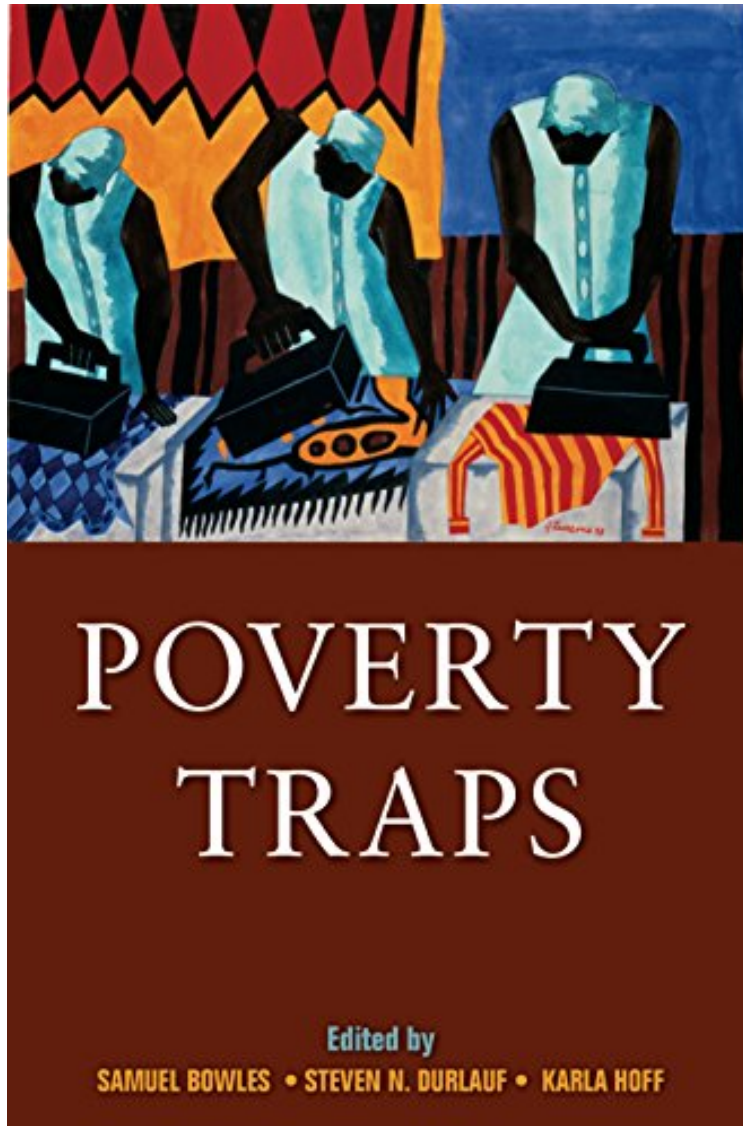


## Poverty Traps

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**From Princeton University Press : Poverty Traps** before purchasing it in order to gauge whether or not it would be worth my time, and all praised Poverty Traps:

7 of 9 people found the following review helpful. Orthodox methods, unorthodox conclusions By M. A. Krul "Poverty Traps" is a collection of research papers on the subject of, well, poverty traps, edited by Bowles, Durlauf and Hoff. Each of these are known for their use of orthodox methodology against the economic orthodoxy itself in substantial terms, and that is also the approach taken in this book. The book consists of a small number of fairly large essays, more or less thematically organized, which seek to explain how poverty traps come into being and how they are

reproduced. In this context, a poverty trap is defined as a less-than-optimal solution which is nonetheless an equilibrium, where there also exists an optimal (or at least better) equilibrium. By far the best part of the book is Part II, which discusses institutions and how they serve to create and reinforce such poverty traps. Engerman and Sokoloff have a fascinating article on the importance of land policies and the crops produced in different parts of the American continent since colonization as a cause of the strong discrepancies in wealth between the North and the Middle/South. Mehlum, Moene and Torvik use classic orthodox methods to show that in African nations, there can be a poverty trap as a result of organized crime, militias etc. being parasites on productive companies, where they keep each other balanced at a suboptimal level. Hoff and Sen have an excellent essay on the problems with kin systems in Africa and Asia and the way in which they can inhibit modernization. And finally Samuel Bowles himself uses a game theoretical mathematical approach to show how suboptimal social conventions can be very hard to change in circumstances of great inequality, despite the amount of people benefiting from the conventions are very few in proportion to those negatively affected. Also of great interest is the first essay in Part III, by Steven Durlauf, which deals with how group pressure and neighborhood influences can account for the continuing bad situation in very black areas of the United States. What is frustrating about this book is that the authors are so clearly constrained by the faux 'rigor' of orthodox economics in fully developing their case. Reading between the lines this seems to have been the case for some of the authors themselves as well, but it will certainly strike any reader that about half the book is devoted to mathematically describing and modelling arguments which are perfectly sensible and easily understood in just their regular written form. The added value of making a model with a host of unworldly and absurd assumptions to prove a particular point that could just as easily be proven in terms of "people tend to behave like X under Y circumstances, because of social cause Z" is unclear, and it is one of the many unfortunate products of the academic atmosphere in the field of economics. What passes for 'rigor' is in reality a useless and failed attempt to imitate physics and to impress the noninitiated. It is a pity that this draws smart minds, as the cases of Moene (associated with 'Analytical Marxism') and Bowles (the leader in behavioral economics) show - both are approaches which want to do good social science, uninhibited by liberal dogma, but which are hampered by their own insistence on methodological orthodoxy. This is a good scientific work, but its own methodology hinders it.

14 of 14 people found the following review helpful.

Understanding poverty to eliminate it

By viktor\_57

Blame the poor for their own poverty, and we can justify enjoying our own opulent lifestyles without an excess of guilt. Economics teaches us that poverty is a choice, so we can give the poor opportunities, but we cannot force them to take advantage of those opportunities. Thus the moral responsibility for poverty rests with the poor, rather than those who control and consume the majority of resources. This achievement model of income determination places the mechanisms that determine an individual's socioeconomic prospects mostly within his or her control, but it does little to explain the growing disparity in income between and within nations.

"Income inequality in the world as a whole has increased substantially over the past two centuries, with the richest 10 percent receiving over half of world income today, while the poorest 50 percent receive less than 10 percent. In the United States, home of the rags-to-riches tale, the son of a person born to parents in the poorest decile of income earners is twenty-four times more likely to achieve an income in the lowest decile than in the highest decile when he grows up." Economic competition, liberal democratic institutions, and free trade should result in convergence in economic outcomes, but the persistence of poverty has required new theories to address "both the question of how whole economies may fail to develop, and how subgroups within rich economies may fail to share in overall prosperity." These mechanisms that cause poverty to persist - "poverty traps" - are the subject of the eight articles contained within the present volume of the same name. The editors introduce the volume with a helpful introduction outlining the overall problem and the scope and direction of the articles which they group into three explanatory categories: critical thresholds, dysfunctional institutions, and neighborhood effects.

Part One of the book deals with threshold effects, in which physical and human capital must be developed to a minimal level to enable positive returns on investments and economies of scale. Foreign aid programs that have invested in education and capital development have shown, however, that productive opportunities alone are not sufficient to escape the poverty trap. Economic development also requires mechanisms to create ever-new future opportunities. Parts Two and Three address this issue.

Part Two contains four articles looking at the effect of institutions 1) historically in the Americas, 2) modeled in a predator/producer ecosystem, 3) as products of traditional, kin-based societies, and 4) within a general evolutionary framework in which institutions that perpetuate inequality persist unless upset by large, collective action.

Part Three looks at neighborhood effects with three articles. The first article explains how in the "memberships theory of poverty", "peer effects, role model influences, and other factors that operate at the level of the group" and perpetuate poverty can be counteracted by "associative redistribution" policy measures, including affirmative action and the development of charter and magnet schools. The second article in Part Three looks at the spatial neighborhood effect in a Chicago neighborhood and the relationship between two social process outcomes, "collective efficacy" and "cynicism", and changing levels of poverty from the 1970s onward. The final chapter of the book looks at the "conceptual difficulties in evaluating public policies designed to promote socioeconomic integration of communities" when small public policy experiments moving poorer families to more affluent neighborhoods are used as models for larger-scale relocations. The editors and authors of this important volume offer empirically argued causal mechanisms

for the creation of poverty traps, each of which must be addressed by intelligent policy intervention, some of which are hinted at in this volume. But as the editors readily acknowledge, "So while this volume makes clear that the Horatio Alger view that poverty can always be escaped through hard work and determination really is fiction in many contexts, we have far to go in terms of understanding what is to be done."

Much popular belief--and public policy--rests on the idea that those born into poverty have it in their power to escape. But the persistence of poverty and ever-growing economic inequality around the world have led many economists to seriously question the model of individual economic self-determination when it comes to the poor. In *Poverty Traps*, Samuel Bowles, Steven Durlauf, Karla Hoff, and the book's other contributors argue that there are many conditions that may trap individuals, groups, and whole economies in intractable poverty. For the first time the editors have brought together the perspectives of economics, economic history, and sociology to assess what we know--and don't know--about such traps. Among the sources of the poverty of nations, the authors assign a primary role to social and political institutions, ranging from corruption to seemingly benign social customs such as kin systems. Many of the institutions that keep nations poor have deep roots in colonial history and persist long after their initial causes are gone. Neighborhood effects--influences such as networks, role models, and aspirations--can create hard-to-escape pockets of poverty even in rich countries. Similar individuals in dissimilar socioeconomic environments develop different preferences and beliefs that can transmit poverty or affluence from generation to generation. The book presents evidence of harmful neighborhood effects and discusses policies to overcome them, with attention to the uncertainty that exists in evaluating such policies.

"The collection is a thought-provoking book that provides a comprehensive examination of persistent poverty in both the United States and developing countries. . . . *Poverty Traps* should be read by any economist, social scientist, policymaker, or anyone else interested in the study of persistent poverty."--William Levernier, *Journal of Regional Science*

From the Back Cover "Much of traditional economics was based on the precept that poverty is largely the fault of the poor. But it is now recognized that an individual's economic success or failure depends to a great extent on the setting in which he or she is born. I believe that this topic will dominate the research agenda of economics in the coming years, and *Poverty Traps* is one of the best introductions to the subject. For lucid and critical evaluation of new ideas and models such as the 'membership theory' of an individual's economic well-being, the emergence of 'dysfunctional institutions,' and the role of 'kin systems' and 'neighborhood effects' in perpetuating poverty, it is hard to think of a better single reference."--Kaushik Basu, Carl Marks Professor of International Studies and Professor of Economics, Cornell University

"The sources and consequences of persistent inequality within and across countries have been at the center of public and academic debates for decades. In this thought-provoking book leading researchers in the field highlight some of the most significant mechanisms for the emergence of poverty traps. An outstanding contribution."--Oded Galor, Brown University and Hebrew University

"The book is fascinating and will be read. The editors do a delightful job of introducing and articulating the purpose of the book--to introduce the concept of poverty traps to the social sciences as a way to understand persistence economic inequality within and between countries. The volume makes numerous significant contributions, and all of the papers are likely to be recognized within and outside of their own fields."--Yannis Ioannides, Max and Herta Neubauer Chair and Professor of Economics, Tufts University

About the Author Samuel Bowles is Research Professor and Director of the Behavioral Sciences Program at the Santa Fe Institute, and Professor of Economics at the University of Siena. Steven N. Durlauf is Kenneth J. Arrow Professor of Economics at the University of Wisconsin, Madison. Karla Hoff is a Senior Research Economist at the World Bank.