

Foreword

Back in 2000, when the Chronic Poverty Research Centre (CPRC) was being established, an important collection of papers were published in the *Journal of Development Studies* – ‘Poverty dynamics and economic mobility in developing countries’, edited by Bob Baulch and John Hoddinott. For the fledgling CPRC this collection had great significance for three particular reasons. First, it provided important microeconomic findings about the patterns of chronic and transient poverty in low-income countries and drew initial inferences about causal factors (and pointed to the dangers of prematurely drawing conclusions about causality). Second, it presented the state of the art at that time for the methodologies available for analysing poverty dynamics from quantitative panel data sets. And third, and most important for CPRC, it led to us starting a research partnership with Bob Baulch which has been central to the centre’s overall output for the last ten years.

The panel data set analyses conducted by Bob Baulch, the networks he has activated with other microeconometricians (and now anthropologists), the work he has commissioned for CPRC across Asia and Africa, and the data sets he has made publicly available, have been at the heart of our academic and our policy contributions to knowledge.¹ These efforts have culminated in the publication of this volume which, just over ten years after the original collection in the *Journal of Development Studies*, prepares the stage for another decade of advances in the analysis of poverty dynamics and the conversion of those analyses into policy recommendations.

Given the relatively high volume of contemporary studies based on panel data set analysis, the reader may need reminding that back in 2000 such work was rare and almost none of it was focused on developing countries. With the exception of a small number of innovators, notably Raghav Gaiha, panel analysis was focused on economically advanced countries and especially the USA. Our understanding of the microeconomics of poverty and well-being in developing countries in 2000 was almost exclusively based on static analyses because few panel data sets were available and because many development economists at that time lacked the skills to explore panel data.

How things have changed over ten years! Now Masters students routinely expect to learn these skills and undertake panel analyses for their dissertations. But, some fundamental issues have changed relatively little, particularly the challenges still facing the assiduous microeconomist, in ensuring that findings are based on the most rigorous analysis. While this book examines many aspects of poverty dynamics it has special strengths in ensuring that findings are robust and that the nightmares of measurement error, attrition and tracking do not undermine the conclusions.

As is discussed in the opening chapter, a key challenge for panel analysis is the degree to which measurement error exaggerates the number of poverty transitions (getting out of income poverty or falling into poverty) that a sample experiences. For example, a population that in reality has experienced no poverty dynamics over a period is likely to record transitions because of measurement error during data collection of its waves. All of the chapters in this book are sensitive to this conundrum and their findings are carefully drawn so that problems of measurement error is acknowledged.

A second challenge is attrition. The great advantage of panel data is you can see how things change over time, but if the population you are studying is different at wave two than at wave one, few conclusions can be drawn. I know from discussions with Bob over the years that this is a great concern for him and, as a result, all of the chapters in this book take pains to test whether attrition is biasing their samples over time. As some of the chapters in this book move beyond the standard two wave analyses, typical of the early 2000s, to multi-wave analyses this issue becomes even more important.

A third challenge facing many of the authors of the chapters in this book is tracking households – determining when a household has split or has ceased to exist and/or whether to incorporate newly formed households in a dataset. There can be no simple protocol that can be applied to all studies for tracking, but as each chapter reveals, the authors have thought carefully about developing a detailed protocol for their analyses so that all decisions about which households are excluded from the sample, and which included, are clearly thought out and explained.

But, this volume goes beyond ensuring that its analyses are cutting edge in terms of rigour as it deepens the understanding of poverty dynamics by its exploration of causality. It cautions against the elegant curves underpinning much microeconomic analysis of poverty dynamics and economic mobility, and draws attention to the vulnerability of poor households and of the ways in which shocks, and often series of shocks in close succession, affect them. These shocks explain why some households fall into persistent poverty while the progress of households that are doing well is

often of an ‘upward saw-tooth’ pattern, as asset accumulation is dampened by adverse shocks. As Bob Baulch’s seminal, collaborative research with Peter Davis has revealed some of these shocks are unpredictable – ill health, flooding, pest attack, price changes and so on – but others are predictable (such as the additional health expenditures of having another child), and some are predictable and socially constructed (such as dowries for daughters in Bangladesh).² The discussion of combining and sequencing quantitative and qualitative research methods in the introductory chapter provides clear advice on how rigorous ‘Q-squared’ approaches can take findings beyond association and into complex understandings of causality.

If a foreword should be balanced, and try to find shortcomings in a work, then the only significant concern I have of this book is that it follows the microeconomic norm of acknowledging that poverty is much more than income or consumption shortfalls, but then bases its analyses almost exclusively on income and consumption measures. Why this remains the sub-disciplinary norm is discussed in Chapter 1, and in other work we must note that Bob Baulch has taken thinking forward by comparing monetary and non-monetary measures.³ It must be hoped that future work by leading microeconomists, and hopefully by Bob and his colleagues in this book, will tackle this frontier.

Finally, I encourage any readers with country or regional interests (who may be tempted to cherry pick chapters) to go beyond the individual chapters and to ensure that they read the concluding chapter. This summarises the policy findings of all of the chapters in the book in the light of the broader literature on poverty dynamics and economic mobility. The conclusion examines ideas about asset accumulation through the conventional debates in microeconomics – agricultural assets, return on assets and diversification – but also moves beyond these to include structural factors such as social discrimination and state regulations that discourage migration and close off a key strategy for household advancement. The ‘economic manifesto for the chronically poor’ that concludes the book draws together the findings of these studies in a clear and exemplary way. Baulch argues that people trapped in poverty need the support of both promotive and protective strategies. For example, improving returns to labour must be prioritised, as that is the main asset of the chronically poor, through education, facilitating migration, rural connectivity, employment guarantees and the implementation of anti-discrimination laws. Effective social protection programmes are also one practical and proven way to help the chronically poor achieve their economic and social goals.⁴

At the beginning of the 2000–10 decade Bob Baulch (with John Hoddinott) was setting the microeconomic agenda on poverty dynam-

ics and chronic poverty – producing work that non-economists had to read if they wanted to conduct serious research on these issues. In this volume – through his analytical excellence, the pursuit of methodological rigour, extraordinary energy and persistence, and his ability to lead such a distinguished network of colleagues – Bob has set the research agenda for the next ten years.

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NOTES

1. Unusually for econometricians, Bob has also made major contributions to capacity development for colleagues and has taken great pains to extend the skills of partners in Asia (and elsewhere) and make high quality panel data sets readily available to them.
2. See Davis, P. and B. Baulch (2009), 'Parallel realities: exploring poverty dynamics using mixed methods in rural Bangladesh', *CPRC Working Paper* 142, Manchester, UK: Chronic Poverty Research Centre (and the *Journal of Development Studies*, **47**(1), 118–42).
3. See Baulch, B. and E. Masset (2003), 'Do monetary and non-monetary indicators tell the same story about chronic poverty? A study of Vietnam in the 1990s', *World Development*, **31** (3), 441–4.
4. Hanlon, J., A. Barrientos and D. Hulme (2010), *Just Give Money to the Poor*, Sterling, VA, USA: Kumarian Press.