

Proposed Research

2008-2011 Persistent Poverty and Upward Mobility Theme Project
Institute for the Social Sciences, Cornell University

Risk Management and the Escape from and Avoidance of Poverty Traps

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During the ISS residence year (2009-10) my individual research under the theme project will focus on issues of risk management and their role in the persistence of poverty among rural populations in low-income countries. There are four different, interrelated activities in which I anticipate being involved.

First, a team comprised of researchers at Cornell, the International Livestock Research Institute (ILRI), Syracuse University and the University of Wisconsin-Madison, is introducing new index-based insurance (IBI) products for drought-related livestock mortality in pastoralist areas of northern Kenya. Previous research has demonstrated the existence of poverty traps associated with multiple herd size equilibria in this area. Related work in neighboring southern Ethiopia has found drought to be the major driver of the existence of these multiple equilibria. Current responses to drought and other major covariate shocks rely heavily on food aid deliveries. The IBI products we are designing would offer a commercially sustainable, quicker response means of transferring covariate risk out of the system. In 2009-10 we will be collecting and analyzing survey data from the first year's pilot trials with the IBI products, based on complex, randomized research design presently being put into place in the field.

Second, I will be working with another team studying how idiosyncratic risk affects the dynamics of rural household well-being in Bangladesh, Ethiopia and Ghana. In 2009-10 we will be collecting and analyzing new survey data from the latter two countries and starting into comparative work across the three countries. This work complements the preceding topic by exploring how individuals and households transfer risk that is, in principle, entirely manageable within low-income communities, through social insurance and support schemes.

Third, working with the international NGO CARE, Tufts University and ILRI, my research group is working on the refinement and implementation of response analysis tools for operational agencies trying to establish what forms of transfer (cash or food) are most appropriate for response to widespread acute food insecurity, as during humanitarian emergencies that often drive people into destitution or worse. I anticipate that we will be engaged in significant field testing in sub-Saharan Africa and south Asia in 2009-10. This complements the preceding two projects by focusing on meso-scale phenomena rather than micro-level risk management.

Finally, my group has been doing primary data collection concerning evolving agri-food marketing chains in Ghana, India, Madagascar and Nicaragua. The emergence of supermarkets and fast food chains in low-income countries is transforming agri-food marketing channels. This opens up tremendous opportunities for smallholder farmers to escape persistent poverty. But it may also create new forms of catastrophic risk associated with contract hold-up or default, changing consumer tastes, etc. We will explore these issues in 2009-10 based on these new survey data.