

Weathering Poverty

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Abstract :

The global overlap between poverty and climate damages raises the question of whether, and in what ways, poverty heightens vulnerability to worsening weather shocks. To address this, we combine high-resolution satellite-based measures of droughts and floods with household survey panel data from Bangladesh, where some households are lifted out of poverty through BRAC's graduation program. In control areas, the poorest households suffer the most severe consumption losses and reductions in productive assets from unpredictable weather shocks, while in treatment areas they do not. The difference arises because, in control areas, monopsonistic landlords are able to pass through weather-induced income shocks to casual laborers -- the only employment available to the poor. In treatment areas, however, program participants diversify their labor activities, increasing the elasticity of their labor supply and thereby constraining landlords' ability to shift the burden of negative shocks onto them.