

Don't forget the already poor

Oct. 13th, 2008

 Send to Kindle

\n

TEXT OF COMMENTARY

Kai Ryssdal: Leaders of the big industrialized countries had a busy weekend trying to figure out a way to save the economies of the big industrialized countries. Financial shenanigans in those economies got us into this mess, so they should have to get us out. And you don't have to work too hard to see that the damage to the developed economic world could be pretty bad. But commentator and economist Edward Miguel says the world's poorest countries are likely to be much harder hit.

Edward Miguel: We're all glued to Wall Street's implosion and for good reason. We're worried about falling home values and our 401k's. The crisis will also hit the world's poorest people in Africa, Asia and Latin America who are least able to buffer the shock.

For one, in the recent Vice Presidential debate, Joe Biden said that one consequence of the financial crisis would be a cut in U.S. foreign aid. That's not good for countries, like many in Africa, that rely on bilateral aid for a large chunk of their national budget, to make sure their civil servants, police, and judges keep getting paid.

As American wallets snap shut, charities will also take a hit. We Americans are incredibly generous givers to the developing world, funding everything from primary schools, to maternal and child health clinics, to micro-credit for rural

entrepreneurs. Many of these worthwhile projects will wither when assistance from overseas dries up.

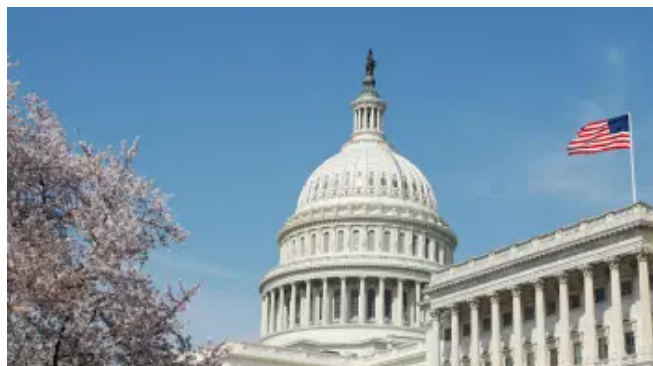
The volatility in financial markets has also dragged down many commodity prices from historic highs. While some consumers will gain from these falling prices, agricultural producers in the world's poorest countries suffer a major blow when the price of their main export crop plummets.

Think of coffee producers in poor places like Guatemala, Vietnam or Rwanda. When the price of coffee suddenly falls 50 percent, their income is effectively cut in half. A halved income would shock most Americans, but it's the difference between life and death for a small farmer living on a few dollars per day. A recession in latte-addicted countries like the U.S. will push down demand for coffee even more.

The loss of income could heighten social instability, political violence and mass migration in developing countries. Our unfolding financial crisis may be the most severe downturn we've seen in years. I only hope that we Americans and our leaders don't forget that its consequences are likely to be much worse for the world's poorest countries when deciding how much to donate to charity, and whether to fund a generous foreign aid budget this year.

Ryssdal: Edward Miguel teaches economics at the University of California Berkeley. His new book is called "Economic Gangsters: Corruption, Violence and the Poverty of Nations."





We're here to help you navigate this changed world and economy.

Our mission at Marketplace is to raise the economic intelligence of the country. It's a tough task, but it's never been more important.

In the past year, we've seen record unemployment, stimulus bills, and reddit users influencing the stock market. Marketplace helps you understand it all, will fact-based, approachable, and unbiased reporting.

Generous support from listeners and readers is what powers our nonprofit news—and your donation today will help provide this essential service. For just \$5/month, you can sustain independent journalism that keeps you and thousands of others informed.

<https://www.marketplace.org/2008/10/13/dont-forget-already-poor/>