

Double Quiz 2-3 will be Thursday March 12th (15 points-30 minutes) *Covers Child Labor, [Women's Agency](#), Malnutrition and inequality measures** Use the discussion and review (below) questions to direct your reading. EC short answer questions on the quiz will be largely on the questions below. See also [LDQ 4.0 for child labor review questions](#). See also [Meshry's slides for review](#).

Inequality and poverty measures terms for review: See the [review sheet for inequality and poverty measures](#): the inequality ratio, the Gini coefficient. Gap Squared (FGT) and Sen Severity index—ingredients and what they are good for, not formulas. Trends in U.S. inequality the new world middle class / Social exclusion.

Gender inequality and women's agency: The U.S. [Gender pay Gap: one year out of college....](#) Gender gap in education, though according to Peace Corps 62 million women are not in school. Meanwhile, in [college women outperform men](#).

Malnutrition terms for review: (see Malnutrition [lecture notes](#) *the Economist on [The Nutrition Puzzle, 2-18-2012](#) Micronutrients:* (see lecture notes for update of the 1990 under 5 mortality rate of about 12 million children under 5 is now down to 6.3M + or - ? **What share of deaths are due to malnutrition (Economist)?** Typical rural village: 10-20% landless workers, 30-40% small land owners; competitive, seasonal rural labor markets / the malnutrition poverty trap: morbidity and productivity; Reservation wage (one's personal minimum wage or the lowest wage at which one is willing or able to work); the efficiency wage hypothesis (worker effort and loyalty increase with wages, turnover falls); Malnutrition and child labor poverty (NBEW): traps in poor rural areas the market wage may fall below the biological minimum—that is the calories it takes to actually do the work required:

Indicators of nutritional status: Calories basal Metabolic Rate (BMR); Body Mass Index (BMI); Survival Diet (1.27*BMR) / Anthropometric evidence of malnutrition: wasting (low weight for height); stunting (low height for age) / Policies to reduce malnutrition: land reform; targeted vs. universal food subsidies; minimum wages; out-migration / UNICEF-WHO: [growth-monitoring](#); [Oral re-hydration therapy](#); birth spacing; immunization; antibiotics. U5MR, infant mortality and malnutrition. **Malnutrition and Famine:** [Brazil's Child Pastorale](#) CCTS: [Food to school & Child Labor](#) UNICEF (1996) *"ORS:Advance of the Century"* UNICEF (1998) [Silent Emergency Approaches that Work](#), [The Hassans](#) from Runge, et. al. (2003) *Ending Hunger in our Lifetime (Johns Hopkins U Press, Baltimore) pp 1-5*. [Stunting handy BMI calculator](#) [Food Subsidies & Transfers](#) UNICEF (1996) [Community-based health care: Indonesia](#) sets the pace [Tamil Nadu "Food as Medicine" programs](#)

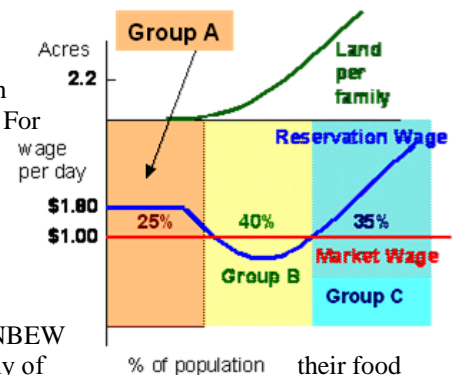
Review Questions for malnutrition and NBEW use questions 5.2-5.6 to prepare for quiz 3

5.2 Explain the link between nutritional status and gross caloric intake (see [lecture notes](#)). Use the idea of nutritional status to explain the malnutrition poverty trap? How is one's basal metabolic rate (BMR) and body mass index (BMI) relevant to nutritional status? b) How does morbidity undermine nutritional status, especially among children? Name three low cost (\$1-\$5 annually) interventions UNICEF recommends to improve child health (see lecture notes). How do healthier children affect household labor market performance and the biological minimum wage of that household's workers?

5.3 a) Stunting, wasting and a high U5MR all can be indicator malnutrition, but have different policy implications, explain. b) BMI is weight in kilograms divided by your height in meters squared (a meter is 39.37", a kilogram is 2.2046 pounds). Compute the BMI of the international "adult equivalent" male who is 5'4" and 120 pounds ([online BMI calculator](#) if you like). The European fashion industry has recently tried to ban models with BMIs under 18, what is the rationale for this ban? What is the BMI of [Mr. and Ms. Hassan](#)? Are they malnourished due to calories or claims? c) Give an example of an anti-poverty programs targeted using anthropometric malnutrition indicators (hint: growth monitoring)

5.4 IFAD, 2002 (see the end of the [India case study](#)) says 70% of \$1/day poor live in rural areas along with the poorest of the poor (landless workers). Use the diagram at right to identify by letter 3 groups: (i) landless workers who depend on unskilled labor earnings (weeding, harvesting) ___ (ii) unskilled workers who own or have access to some land ___ (iii) farmers who have enough land or other assets (skills) so that they do not have to work in the unskilled labor market ___.

5.5. a) Distinguish between the reservation wage, a legal minimum wage, a biological minimum wage and the market wage (lectures notes on [malnutrition](#)). (b) For which groups in the Figure at right (A,B or C) is the reservation wage equal to the biological minimum wage? For which group is their reservation not the biological minimum? (c) Briefly explain the efficiency wage in this context. How wages can be so low as to not cover caloric requirements of the work itself (in the village labor market represented at right for example). Which group, A, B or C is vulnerable to malnutrition and why? In this village, do large or small landowners "cause" malnutrition? Explain.



5.6 a) Recall that the [Hassan family](#) has some land, but low BMI. Locate the Hassan family in the NBEW diagram at right. What is the \$ppp income of the Hassan household, assuming they don't sell any of their food crops (assuming a \$ppp conversion factor of 4 for Bangladesh, multiply their cash income by 4 to get their U.S. purchasing power, \$ppp

income). The Hassan family now living at home includes 3 adults and 3 children (about 4.5 adult equivalents). Is the Hassan family \$1/day poor or \$.75/day poor? Has severe poverty led to malnutrition? Cite evidence of malnutrition. (c) How many of the Hassan's children died before they were 5 years old? How do these high child mortality rates both reflect extreme poverty and impair nutritional status? How might vaccines or antibiotics improve the Hassan's nutritional status?

Cross-cutting short answer questions

1. **Population growth and the isolation paradox.** One reason population growth may be “too high” is that parents get many of the benefits of large families but do not pay the whole cost. Take for example the payment Laila's mother gets from Brazil's Bolsa familia program conditional cash transfer program. Do these CCT payments encourage the poor to have larger families? Be specific, why or why don't (or when and when don't they).
2. **Child Labor: in what sense is child labor a poverty trap for adults and children?** When the NY Times refers to a “grim conspiracy of the poor” a conspiracy to do what? Why don't NYC labor and union inspectors demand sweatshops like Brooklyn's Chai Feng sweatshop be closed down? Discuss the pros and cons of closing the “Black Factory” where Min gets her first job? Why might Jane Lii (and her editors) be reluctant to publish this 1995 article today? What does UNICEF (and the GAP) do when they encounter child workers or unsafe working conditions? Would you advise UNICEF and the Gap to change their policy? Why or why not? Why does the GAP find it difficult to explain its policy to its American consumers?
3. **Women's Agency lecture notes:** According to Ana Ravenga and Sudhir Shetty argue, *Empowering Women Is Smart Economics*, why? [Finance & Development, March 2012, Vol. 49, No. 1](#) see also A. [Sen Development as Freedom, Chapter 8](#) Sen argues women's agency is the key difference between states in India (and Africa) nations that have been successful in reducing malnutrition and poverty and those that have not. Contrast women's welfare, empowerment and agency: why is women's agency particularly important
4. **The Efficiency wage hypothesis (and “the race to the bottom”):** In letter to the Daily following a campus talk by libertarian economist Richard “Darth Vedder” University of Michigan SOLE member Peter Romer-Friedman argues raising wages of NIKE workers in Indonesia, will not raise prices for consumers in the U.S. or reduce Nike Profits. Summarize his argument. He argues NIKE cannot substitute machinery for higher paid workers, but what can they do? (hint: BGD, Vietnam, Cambodia). Who does lose when wages are raised if the efficiency wage hypothesis is correct (hint: how do efficiency wages increase worker productivity, see the lecture notes)? What happens to \$1.25/day poverty when NIKE raises wages in one country to pay a higher “living” or a minimum wage?).

To the Daily:

The Daily article on Nov. 11 presented the libertarian views of Ohio University Economics Professor Richard Vedder. Vedder asserted that sweatshops have played a role in many developing countries and he also said that governments should not restrict development in countries like Indonesia where garment workers earn 15 cents an hour.

Vedder, who made a number of false historical and empirical statements, erroneously assumed that Students Organizing for Labor and Economic Equality and other anti-sweatshop activists are asking the U.S. government to enforce a worldwide minimum wage. But after hearing the cold hard facts about the anti-sweatshop movement, Vedder expressed his agreement with SOLE's demand that the University and companies using our logo enter a voluntary contract with provisions including full public disclosure of factories, women's rights and a living wage. He learned that SOLE is in favor of investment and development, but against the paying of misery wages to children and young women.

Under close scrutiny of the economics of sweatshops and the policies that United Students against Sweatshops and SOLE are asking universities to adopt, Vedder conceded to virtually every point that anti-sweatshop academics and activists offered on last Wednesday night. SOLE members picked apart Vedder's unsupported economic claim that consumers will be worse off if Nike or Russell pay their workers a living wage. By analyzing the collegiate apparel market, SOLE showed Vedder exactly what would happen if firms pay their workers a living wage:

- 1) *The price of your favorite Nike jersey will not rise - the marginal increases in labor costs would be an insignificant percentage of total production costs.*
- 2) *Employment of garment workers will not decrease - Companies cannot substitute capital for labor in this extremely labor intensive industry and firms certainly don't want to cut back on its supply of goods at this point.*
- 3) *Millions of dollars will be shifted from economic profits of firms to workers - with tremendous market power in this industry, firms would take a loss in profit and not pass on the increased labor costs to consumers.*
- 4) *Consumers and firms will also benefit - as a better paid workforce will produce higher quality garments and at a faster rate - economists call this efficiency wage theory.*

*While conservatives often accuse progressive activists of making only moral arguments and not pragmatic economic arguments, SOLE showed last night that our policy suggestions to the University make sense within a centrist-to-right neo-classical economic framework. SOLE cares about workers' rights, economic development and sound economic policy. We should all continue to ask the critical questions, because facts, not hyperbole, will guide us to the correct and just outcomes. Sincerely,
Peter Romer-Friedman, LSA junior,
University of Michigan*

Women's agency: women's work at home: extra credit:



Why does Hans Rosling think that the Washing Machine is such a leap forward? How many people live below the \$2 a day poverty line, how many above the "Air Line"? How many dollars a day is the cut off for the Air Line and the "Wash Line" thresholds? How many people live below the Wash Line? How do these people wash? What are the costs associated with this type of washing? What does the distribution of energy look like across the lines mentioned? How will this distribution look like in 2050? What do the rich have to do about their energy consumption in face or climate change? And finally, what is the magic of the washing machine? How does this magic relate to women's agency?

Monday February 5 2002 8:23 PM ET

U.N.: Leaders Must Tackle Poverty

By Anwar Faruqi, Associated Press Writer

UNITED NATIONS (AP) - Efforts to cut global poverty in half by 2015 will fall flat unless world leaders shift the focus from cities to rural areas where millions of the poorest people live, a new U.N. report says. **The report by the International Fund for Agricultural Development said 75 percent of the 1.2 billion people living on less than a dollar a day are in rural areas where the economy is based on agriculture.**

"Current development efforts grossly and increasingly neglect agricultural and rural people," said Michael Lipton, director of the Poverty Research Unit at Sussex University in England. "The tremendous decline in attention to rural poor that has taken place everywhere must be reversed," said Lipton, who contributed to the report released Monday in New York.

At the Millennium Summit in September, nearly 150 world leaders pledged to halve the number of people living in extreme poverty by 2015, but the report said aid has yet to be directed to where it is needed most.

“The failure stems in large part from a misconception that the main poverty problem has moved from the countryside to the burgeoning megacities of the developing world,”

IFAD president Fawzi al-Sultan said. “Almost everyone in the countryside depends on agriculture, directly or indirectly. So agriculture must be strengthened,” added U.N. Secretary-General Kofi Annan (news - web sites).

The value of aid to agriculture fell by two-thirds between 1987 and 1998 while overall investments in agriculture and rural areas also decreased, said the agency, known by its initials IFAD. While poverty decreased dramatically from 1970 to 1990, Lipton said that the pace of the decline has stalled in the last decade.

Worldwide, he said, the proportion of international aid going to the agricultural sector fell from about 30 percent in the late 1970s to about 21 percent in the late 1980s and about 12 percent today. To halve poverty in 15 years, 30 million people need to escape poverty every year, but currently only 10 million are doing so, IFAD said.

The failure is especially acute in sub-Saharan Africa, where the rate of poverty reduction is particularly slow. The report called for a global effort to give the rural poor better access to land, water, technology and capital, as well as more open markets.

It also called for land reform and new policies to combat bias against women and girls, who constitute the majority of the rural poor - and whose poverty is often reinforced through cultural and legal obstacles