

### Unifying ideas

1. The poor lack crucial pieces of information and sometimes believe things that are not true
  - a. Immunization
  - b. Technology change
  - c. Payoffs from education
  - d. Causes an under investment in education, information is helpful, provide info about benefits of immunization increased uptake
2. The poor bear responsibility for far too much of their lives
  - a. Clean water
  - b. Nutrition
  - c. Retirement contributions
  - d. Health saving
  - e. Results in costly trade-offs between immediate welfare and long-run investment
  - f. Nudges and subsidies can be effective, can mitigate the trade-off between immediate welfare and long run investment
3. There are good reasons why markets are missing for the poor or work badly
  - a. Handling small amounts of money entails a fixed cost
  - b. Information asymmetries make it unprofitable for some markets to function
  - c. Policy should support markets where possible, or failing that, governments should consider providing themselves
  - d. Some goods should be given away (bed nets) or highly subsidized (savings accounts and insurance premiums)
4. Low expectations can be a self-fulfilling prophecy
  - a. Teaching to the elite
  - b. Nurses not showing up to work
  - c. Absentee teachers
  - d. Poverty has cognitive implications
  - e. Expectations are slow-changing, but marginal changes can add up
  - f. When a situation improves, the improvement itself affects beliefs and behaviours
5. The poor often behave rationally
  - a. Scarce resources require thought about how to allocate them
  - b. The poor often make economically rational decisions
    - i. Cash transfers
    - ii. Commitment devices
    - iii. Microfinance
  - c. Patient understanding (and research) of why the poor live the way they do can help promote effective policy

## **Population**

### **Describe the current trends in world population**

- Increasing world population, Asia's population is heavily increasing, every other continent is consistently increasing
- Africa has really high fertility rates and mortality rates are falling

### **Define birth rate, death rate, population growth rate and the demographic transition**

- Birth rate: the number of live births per thousand of population per year
- Death rate: the ratio of deaths to the population of a particular area or during a particular period of time, usually calculated as the number of deaths per one thousand people per year
- Population growth rate: calculated by the birth rate – death rate
- Demographic transition: the transformation of the population from high birth and death rates to low birth and death rates
  - Phase One: high birth rates and high death rates
  - Phase two: death rates fall but birth rates don't change much
  - Phase three: birth rates fall too
  - Phase four: low birth rates and death rates
- In the middle phase of demographic transition, people live longer, and fertility rates fall, ratio of working age adults to dependents gets higher
- Demographic dividend
  - As long as labour markets can absorb more workers, production per capita will increase
  - Growth of the economy is the resultant effect of a change in the age structure of a country's population

### **Describe the “economic model” of fertility choice**

- Quantity-quality trade off (Becker and Tommes 1976): siblings compete for parental attention, so more children means that each one gets less, more children are more expensive
- If quality is a normal good, then the poor will want more children rather than “higher quality, e.g. children in large families will be worse – off

### **Describe why larger family sizes don't seem to have a negative effect on children's well being**

- Research found that this is not the case,

### **Contrast a “unitary” household with a “non-unitary” household**

- Unitary model: mothers and fathers make fertility decisions jointly, fertility decisions determined by – family income, costs and opportunity costs, information
- Non-unitary model: mothers and fathers have different preferences over fertility decisions, bargaining power and private information matter
  - Households decide between consumption and how many children to have, maximize utility subject to budget constraint

### **Discuss a variety of policies that could be used to lower fertility rates**

- Increase female bargaining power – female labour market opportunities, educational investment for girls (as simple as providing school uniforms)
- Increase private information, E.g. contraceptive use increased when husband isn't present
- Increase social safety nets, E.g. pension annuities, formal retirement savings institutions
- Influence social norms, E.g. telenovelas in Brazil

### Extra Notes

- Malthus wrote in 1798 predictions on population: relatively abundant land with small population → people are well off and have lots of kids, relatively scarce land with large population → famine, scarcity, decline in population
  - Limited resources will limit population growth
  - High productivity countries will not have higher living standards – new technology begets more people – decreases standard of living
  - Only way to increase the standard of living is moral restraint, encourage people not to have too many kids and prevent births

