Summer School (2024): Development Economics

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Seminar 2: Poverty Traps

(a) Which types of poverty traps can you imagine to be relevant for today's low income countries? Provide at least three examples.

(b) For each of the three (or more) types of poverty traps mentioned above, briefly describe which feature is crucial in keeping people trapped in poverty.

(c) Southern Madagascar recently experienced severe to extreme famine. Many observers pointed to climate-change as a potential cause, trapping the region in poverty. Do you agree? How could such a climate-induced poverty trap work?

(d) Draw, in a classic Solow model, how climate change shocks could have lead (parts of) Madagascar that were not previously in a poverty trap to end up in one. According to the model, which other factors may have played a role to the same effect?

(e) Which policy interventions could help Southern Madagascar escape such a potentially climate-induced poverty trap?

(f) Madagascar in aggregate has sufficient food production to meet nutritional demand. Please discuss possible explanations why one part of the country can still experience severe famine. Which policies to remedy this situation would you recommend?

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