

# Poverty II

10/02/2008

## Today's Agenda

1. Functional Impacts of Poverty
- C. Nutrition and Labor Markets
- D. Poverty and the Household

### 1. Nutrition and Labor Markets

- We observe strong correlation between poverty and undernutrition
  - Many debilitating effects of undernutrition. In particular, we are interested in the relationship between a person's nutritional status and their capacity to do sustained work
  - Poverty through the channel of undernutrition affects a person's ability to work and thus affects the functioning of labor markets
- A. Story of Human Energy Balance. Four main components:
- i. Energy Input: Consumption of food. In most situations, access to food is the same as access to income
  - ii. Resting metabolism: This is a significant portion of body's requirements and represents energy required to maintain body temperature.
  - iii. Energy required for work: Energy required to carry out physical labor
  - iv. Storage and borrowing: Short or medium-term excesses or deficits can be cushioned by human body
- B. Capacity Curve
- Relationship between nutrition and the capacity to perform productive work
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- Point of looking at this capacity curve—to understand that low incomes create low nutrition but also low nutrition is capable of creating low incomes. A vicious circle results.
  - Simple model (Chapter 13, beginning of model, will cover rest later)
    - i. Add piece-rate wages onto capacity curve graph. Which are higher and which are lower?

ii. Individual labor supply curve → aggregate labor supply curve

iii. Market equilibrium:  $v^*$

- Involuntary unemployment results. Vicious circle is complete!

## **2. Inequality within Poor Households**

- i. Unequal sharing arises from fact that certain minimum amounts of resources has to be devoted to each person
- ii. Nutritional problem serves to promote unequal allocations. We can see this using capacity curve:

Next time: Chapter 9