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Economics and the Environment



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Essay 1

Opinions and assumptions regarding poverty are often controversial and dependent on one's personal experiences or beliefs. It is possible to say that living a comfortable life without



constantly worrying about money would alter one's opinion about poverty versus a person who is on the verge of being in poverty every day of the year. While most people would be willing to agree with this idea, there are other aspects of poverty which would vary depending on whether a



person believes an economist's point of view versus having one's own beliefs. Poverty is an issue that can easily be viewed from an economist's perspective as well as from other perspectives. As people gain their own perspectives about poverty, there are almost always implications that follow. For the purposes of this paper, the viewpoints of poverty will be relevant for poverty in the United States.



Since poverty is being discussed in terms of the United States, the reasons for which people are poor is perhaps due to different reasons than for someone in a third world country. This difference is associated with the difference between good and bad poverty. For a person suffering in a third world country, poverty would be considered to be a bad thing. Being poor could range from being a result of punishment for being lazy and unmotivated to being born into a certain family where a low-income environment was provided without a choice. While third world poverty is considered a bad thing, would an economist consider all poverty to have negative effects?



An economist's view of poverty would not necessarily view the issue negatively. From

an economic perspective, those willing or able to afford a certain bundle of goods would not

be considered living in poverty. An economist would say the poverty line distinguishes between

being able to retrieve enough resources to acquire a bundle. However, those who are unable to

afford a particular bundle of goods would be considered below the poverty line and ultimately

victims of poverty. There are certain terms and conditions that are associated with being in

poverty and there is a relationship between being in poverty versus being comfortable or one's

utility level. While poverty has a significant effect on some people, others do not know what it

is like to live a life of comfort and therefore they do not feel the effects of being poor.

Conditions of poverty depend on a person's upbringing and environment. As the United States

is considered to be the land of opportunity, even if one is born into a less fortunate family, there

are plenty of opportunities to achieve happiness given that one is not lazy and unmotivated.

So if an economist's belief is that being able to afford a bundle indicates not being impoverished, does the bundle remain constant over time? For example, if the poverty level was

equivalent to the value approximately 100 years ago, then no one among the population would

be considered "poor." However, since standards of living and quality of life have changed over

time, the so-called "poverty line" is negotiable among the rich and the poor. This question is

also debatable depending on whether one views things from an economic perspective versus an

individual who does not. In an economist's case, a bundle would most likely not stay constant

due to changes in people's preferences. A definition of preferences refers to the choices that

consumers make and their reasoning for choosing the bundles in which they choose.

While economists may see poverty as being necessary, they are also aware of reasons for

why it is bad. An example of this would be that economists acknowledge that poverty increases

social welfare when it is associated with being a negative effect. However, with social welfare,

this makes poor people better off which could lead to an end result of a pareto improvement.

With this result, there is a cost to having this solution. With this being said, an economists view would say that the world does need at least some poverty.

Issues involving poverty in the U.S. are different from problems with poverty in other countries. An example of this are standards across countries. If the standards were to be the same across countries then this raises the question of whether being poor is absolute or relative.

In the case that poverty is relative, one solution to this issue could be to make everyone the same or as similar as possible. Poverty is relative since the amount of money that a person earns in the United States may be equivalent to that of a middle class person in a third world country.

One method to alleviate this problem could be to make everyone's preferences the same as well as their opportunities and environment as alike as possible. However, this idea could not realistically be accomplished.

While still looking at poverty from an economist's perspective, the problem could also be viewed from the perspective that it is a necessary part of human life. This idea could be true because there are a wide range of jobs and occupations throughout the U.S. which are low-paying and also necessary. For example, there are several U.S. employees earning minimum wage who take on occupations such as fast-food jobs, janitors, and bus drivers. Although these jobs do not receive the most benefits, they are essential occupations which allow the country to function.

Another way to describe these occupations would be to say that they are functional occupations.

However, if these individuals were to be assessed in terms of their income, they could very easily be considered poor. From a process consequentialist's perspective, low paying jobs and poverty could be a good thing because of the example of a bus driver. Although the school

bus driver does not necessarily have the most pleasant job experience, the overall outcome and accomplishment provided from his job and service results in the chance for children to safely

arrive at academic institutions and become educated to the best of their abilities.

Another reason that an economist would find low paying jobs to be efficient is the fact that not every single person can be the CEO of a company. For a variety of reasons including



intelligence, opportunity, and experience the opportunity to be completely successful in one's career is impossible. An economist would say that it is necessary to have a wide range of jobs that offer a range of income levels ignoring whether a certain percent of the population would ultimately be considered poor or not.

Whether poverty refers to the U.S. or the entire world, one way of setting a policy for poverty would be to get everyone over the poverty line. Within the U.S. there is potential for there to be negative externalities. This can occur due to richer people doing harm to poorer people. Such an externality is caused by harder working people being paid more for their actions



which eventually could take away from a poorer person.

The objective of this paper is to research the opinions of economists regarding poverty, but it is also to research the opinions of non-economists. An example of a group of people would be people with strong religious beliefs. Their beliefs would probably differ from those of an economist because there are times when people are born into casts and therefore they are brought up and raised to see poverty as a sort of necessity. Without the knowledge of the harmful effects



of poverty, this could easily hinder a person of certain religious beliefs to be properly educated about poverty and the negative externalities as discussed earlier in this paper. There is also a



sense of diminishing marginal utility. This occurs because some people acquire more goods than

others and those who do not are less benefitted in the end.

While a large portion of this paper discusses the viewpoints of different groups, the effects of poverty are influential throughout the world, regardless of which group an individual belongs to. It is a well-known assumption that people who do not suffer from poverty to view the issue as something that only effects those who do. However, this is not the case because there are several individuals who make poverty a priority and try and alleviate the problems associated with poverty. An example of this would be donating to charities or organizations that attempt to provide for the less fortunate. After all, if no one is willing to give up a portion of their bundle of goods, how can society expect to eventually be in a world without poverty?

Dasgupta, Partha. "The Economics of Poverty in Poor Countries. Jan. 1998. *Suntory and Toyota International Centres for Economics and Related Disciplines, LSE in its series*. (Article focuses on undernourishment, poverty traps, how civil liberties relate to poverty as well as local democracy).

Fabre, Alice & Emmanuelle, Augersaud-Veron, 2004. "Education, Poverty and Child Labour." Econometric Society 2004. *Far Eastern Meetings 738, Econometric Society*. (Focuses on Economic Growth and educational policies - not as helpful)

Shah, Anup "Causes of Poverty." '98-'07 <http://www.globalissues.org/TradeRelated/Poverty.asp>. (Provided statistics, definitions, and a better understanding of what poverty really is).