30. Most of the world's poor live in Africa. **(F)**

31. Most of the world's poor *countries* are in Africa. **(T)**

32. Economic development is the same as economic growth. **(F)**

33. Most of the world's poor live in the rural sector. **(T)**

34. Price ceilings on food benefit all developing country residents. **(F)**

35. Economists use the term *fragile contexts* to describe conditions where people face higher rates of poverty due to healthcare crises, political upheaval, conflict, and climate-induced severe weather. **(T)**

36. AIDS is a serious issue for both women and men in Africa. **(T)**

37. In this chapter, the text measures income distribution by the share of total income going to the poorest 20 percent of the country's population. **(T)**

38. Life expectancy in Cuba, Costa Rica, and Vietnam is relatively high in comparison with many African countries. **(T)**

39. Infant mortality rates are relatively high (poor) in Costa Rica and Vietnam. **(F)**

40. Life expectancies and infant mortality rates are indicators that experience fewer measurement problems than GNI and GDP statistics. **(T)**

41. Over-urbanization refers to a situation when an urban environment cannot provide adequate jobs and services for its people. **(T)**

42. Chile has a high percentage of its urban population provided with safe water. **(F)**

43. The maternal mortality rate is the number of deaths of women for pregnancy-related reasons per 100,000 live births. **(T)**

44. Your author discovered that women receiving microenterprise credit chose to spend most of their higher incomes on consumer goods like furniture. **(F)**

45. Unequal distribution of wealth, including land, is a primary determinant of unequal distribution of income. **(T)**

46. Among the countries listed in the text table, the extreme poverty rate is the highest for Tanzania. **(T)**

47. The coronavirus pandemic is especially severe in countries where leaders have failed to effectively address the health crisis, including India, Brazil, and Belarus. **(T)**

48. Climate change will be a major cause of migration. **(T)**

49. High levels of military spending as a share of total government expenditures usually create peace and development. **(F)**

50. The percentage of people living in slums is extremely high in the countries of Sudan, South Sudan, and Central African Republic. **(T)**

Critical Thinking Questions

1. If you were a policymaker in a developing country, what strategies would you use to overcome the typical problems experienced by developing countries in your efforts to achieve economic development?

2. What is the role of violent conflict in economic development?

3. How does the production possibilities curve, first discussed in Chapter 1, address various aspects of development, including unemployment, scarcity, human resource development, natural resource development, agricultural development, industrial development, infrastructure development, and population growth? (For example, you may wish to place agricultural goods and manufacturing goods on the axes, or consumer goods and capital goods. Capital can include human capital, physical capital, and physical infrastructure.)

4. Why is there hunger in a world of plenty?

5. How can microenterprise credit help poor women and their families?

6. How can efforts to improve conditions in city slums actually worsen their problems? Why is a proper rural/ urban balance so important?

7. How can developed countries help improve conditions in developing countries?