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# Confronting Persistent Ultra-Poverty: Why It Exists and What Might We Do?



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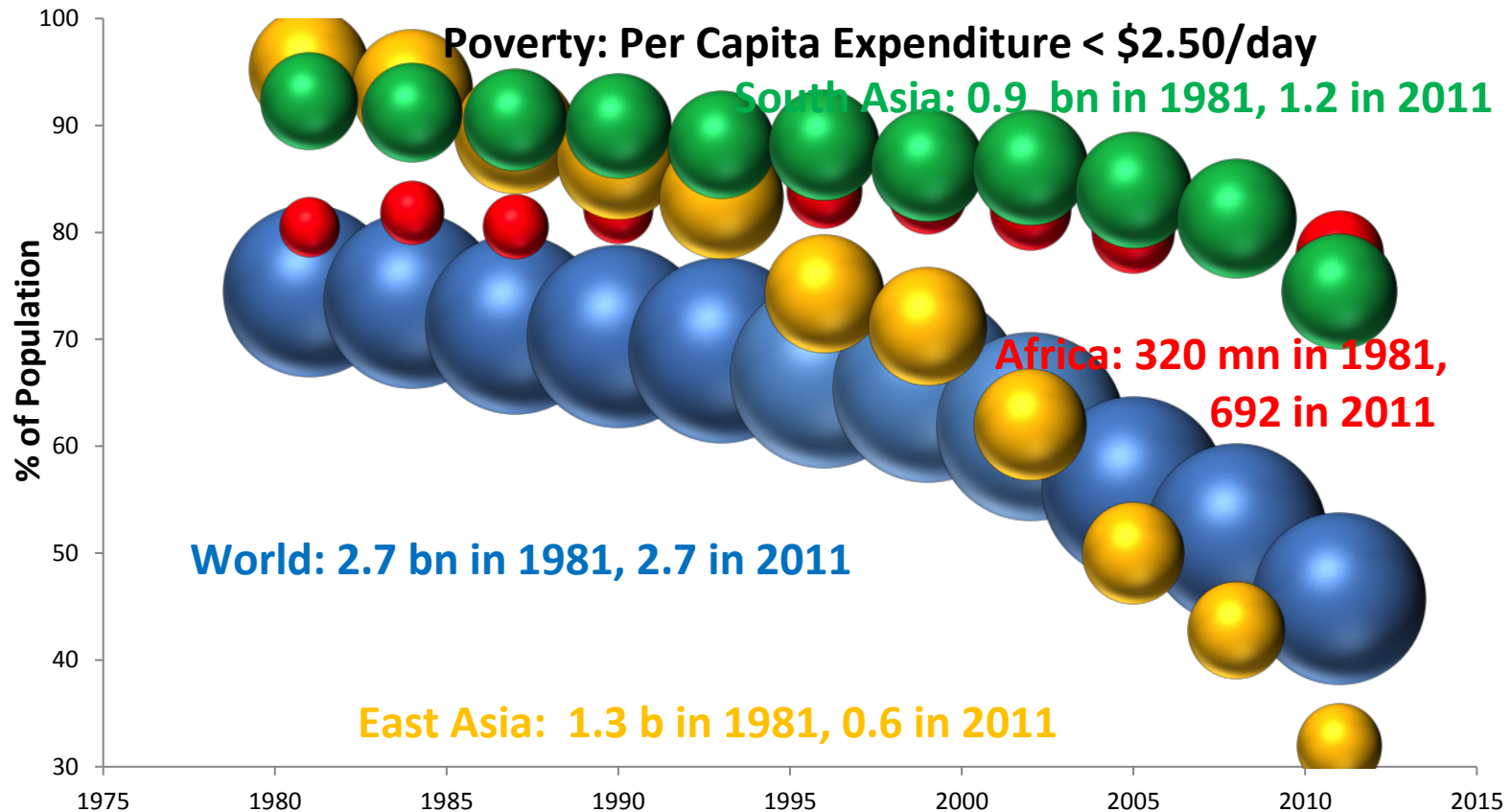
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New Life Presbyterian Church, Ithaca, NY



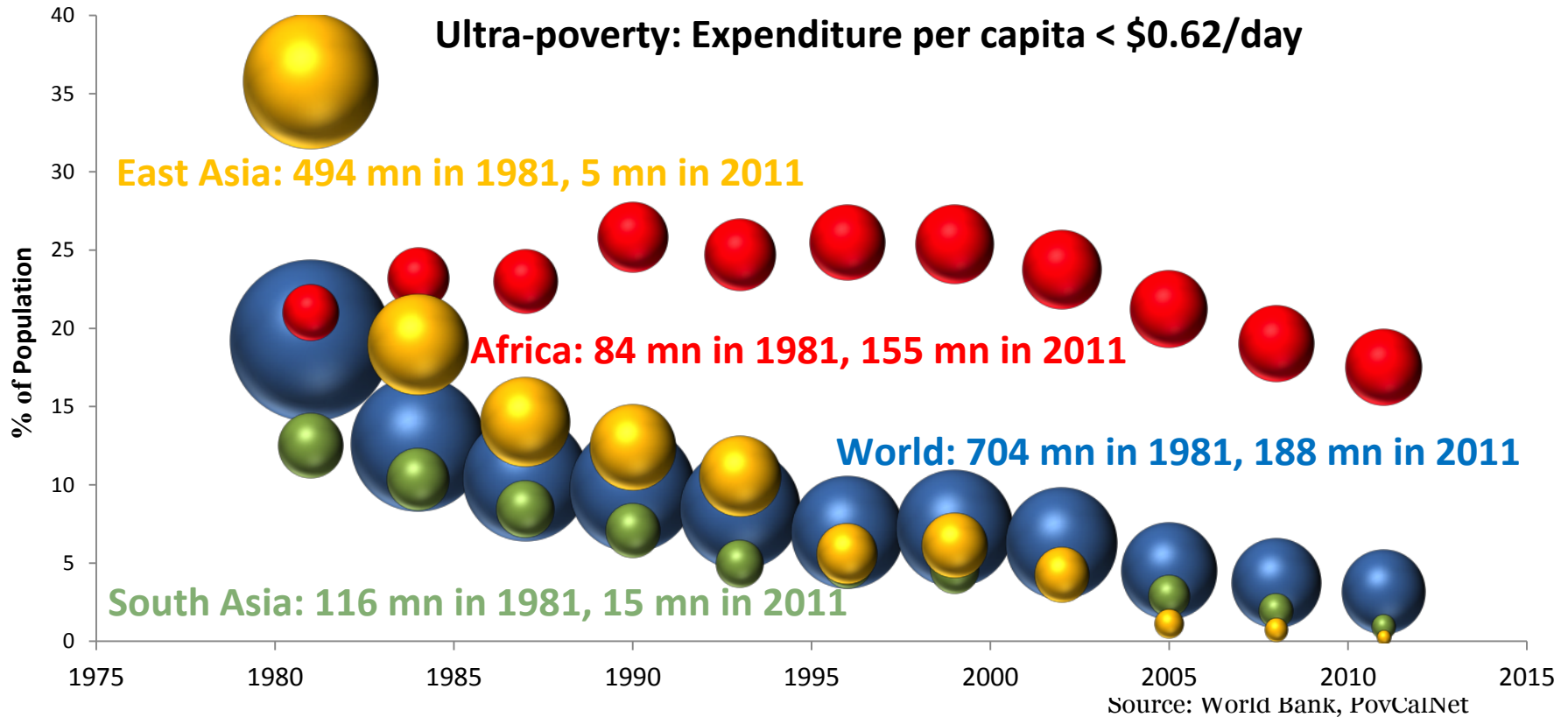
## Rapid, large-scale poverty reduction is possible ... just look at East Asia.



**But little progress in Africa at this level.**



## The big challenge is the persistence of concentrated ultra-poverty ... in Africa,



**In 1981 Africa was home to 12% of the world's ultra-poor ... 30 yrs later: 83%**



## What leads to persistent ultra-poverty?

Poverty traps: self-reinforcing feedback that poor 'initial conditions' lead to optimal behaviors that perpetuate poverty.

Examples:

- malnutrition causes poverty, which itself leads to further malnutrition
- high risk exposure leads to risk averse livelihood strategies that lock in poverty
- discrimination excludes people from opportunities that impede skills acquisition and prompts 'statistical discrimination'
- 





## How do people escape chronic ultra-poverty?

- Market access:  
enhance the value of what they own/produce
- Finance: savings, insurance, credit to enable investment and shield against shocks
- Education
- Early childhood health/nutrition (1<sup>st</sup> 1000 days)

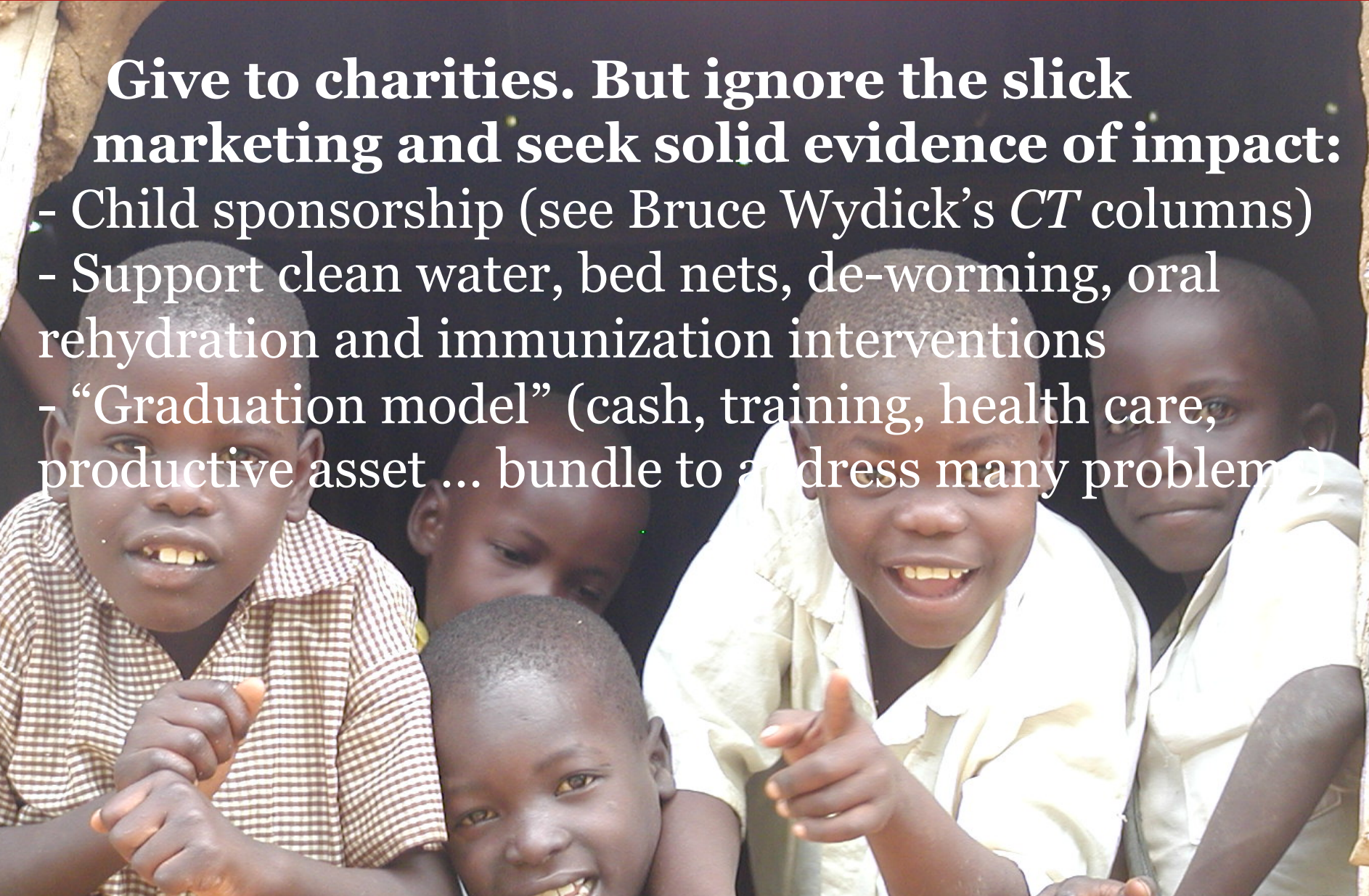


**... empower the poor to invest in human capital and grow richer through their own efforts**



**Give to charities. But ignore the slick marketing and seek solid evidence of impact:**

- Child sponsorship (see Bruce Wydick's *CT* columns)
- Support clean water, bed nets, de-worming, oral rehydration and immunization interventions
- "Graduation model" (cash, training, health care, productive asset ... bundle to address many problems)





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**It requires more than aid**

**Net aid given by governments:**

**only ~7.5 ¢/day pc (overstated due to “tying”)**

**Private gifts (foundations, companies and NGOs):**

**only ~ 6 ¢/day pc**

**The BIGGEST benefits come from new technologies,  
remittances, private investment, better institutions  
... mostly from private enterprise and individuals**



## Index-based livestock insurance to protect vs. drought

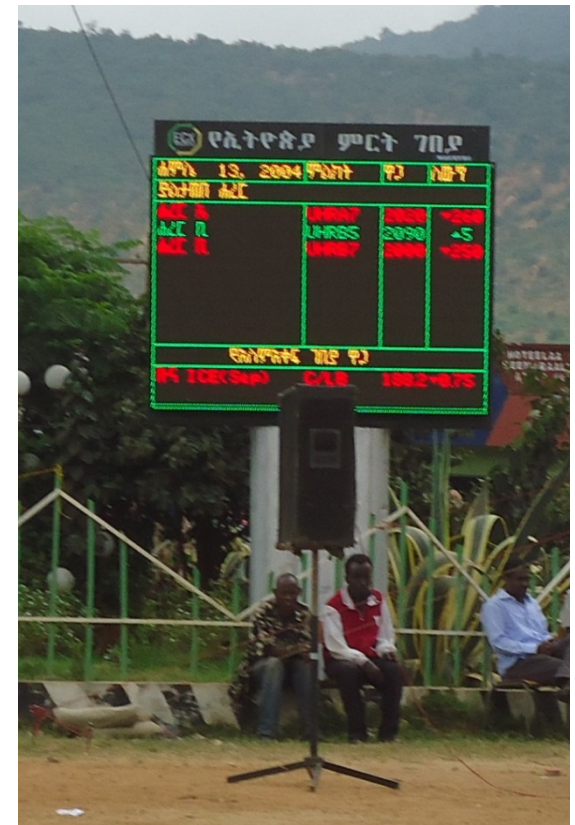
- Individuals buy policies to protect their herds
- Private underwriters, global reinsurers
- Commercial pilot in Kenya in 2010; big win in 2011 drought
- Now spread to Ethiopia, going nationwide in Kenya
- Major, positive effects in both countries: 12-20x the marginal benefit/cost of cash transfer programs





## Cell phones and the internet rapidly improving lives:

- Improved early warning systems, delivery of emergency aid
- Small farmers/traders can find best prices: ECX
- Agricultural extension/health message delivery
- Call centers and back office data entry





## Vibrant commercial distribution of farm inputs and outputs is transforming parts of rural Africa:

- Contract farming and retail revolution
- Rapid spread of fertilizer, agrochemicals and improved seed



**“Most of the people in the world are poor, so if we knew the economics of being poor we would know much of the economics that really matters.”**

**- Theodore W. Schultz**

**Opening sentences of 1979 Nobel Prize in Economics lecture**



**Cornell has great, perhaps unique, capacity to help**



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**Many ways exist to help the poor enjoy a brighter future**

