Who Benefits from Conflict? Some Evidence from Assam

Deepa Narayan, Binayak Sen, and Ashutosh Varshney

Being powerful and being poor are like two banks of a river. As the riverbanks never join, the poor also never become powerful. Poor can get power when they get rid of poverty.

—A CHRONIC POOR MAN,
Assam

Extremists threatened the company, who gave them Rs 50,000 monthly, and then the government banned the permit to import wood from this area. In 2000 the company closed and that was the last of my service and employment.

—PANIKHAITI, A NEVER POOR MAN,
Assam

CHAPTER 7

Escapes from poverty in the state of Assam take place in a particularly difficult context. Since the late 1980s a separatist insurgency has challenged the central government's control, provoking counterinsurgency operations by the Indian army. Throughout the state, people struggle to earn livelihoods, and if they move out of poverty they do so against a backdrop of persistent low-intensity conflict. Simultaneously, the "normal" practices of democracy also play out. According to a close observer of political dynamics in Assam:

> Deaths, injuries and humiliations resulting from "insurgencies" and "counter-insurgency operations" as well as the hidden hurt that citizens quietly endure have become part of the texture of everyday life in the region. They coexist, somewhat awkwardly, with elections and elected governments, a free press, an independent judiciary and investments in the name of development—in sum, the institutions and practices of a normal democracy and a developmentalist state. (Baruah 2005, 4)

Two villages in the districts of Nalbari and Jorhat provide examples of the different ways in which poverty reduction can take place despite conflict. Kardohola village, in Nalbari, experienced intense conflict until 2003. The situation began to improve rapidly that year following a large counterinsurgency assault on the rebels. This ushered in a period of peace lasting at least two years (the survey was done in 2005). Kardohola now ranks very high in terms of its poverty reduction performance, with 39 percent of its residents having moved out of poverty; in fact the village displayed the second-highest incidence of escape from poverty over the past 10 years in Assam, based on the perceptions of its residents. In a sense, the rapid improvement following the transition from conflict to peace is not surprising. After all, that *is* the promise of peace: peace is supposed to enable communities to use their

assets, capabilities, and talents to the fullest, and the Kardohola narrative can be read in that light.

However, there is also evidence that long-term development initiatives in the village were only minimally interrupted by the long-lasting conflict. When our teams visited in 2005, the village had a middle and a lower primary school and a youth arts group. People talked about changes in attitudes toward education, noting that higher education had enabled youth to take jobs in private firms or engage in self-employment activities. Women who were skilled in cottage industries had started weaving on a larger scale, and a local bazaar was set up to give better market access. Local self-help groups emerged even before the conflict, bearing names of hope—Nabadeep (new light), Pragoti (progress), and Nabamilan (new unity). Electricity came to the village. There were village panchayat members and a village headman, and a village development committee. Religious meetings and community discussions were held in the local *namghar* (prayer hall). Although there were vague complaints about the efficiency of local government, it seemed that the latter had functioned reasonably well in developing education, health, and transport facilities and providing homes to households below the poverty line.

The villagers expressed broad agreement that things had changed for the better in the decade between 1995 and 2005. The question is why. Did public policy at the central, state, and local levels play an important role—or any role at all—in facilitating the recovery? Or is it simply that the resilient Kardohola villagers came together in the midst of disaster, motivated by their faith in a better future?

Upper Deuri village, in Jorhat district, offers an interesting contrast. Here conflict remained high throughout the study period and was still going on in 2008. At the time of the study, in 2005, conflict in the village was increasing in intensity. The combined impact of insurgent operations and patrols by the security forces created anxiety and disrupted daily life. As one respondent put it, "There is a feeling of terror that has been created in the minds of the people." Unexpectedly, Upper Deuri also displays a high incidence of moving out of poverty, 28 percent, again according to the perception of local people themselves.

How should one explain this? Household interviews and community focus group discussions revealed some favorable initial conditions in the village, such as a very high level of literacy ("there are educated people in every household of the village") and a strong inclination among young people to pursue higher education. Beyond this, however, village youths took initiatives

to adopt and spread new agricultural practices and technologies, resulting in a considerable increase in the production and marketing of foods. Proximity to the Jorhat market linked the village to the wider world and encouraged agricultural diversification. Electricity came to Upper Deuri in 1985, but coverage within the community expanded in recent years—a sign of rising economic prosperity. Most importantly, the people talked about the "high spirit of unity" and about the public works initiatives they had taken independent of government programs. A community focus group remarked,

> Our society has unity. There is a *gaon parichalana samity* [village management organization] in our village. In this organization all people get together to discuss about social development work. For instance, our people are trying to rebuild the *namghar* [prayer hall]. In the same way, there are some rules of the organization, like in the low-lying areas of our village, where cultivation prospect is not good, lands are given to the fishermen for fish farming. These lands are given to them on rent and they give a due share of profit to the organization. The *samity* then supports public works with that money.

Such expressions of cohesiveness are remarkable not just because of the conflict situation but also because the village experienced a very high rate of immigration. People from "outside places like Nagaon, Bihar, and Nalbari"—from outside the village as well as outside the state—moved to Upper Deuri and started small businesses such as jeweler shops, pharmacies, and barbershops.

The experience of Upper Deuri presents an often puzzling picture of economic vibrancy and social unity in the face of the fear and disruption resulting from the long-running insurgency and counterinsurgency operations. Taken together, both community narratives point to the possibility of resilience, recovery, and even mobility out of poverty in environments of recent and continuing conflict. Several preliminary observations stand out. First, it is clear that public policy had an important developmental role in both communities, providing proximity to markets, access to infrastructure (roads, electricity, schools, health centers, irrigation), support to self-help groups, access to antipoverty programs, and maintenance of local peace. Second, collective action by residents, independent of government action, seems to be important both in peacekeeping and in promoting local social development through public works. Third, the adoption of new farm practices and agricultural diversification, development of cottage industries, and drive for higher education are all encouraging signs of individual and entrepreneurial initiative that offers development potential for the future.

Reading these two community accounts as development narratives may suggest that conflict has no effect on economic well-being. This is, of course, not true: persistent conflict in a community discourages long-term investment, interferes with development, and lowers the quality of life. In Upper Deuri people are "afraid to move outside at night and often they have to guard their crops at night." In Kardohola, young people were often targeted by security forces when conflict was high. There is widespread relief that students don't have to "lose their study years" now that peace has returned to the community.

The central point, however, seems to be that some initiatives did take place at the village level, despite the conflict and perhaps even *because* of the conflict. In both communities, people's initiatives, development policy efforts, and market-driven changes showed significant structural continuities throughout the conflict years. This made possible a degree of economic healing and even, for some people, escape from poverty. Of course, these two villages may be atypical. But the example of Assam as a study of movement out of poverty amid long-term conflict contains many such unexpected scenarios, and hence the situation in the state demands fresh scrutiny.[1] Does democracy perhaps generate some processes, even during insurgencies, that systematically increase government's concern with citizen welfare in conflict-ridden parts of the country?

This chapter raises the question of effective policy responses to conflict in democracies that may not be possible in authoritarian regimes. It summarizes the conventional wisdom about the consequences of civil conflict and considers theoretically some possibilities about how poor people might escape poverty under such conditions. After an overview of India's policy responses to the conflict, we turn to the statistical results of the Moving Out of Poverty study in Assam and their explanation through qualitative narratives. Finally, we consider the question of local democracy in a conflict context, with a focus on the inclusiveness of the local state.

Differential Responses to Conflict: Does Democracy Make a Difference?

It is reasonable to suppose that democratic and authoritarian systems deal with conflicts and civil wars very differently. On the whole, dictatorships would be likely to rely primarily, or only, on military counterinsurgency operations to vanquish the insurgents. But democracies would offer a *political as well as a military* response. They would deploy the nation's military to crush

the rebel militia, but they would also tend to allocate higher fiscal resources to conflict areas to wean the rebels' base of support away from them. This resource transfer can end up helping poor people in several ways. The theory that civil conflicts hurt the poor has not yet drawn a distinction between the ways that democratic and authoritarian polities respond to the same set of crisis circumstances.

Supportive evidence comes from India, the longest-lasting democracy in the developing world. Since independence in 1947, India has witnessed insurgencies in a few states, mainly in the northeastern and northern parts of the country. The states of Nagaland, Mizoram, and Assam in the northeast and Kashmir and Punjab in the north have been the sites of civil conflicts. In addition to waging counterinsurgency operations against rebel organizations, the central government has responded with a two-pronged political approach. It has sought to persuade the underground leaders of the rebellion to participate in elections and run governments, if they win power electorally. At the same time, it has allocated more fiscal resources for developmental purposes to the disaffected states as a way to deal with the discourse of grievance, undermine the mass base of the rebels (where it exists), and win over regional political elites.

The roots of conflict in Assam lie in part in decades of uncontrolled migration from East Pakistan and Bangladesh, which fueled Assamese resentment against the Indian central government.[2] The economic underdevelopment of Assam as a whole deepened the sense of exploitation. Assam saw violent conflict in the late 1970s and early 1980s, but in the beginning the rebels did not challenge the sovereignty of India. In the late 1980s a full-blown insurgency broke out, led by the United Liberation Front of Assam (ULFA). The ULFA attacked both governmental and civilian targets in its fight for a *swadhin* (independent and sovereign) Assam.

Not all Assamese organizations supported the ULFA's demands, but the rebels enjoyed enough support, both economic and political, to keep the insurgency alive. The government launched a counterinsurgency operation. At the same time, however, elections were held in Assam, political parties continued to participate in them, and elected governments continued to function. Central government fiscal transfers to the state increased over time, underwriting centrally sponsored development schemes.[3]

Of course, greater allocation of fiscal resources to a zone of insurgency does not mean that the resources will be used optimally. Democracy has three theaters of operation in India: at the center, in the state capitals, and in the local governments. The first two have been part of India's democratic

experience since independence. Since 1992–93, a constitutional amendment has required communities to elect local governments every five years. The objective of the amendment was to improve governance at the local level on the assumption that the closer the government is to the people, the greater its concern for them will be. Many development projects, especially those involving education, health, sanitation, roads, and buildings, are routed through local governments, even if the resources come from the center. Our respondents report that they have greater voice in governance than before, but they also say that resources have been disproportionately captured by the local elite.

It is possible that this has something to do with the relative newness of India's elected local governments, for it can be argued that as local governments become more institutionalized, they respond better to local concerns. It is also possible that conflict intensifies elite capture, as normal political processes are not fully in operation when a civil conflict is under way. But we really cannot be sure. Only future evidence will settle the question of whether the longevity of local democracy, or the absence of acute conflict, makes local governments more responsive.

It is clear, however, that some of these resources, even if subject to elite capture, do help poor people. If a road or bridge is built, the military can more easily reach the insurgents, who often hide in the villages to avoid arrest. But once a road or bridge is built, poor producers can also take their wares to the nearby town market in the morning and come back home in the evening. Buses run faster on paved roads.

While we have not yet been able to investigate *empirically* whether other democracies in the developing world follow the logic we uncover in India, our sense is that our results are not India-specific. Rather, it is in the nature of democracies to deploy political as well as military approaches to insurgencies. This is not to deny that some authoritarian systems may also allocate greater public resources to an area of insurgency, but the tendency in democracies appears to be systematic, not dependent on the whim of authoritarian leaders.

Our claim, it should be stressed, is not that civil conflicts are good for the poor; that notion would be quite ridiculous. Civil conflicts destroy precious resources, and ending such conflicts remains the first-best option for development. But we cannot abandon poor people in a region affected by civil strife. We know from the comparative literature that civil conflicts tend to last a long time. As poor households, even in normal times, are especially vulnerable to losses of income and livelihoods, one can imagine how difficult the situation must be for them when they are engulfed by fighting.

India's experience may suggest some ways to ameliorate poverty in times of civil conflict. In any case, it presents empirical materials at odds with the conventional wisdom.

Economic Consequences of Civil Conflicts: Alternative Possibilities

> *In 1998 I got a house from the government. This made a change in my life, because the earlier house was in a broken condition and rainwater used to run through the hole in the roof.*
>
> —A chronic poor person, Kardohola, Assam

> *The local government keeps busy, scheming how to rob the seeds and plunder the government grants. They gulp all facilities and grants like a crane.*
>
> —Men's discussion group, Upper Deuri, Assam

Although others have written on the subject, arguments about the economic consequences of civil conflict have by now become a dialogue with Paul Collier and his colleagues.[4] They argue that civil conflict is a "conflict trap" for poor countries, a view now prevailing in policy circles. Conflict affects economic growth and the well-being of the general populace, and prolonged conflict, according to this view, leads to a slowing of growth and an increase in poverty. A vicious circle of conflict and decline sets in (Collier and Hoeffler 2004).

In a recent formulation, Collier (2007) takes this argument further. He has divided up the population of the so-called Third World into two blocs: "the bottom billion," 58 impoverished countries mostly in sub-Saharan Africa, and "the rest of the developing world," countries such as China, India, Thailand, Indonesia, and South Africa. The per capita income of the bottom billion grew by 0.5 percent per year in the 1970s, but it declined by 0.4 percent per year in the 1980s and by 0.5 percent per year in the 1990s. By the turn of the millennium, these countries were poorer than they had been in 1970. In contrast, the per capita income of the rest of the developing world grew by 2.5 percent per year in the 1970s and by 4.0 and 4.5 percent annually in the 1980s and 1990s. Civil war, argues Collier, is a conflict trap in general, but it is especially so for the very poorest: "The bulk of the countries that fall into civil war are from the bottom billion" (2007, 34–35). The lower the per capita income of a country, the longer the civil war typically continues.

But what are the mechanisms that produce the trap? In an earlier work, Collier identified five aspects of conflict that have devastating economic effects: destruction, disruption, diversion, dissaving, and portfolio substitution.

> The most obvious way in which civil war damages the economy is through the *destruction* of resources. For example, part of the labor force is killed or maimed and bridges are blown up . . . A second effect is the *disruption* caused by warfare and the often concomitant social disorder. For example, some roads become unsafe and so extra costs are incurred in achieving the same outcome. . . . A third effect is the *diversion* of public expenditures from output-enhancing activities. For example, as the army and its powers are expanded, the police force and the rule of law diminish. The enforcement costs of contracts consequently rise and the security of property rights is reduced . . . Fourthly, to the extent that these income losses are regarded as temporary, there will be *dissaving*, an effect analytically similar to the destruction of the capital stock. Finally, in response to the deterioration in the economic environment, private agents will engage in *portfolio substitution*, shifting their assets out of the country. Here, assets should be understood to include human as well as physical and financial capital. (Collier 1999b, 168–69, emphasis in original)

All of these mechanisms have an income-reducing effect, and lower incomes in turn make civil wars more likely. The implications for the poor should be obvious. The overall loss of economic dynamism means that they have fewer opportunities to step out of poverty. Elsewhere, Collier (1999a) argues that only four kinds of people "do well out of the war": opportunistic businessmen, criminals, traders, and the rebel organizations. A civil war hurts everybody else, especially poor people.

We argue that a variation on this theme is possible. While conflict affects the general well-being of poor people at first, most start adapting to the circumstances eventually and some even go on to become net gainers while the conflict continues. We particularly stress the importance of having a democracy as the overarching framework for such recovery.

But how can democracy have an economic healing effect? The key mechanism, at least in the medium term, is the execution of a public redistributive policy. Public policy can play an important role even in low-growth contexts by providing redistributive transfers from outside to the area affected by conflict.[5] The role of compensatory fiscal transfers is especially important. Democracies are likely to be sensitive to redistributive conflicts both within a region and across regions, and one typical response of the democratic political regime is to address regional grievances through fiscal measures and other

economic incentives that encourage investment. This may be especially true of Indian democracy, given the growing importance of coalition politics and regional parties since the mid-1990s.

Available evidence for India, which we will examine later, does suggest that fiscal transfers from the center to the states have been redistributive in nature, with lagging states getting higher transfers per capita than richer states. For the lagging states the average annual fiscal transfer per capita has increased over time; sharp rises have been recorded since the mid-1990s, coinciding with the era of coalition politics. It is possible that with the onset and intensification of conflict in Assam, per capita transfer to that state has increased even faster than to the other lagging states. The terms of transfer are likely to be more beneficial as well. Ninety percent of the transfers to Assam from the center are in the form of grants; this is because Assam is a "special category state," that is, a low-income and conflict-prone state.[6]

Much depends, of course, on the conflict itself. The possibility of recovery is obviously much less in cases where high-intensity conflict threatens the very fabric of civil society and even leads to state insolvency. This is clearly not the case with Assam. Gleditsch et al. (2002) distinguish three levels of conflict: (a) minor conflicts producing more than 25 battle-related deaths per year, (b) intermediate conflicts producing more than 25 battle-related deaths per year and a total conflict history of more than 1,000 battle-related deaths, and (c) "wars" that result in more than 1,000 battle-related deaths per year. In none of the calendar years since 1979 did the death toll from conflict in Assam cross the benchmark of 1,000.[7] The annual number of conflict-related fatalities between 1992 and 2001 in Assam, though higher than elsewhere in the northeast, still places the state in the intermediate category according to the criteria set forth by Gleditsch. In statistical terms Assam's insurgency, underway since the 1970s, has been a low-intensity conflict, but it is civil conflict nonetheless.

For poor people, the impact of increased fiscal transfers from the center to the states differs depending on the reach of such transfers. Have the benefits typically been restricted to the rich and the powerful, or have they also percolated to the poor, including those who remain at or around the poverty line and those stuck far below the line? This remains a largely empirical question not explored in the literature; it is explored in the case of Assam with our Moving Out of Poverty data set.

Part of the reason why escape from poverty can occur during civil conflict is that people learn to adapt to difficult circumstances, just as they do in case of the recurrent floods that plague Assam. Conflict is disruptive, but

as it continues, people's responses can become more orderly, creative, and sustainable. Innovative conflict-adaptive and conflict-mitigating institutions may emerge and assume mitigating or healing functions. Even if these institutions do not lift the poor out of poverty, they may well protect them from falling down further.[8] Again, this is largely an empirical and unexplored question that we address in this chapter.

Response to Conflict: Is There a Role for Economic Policy?

> *There is no problem in doing business. All can do it. But where there is no light, no bridge, and no roads, what business will you do?*
>
> —Women's discussion group, Biralipara, Assam

Generally speaking, conflict destroys human lives and economic assets; it warps social interactions between communities and between people within a community. And conflict in a region inevitably slows its growth, constraining economic opportunities. Individual aspirations for upward mobility give way, all too often, to the struggle for survival.

As we have suggested, Assam presents a variation on this theme. We consider two possibilities. First, the conflict in Assam has been sporadic and generally of low intensity, although there have been high-intensity phases. At no time has conflict engulfed all parts of the state simultaneously: zones of peace have always coexisted with zones of conflict, even within high-conflict districts. As a result, the conflict has produced slow growth but not no growth. The general trend has been in line with the state's long-run growth since the early 1950s; in none of the conflict years since 1980 has per capita economic growth in the state been negative. Assam never fell to the level of the "bottom billion."

Second, the negative impact of slow growth may have been mitigated at least partially by the favorable policy response to conflict on the part of the Indian central government. Central transfers appear to have had a moderating influence on the adverse growth effects of the conflict, and they may have benefited some sections of the poor population even in the presence of slow growth.

Although policy attribution is difficult, it appears that not all was lost during the decades of conflict in Assam. In fact, modest gains were achieved in some key aspects of well-being at the aggregate level. The limited quantitative and qualitative evidence at our disposal relates to a few key dimensions of well-being, namely poverty, child malnutrition, human development, and

employment. Changes in these broad indicators suggest a mixed picture: progress has been considerable in some areas (greater than the average for the low-income states or even than the all-India average), while in other areas the state lagged considerably. What is remarkable is that even modest positive trends could be sustained during a period of conflict and low economic growth.

The magnitude of central transfer

In the smaller states of India, especially those in the northeast, central transfers have customarily made up a much higher proportion of state budgets than in the bigger Indian states. The Institute for Social and Economic Change in Bangalore, which presents a comparative scenario for a typical year in the mid-1990s, points to two noteworthy patterns (Rao 2000). First, only 27 percent of the state revenue budget for the smaller states comes from their own revenue; the rest comes from central government sources. The corresponding figure is 49 percent for the larger low-income states and rises secularly for the middle-income (67 percent) and high-income states (84 percent). The figure for Assam is 29 percent, which is higher than the figures for the remaining states in the northeast. These patterns do not change if one considers the other indicator of interest, the ratio of states' own revenue to total expenditure.

Second, many of the smaller states are conflict-prone states. As the intensity of conflict rises, dependence on central government sources is also likely to increase. However, we do not have current data on conflict intensity across the Indian states that would show whether central government transfers respond to a higher intensity of conflict. Available evidence only suggests that in conflict-prone states of the northeast, in general, current spending accounts for a higher share of state domestic product (40 percent) than in the low-income (20 percent), middle-income (18 percent), and high-income (16 percent) states. This shows the importance of government spending, and particularly the role of central transfers, in the economy of the smaller conflict-prone states. Again, Assam seems to be on a stronger footing economically than the other northeastern states, the corresponding ratio being 21 percent, comparable to other low-income states in India.

The striking effect of central transfer is illustrated in annex table 7.A. Per capita central transfer is much higher in the "special category states" marked by ongoing conflict than in the general category states (Rs 2,896 as against Rs 660 in 2000/01). The figure for Assam (Rs 1,216) is roughly twice as high as the average for the general category states. The figures for other more conflict-prone states are much higher (for example, Rs 3,376 for Tripura, Rs 3,971

for Manipur, Rs 6,332 for Nagaland, and Rs 9,602 for Mizoram). The other noteworthy aspect is that per capita central transfer as a proportion of current state spending is also higher for the conflict-prone states than for the general category states. For Assam, this figure is 36.7 percent, compared to 30.0 percent for the low-income, 19.4 percent for the middle-income, and 11.4 percent for the high-income states.[9]

Poverty trends

According to official estimates, the poverty headcount dropped only marginally in Assam, from 41 percent to 36 percent, during the period between 1983 and 2000 (table 7.1).[10] The rate of reduction was much slower than the all-India average. This confirms the generally dampening effects of slow growth in Assam in relation to the rest of India. However, there are important variations by subperiod and by sector. In general, the overall poverty headcount in the state stayed unchanged between 1983 and 1993 and dropped modestly thereafter. The incidence of rural poverty increased slightly during 1983–93 and decreased slightly in the latter half of the 1990s. The main beneficiaries during the entire period between 1983 and 2000 appear to have been urban residents: the incidence of urban poverty decreased dramatically from 26 percent in 1983 to only 8 percent in 1993, where it remained in the subsequent period.

TABLE 7.1
Long-term poverty trends in Assam, 1973–2000

Period	*Rural poverty headcount index (%)*	*Urban poverty headcount index (%)*	*Combined poverty headcount index (%)*	*Rural poor (millions)*	*Urban poor (millions)*	*Total poor (millions)*
1973/74	52.7	37.2	51.2	7.6	0.6	8.2
1977/78	59.8	37.6	57.6	9.8	0.7	10.4
1983	42.6	26.4	40.9	8.1	0.6	8.7
1987/88	39.4	9.9	36.2	7.4	0.2	7.6
1993/94	45.0	7.7	41.0	9.4	0.2	9.6
1999/2000	40.0	7.5	36.1	9.2	0.2	9.5

Source: Planning Commission estimates based on expert group methodology (www.Indiastat.com), cited in GoI 2002, 65.

Note: There are well-known comparability problems between 1993/94 and 1999/2000, as discussed in the edited volume by Deaton and Kozel (2005). However, we restrict our discussion to the official poverty numbers because of our interest in studying long-term trends on a consistent computational basis.

The disaggregated regional data available for the 1990s based on the poverty numbers calculated by Deaton (2003) show additional aspects of regional variation. In areas with a high initial level of poverty, the pace of decline was faster. Thus, a drop in poverty was registered only in the western region of the state, while poverty worsened in the eastern and hill regions. In the western region poverty fell at a slightly higher pace in urban areas than in rural areas. The exacerbation of poverty was most striking in the hill region: the rural poverty headcount increased from 31 percent to 51 percent, while the urban headcount rose from 5 to 18 percent. This is consistent with the picture of intensified conflict, driven by deprivation, among the tribal population of the hills during this period.

There has been a dramatic change in recent years, as suggested by data from the 61st round of the National Sample Survey (NSS) for 2004/05. The rural poverty headcount, which remained stagnant at around 45 percent between 1983 and 1993/94, dropped to just 22 percent in 2004/05: in other words, the level of rural poverty was cut almost in half (Himanshu 2007). The urban poverty headcount dropped from 8 percent to 4 percent during the same period. Although the estimates for 2004/05 are based on published grouped distribution data while the previous rounds are based on the unit-record data, the encouraging trends in the post-1993 period appear indisputable; Dev and Ravi (2007) also suggest the same trends based on the "mixed reference" period. These results seem to be consistent with one of our central arguments regarding the response of democracies to conflict: that is, counterinsurgency operations create disincentives for insurgency while expanded development programs create incentives for peace.

Human development trends

Education and health are two areas where Assam did better than the low-income states despite the climate of conflict. This improvement is due to comparatively favorable initial conditions in terms of literacy, including female education. Female adult literacy in Assam in 1991 was 37 percent, which was higher than the all-India average and also much higher than the levels observed in low-income and some middle-income states such as Rajasthan (17 percent), Bihar (18 percent), Uttar Pradesh (20 percent), Madhya Pradesh (23 percent), Andhra Pradesh (26 percent), and Orissa (29 percent). The picture is the same for the male adult literacy rate. Assam's edge over other low-income and some middle-income states with respect to literacy was maintained during the conflict years of the 1990s. According to the population census of

2001, the overall literacy rate in the state stood at 64 percent (GoA 2004), which was higher than the rate in Bihar (48 percent), Uttar Pradesh (57 percent), Rajasthan (61 percent), and Andhra Pradesh (61 percent).

With respect to infant mortality, the estimates for Assam show marked improvements between 1992/93 and 1998/99, closing the gap with the all-India average. The National Family Health Survey (NFHS) round for 2005/06 shows further modest progress, as the infant mortality rate dropped from 70 deaths per 1,000 live births in 1998/99 to 66 in 2005/06. Assam also did better than the above-mentioned states, and it retained this advantage during the conflict decade of the 1990s.[11]

NFHS data for 1998/99 show that enrollment rates at both the primary and upper primary levels in Assam were higher than the all-India average (GoA 2002, table 10.7). There is also some evidence that access to basic education is more equitably distributed in Assam than in other low-income states. For instance, the enrollment rate at the primary and secondary levels for the bottom 30 percent of the population is higher in Assam than the all-India average and also higher than in the other low-income states. Progress in the educational dimension was broadly shared by all the districts in Assam; the coefficient of variation in the expansion of literacy actually dropped over 1991–2001.

One of the key factors underlying Assam's relatively strong performance in basic education and health indicators, compared to other low-income states of India, is the higher share of state domestic product spent on these sectors. In terms of public expenditure on primary education per child (ages 6–14) as well as per student enrolled in primary school, Assam spent more in 1998/99 than Bihar, Uttar Pradesh, Madhya Pradesh, Orissa, Rajasthan, Andhra Pradesh, and West Bengal (Deolalikar 2005). Even though the state was largely dependent on central government largesse, the ruling coalition has made an effort to prioritize human development expenditures. One study showed that in terms of the performance of government health services on a number of indicators such as access, usage, reliability, and user satisfaction, Assam ranks 12th out of 22 states in India and is actually superior to Bihar, Madhya Pradesh, Rajasthan, Orissa, Andhra Pradesh, and West Bengal (Public Affairs Centre 2002). This should not, however, distract attention from the issue of quality of services. Like other low-income states of India, Assam suffers from extremely inadequate physical infrastructure in areas such as road access, electricity, communication, and sanitation. Rough living conditions have made it difficult to retain service providers such as doctors and teachers in the villages.

Employment trends

Unemployment, especially among youth, shows disturbing trends in the 1990s, and this in turn has worrisome implications for the persistence of conflict. In 1983/84 the rate of joblessness among young people ages 15 to 29 in Assam was high, but not as high as in some other states such as Tamil Nadu, West Bengal, and Punjab.[12] In fact, it was slightly better than the all-India level (annex table 7.B). The situation changed dramatically during the course of the conflict. The rate of youth unemployment registered the sharpest increase in Assam among 15 major Indian states during the decade between 1983/84 and 1993/94. By the latter year, at around the time a large counterinsurgency operation called Operation Rhino was under way, youth unemployment in Assam was about three times higher than in the rest of India. These data indirectly support the argument, implied by the Collier model, that high unemployment during civil conflict makes it easier for the insurgents to recruit new cadres among disaffected youth.

We used NSS data from various rounds to determine the overall unemployment rate for the entire working-age population, rather than for youth only. Table 7.2 shows that the employment situation severely deteriorated during the course of the conflict in the 1980s and remained at a high level in the 1990s. The overall unemployment rate for the state increased from only 3.6 percent in 1983/84 to 10.3 percent in 1993/94, dropping slightly to 9.1 percent in 1999/2000. Since conflict was widespread in the rural areas of Assam, it is important also to track the unemployment trends separately for rural and urban areas. Additional data show that although rural unemployment has been lower than urban employment in all years, the sharpest increase in unemployment was recorded in the rural areas. In short, the rural population was more affected than the urban population during the intensified phase of conflict between 1983 and 1993. There are signs of improvement in the overall employment situation by 1999/2000, especially in the rural areas. Although Assam has not yet reached a turning point in its recovery, the modest progress achieved may signal that the redistributive transfer policy on the part of the central government in response to the conflict has played a compensatory role, encouraging some positive rural changes in recent years.

Who Moved Out of Poverty during Conflict?

We turn now to the question of who benefited from the government's developmental response to the conflict. Our focus is on those who, starting poor,

TABLE 7.2
Trends in the unemployment rate over NSS rounds in Assam and other Indian states, 1983–2000

State	*1983/84 (NSS 38th round)*	*1987/88 (NSS 43rd round)*	*1993/94 (NSS 50th round)*	*1999/2000 (NSS 55th round)*
Andaman and Nicobar Islands	6.6	4.5	8.2	7.0
Andhra Pradesh	3.6	4.8	2.7	2.9
Arunachal Pradesh	—	1.8	1.3	2.2
Assam	3.6	5.5	10.3	9.1
Bihar	3.6	4.5	4.7	5.3
Chandigarh	8.3	6.4	5.2	4.3
Dadra and Nagar Haveli	0.7	0.6	1.5	0.9
Daman and Diu	—	—	3.9	2.8
Delhi	3.6	5.4	0.8	3.8
Goa	6.5	9.4	11.9	13.2
Gujarat	2.8	3.0	2.2	1.3
Haryana	4.0	6.0	3.4	2.2
Himachal Pradesh	5.2	5.5	2.6	5.5
Jammu and Kashmir	2.8	4.2	7.0	5.0
Karnataka	3.3	3.9	3.1	2.4
Kerala	14.9	18.2	11.2	12.8
Lakshadweep	—	21.1	20.3	18.8
Madhya Pradesh	1.7	2.9	3.1	2.4
Maharashtra	2.7	3.7	3.1	3.8
Manipur	0.3	2.8	2.5	3.4
Meghalaya	4.9	1.2	1.1	2.4
Mizoram	0.7	0.2	1.0	2.7
Nagaland	0.4	4.4	4.5	6.7
Orissa	3.9	6.0	5.3	5.1
Pondicherry	6.7	7.2	5.2	5.1
Punjab	4.2	4.7	2.8	3.5
Rajasthan	1.6	3.2	1.4	1.8
Sikkim	5.6	4.1	2.0	5.7
Tamil Nadu	5.6	6.5	4.4	3.2
Tripura	7.8	8.7	6.3	3.5
Uttar Pradesh	3.0	3.3	2.5	3.2
West Bengal	7.1	7.2	6.5	6.9

Note: Unemployment rates are defined for usual principal status of male workers in the 15–59 age group and have been estimated by the authors based on data from the primary NSS rounds.

improved their situation or even managed to cross the poverty line despite the growth-depressing climate of conflict. In order to address this question, we make use of primary data revealing the profiles of those who moved out of poverty, those who remained stuck in poverty, and those who fell into poverty over the study period. Both quantitative and qualitative data are important. It is well known that reliance on any single instrument is not desirable for reasons of verification, supplementation, and integration of evidence. Quantitative data indicate broad patterns of empirical regularities, while qualitative data provide glimpses of key moments in the life experiences of individuals and households as they move into and out of poverty. For a description of the data collection tools see appendix 2 in this volume.

Sampling strategy

In 2005, a primary survey of a total of 746 households was carried out in 50 communities (villages) across five districts in Assam, using a multistage sampling technique. The districts chosen provide examples of both high and low infrastructural development. However, the sample does not include the areas of most intense conflict, where administration of the survey was not feasible. Also excluded were the extremely flood-prone parts of the state, which were virtually impossible to access during June–August 2005, when the survey was carried out.[13]

The list of the actual communities was drawn up through consultation with key informants including the block development officer, the in-charge of police station, and the panchayat samity chairman at the block level. They provided information that enabled us to identify villages according to gradations of conflict (high-medium-low) and conflict trajectory (villages of endemic conflict, villages that moved from peace to conflict, villages that moved from conflict to peace, and villages that have remained more or less outside the direct influence of conflict). The term "conflict" was understood to indicate any insurgency-driven activity that resulted in civilian casualties. Upon discussion with the key informants, eventually 50 communities were selected on a purposive basis from each of the identified blocks. The list of districts and blocks in the sample is shown in table 7.3.

Measuring poverty

At the start of fieldwork in each village, focus groups of men and women created a "ladder of life" for their community, showing local levels of household well-being on a figurative ladder. The groups also defined a community poverty line (CPL), indicating the ladder step at which households were

TABLE 7.3
Distribution of sample districts and blocks in Assam

District	*NSS region*	*Block*	*Development profile*
Nalbari	Eastern Plain	Paschim Nalbari Amguri	High wage growth + high infrastructure index
Sonitpur	Eastern Plain	Biswanath Dhekiajuli	High wage growth + low infrastructure index
Jorhat	Western Plain	Titaber Teak	High wage growth + high infrastructure index
Kamrup	Western Plain	Sualkuchi Bezera Kamalpur	High wage growth + high infrastructure index
Darrang	Western Plain	Sipajhar Pub-Mangaldoi	High wage growth + low infrastructure index

Note: Development profiles are based on information provided on wage growth at NSS-region level by Kijima and Lanjouw (2004) and on the Relative Infrastructure Development Index generated by the Centre for Monitoring Indian Economy (CMIE 2000).

considered no longer poor by local standards. Finally, they ranked about 150 households in their community according to their well-being status at the time of the study (2005) and approximately 10 years earlier (1995). For details on the ladder of life exercise, see appendix 1 in this volume.

In Assam, as in the other study states, this process defined four main groups of households in each community. The first group, and the most important from the perspective of the study, consists of *poor households that crossed the poverty line* over the 10-year period, according to the rating of the community where they live. These households are viewed as having moved out of poverty; for the sake of brevity, we call them movers. Two aspects of the definition are noteworthy. First, the focus is on long-term escape from poverty rather than on temporary movements around the poverty line that are characteristic of agrarian societies. Second, the rating is done by the community and not by individuals, thus avoiding the problem of subjectivism in self-rating. One could even say that the poverty rating is owned by the community: through collective consultation, debate, and clarification, the community reaches a sociological understanding about whether a particular household has moved up or down or stayed at the same level on the well-being ladder.[14]

The second group consists of people who remained stuck in poverty over the 10-year period; we call them the chronic poor. The third group consists

of households that were not poor in 1995 but slipped into poverty by 2005; they are called fallers. The fourth group consists of those who started above the poverty line and remained there throughout the period; we call them the never poor.

In addition to these four mobility groups, the study also considers a broad group of initially poor households that experienced upward mobility of any kind, irrespective of whether or not they crossed the poverty line. This provides a broad-based measure of well-being improvement among the poor. This group includes the movers (those who did cross the community poverty line) as a subset.[15]

Of particular interest to the study is community-level mobility. The ladder of life exercise enabled the researchers to calculate the number and percentage of households in each village that moved up or down on the ladder during the study period. The moving out of poverty index (MOP) measures the extent of upward mobility by the poor across the CPL in a community. The mobility of the poor index (MPI) measures extent of upward mobility by those who were initially poor, irrespective of whether or not they crossed the CPL. For details on the calculation of these and other indexes used in the study, see chapter 1, table 1.2.

Summary numbers on poverty and mobility

Consistent with the overall growth performance of the state's economy, microsurvey data collected for the present study show that the rate of poverty reduction in Assam has been quite slow compared to other Indian states (table 7.4). Among the initially poor households, those that were poor in 1995, only about 10 percent escaped poverty over the next 10 years, a much lower rate than in Uttar Pradesh (21 percent), Andhra Pradesh (21.5 percent), and West Bengal (31 percent). In Assam, nearly 7 percent of *all* households sorted by the communities' subjective rankings escaped poverty over the study period. However, 5 percent of the households ranked also fell into poverty, leading to a net poverty reduction of less than 2 percent. More than 90 percent of the households that began in poverty in 1995 remained stuck there 10 years later.[16]

TABLE 7.4
Summary trends on poverty and mobility in Assam

Movers as % of initially poor	9.6
Movers as % of all households	6.9
Fallers as % of all households	5.4
Net poverty reduction (%)	1.5
Chronic poor as % of initially poor	90.4

Most poor men and women in Assam who were successful in escaping poverty cited diversification of income

sources as the most important trigger of their mobility. Nearly 26 percent of them mentioned opening a shop or a small side business or sending their children to work in cities as having helped them expand their income and move out of poverty. Another 16 percent cited jobs in government or the private sector as reasons for ascent, while 12 percent mentioned improvements in farming.[17] All of the strategies for upward movement mentioned in Assam echoed those cited by poor people in other states visited for the study.

Likewise, the stories we heard about falling mirrored the ones heard in the more peaceful states. People spoke of slipping into poverty due to poor economic conditions in their community, agricultural failures, or health shocks. One-third of the faller households in Assam singled out decreasing community prosperity as the reason for their downfall, while another 16 percent cited crop failure. Decreasing prosperity may indirectly reflect the effects of conflict, while agricultural failures may reflect the adverse impact of floods. Only 9 percent of fallers cited health shocks as the key trigger for their descent into poverty. This is a much lower proportion than in Uttar Pradesh, where roughly 18 percent of faller households cited health shocks as a key reason for their impoverishment.[18]

It is notable that relatively few people explicitly mentioned conflict as a reason for falling down. This supports our argument that the people of Assam seem to have largely adapted to the situation. Men and women living in conflict-affected sites treat the violence like any other contextual variable, gradually adjusting their lives around it and aspiring to follow the same paths out of poverty as their counterparts in more peaceful states. However, the high proportion of those stuck in abject, chronic poverty in Assam—nearly 90 percent—suggests that very few are successful in using these mechanisms to escape poverty. We can only speculate on whether this may reflect the indirect adverse effects of conflict.

The next section presents some basic descriptive statistics on the mover households and the chronic poor as a means to explore whether the two groups differed in any basic dimension. We present data on both the community and household levels.

Profile of communities

We start with a broad description of the economic, social, and political characteristics of the communities visited for the study.

Trajectory and intensity of conflict. More than one-third of the communities visited for the study had experienced high conflict that was still going on

in 2005. Another 36 percent were in conflict in the late 1990s but had moved to a peaceful state by 2005. Our sample also included a slightly smaller group of communities that had remained relatively peaceful over the 10-year study period, as well as one village that went from peace to conflict (table 7.5).[19]

TABLE 7.5
Trajectory of conflict in communities visited in Assam, 1995–2005

Conflict trajectory over 10 years	*Frequency*	*%*
Conflict to conflict	17	34
Peace to conflict	1	2
Conflict to peace	18	36
Peace to peace	14	28
Total	50	100

TABLE 7.6
Conflict intensity in communities visited in Assam, 2005

Conflict intensity in 2005	*Frequency*	*%*
High conflict	12	24
Low conflict	23	46
No conflict	15	30
Total	50	100

The sample villages also varied in the intensity of conflict, that is, whether conflict resulted in deaths, physical injuries, or property damage or only led to an atmosphere of fear and harassment. A careful rating of the 50 communities along these dimensions (with more weight attached to physical injuries and deaths, and somewhat less to loss of property) showed that nearly 24 percent of the communities surveyed were still experiencing high-intensity conflict in 2005. Nearly twice as many (46 percent), however, had shifted to low-intensity conflict that did not result in deaths or injuries after the year 2000.[20] The remaining 30 percent of the sample were classified as no-conflict villages, with no reports of deaths or injuries over the study period (table 7.6).

Conflict trajectory and community-level mobility. The central question in our study is the nature of the relationship between conflict and escaping poverty. To address this issue we analyzed the distribution of MOP rates at the community level in relation to the three main conflict trajectories (table 7.7).

We find no significant difference in poverty escape rates between peaceful communities and those affected by persistent conflict. Overall, more of the conflict-affected communities (41 percent) than peaceful communities (28 percent) fell in the middle range of MOP. Overall, 29 percent of conflict-affected communities experienced high mobility rates compared to 36 percent of the peaceful communities. Our point is simply that mobility out of poverty in conflict-affected communities was not zero. In terms of averages, there is no difference in mobility rates between peaceful and conflict-affected communities: both are 11 percent.

TABLE 7.7
Distribution of Assam study communities by conflict trajectory and community MOP terciles

	Rate of community MOP (%)			*Community*
Conflict trajectory	*Bottom third*	*Middle third*	*Top third*	*MOP (mean)*
Peace to peace	36	28	36	11
Conflict to peace	39	28	33	10
Conflict to conflict	29	41	29	11
Total	35	33	33	11

Note: There is no statistically significant variation in the two-way tables. The one community that went from peace to conflict has been dropped.

TABLE 7.8
Strength of local economy in Assam study communities, 1995 and 2005

	1995		*2005*	
Strength of local economy	*Frequency*	*%*	*Frequency*	*%*
Very strong	1	2	0	0
Strong	1	2	4	8
Medium	10	20	31	62
Weak	32	64	12	24
Very weak	6	12	3	6
Total	50	100	50	100

Local economic strength. The poor economic conditions in the villages we visited confirm that conflict in Assam has taken place in the context of a weak economy. Informants in 76 percent of the communities in the sample reported that their village had a weak to very weak local economy at the start of the study period—the time when conflict was at its peak. The decade between 1995 and 2005 witnessed some improvement, with only 30 percent of the sample villages in 2005 calling their local economy weak or very weak (table 7.8). Private employment, though, became more difficult to access, with 56 percent of communities finding it difficult or very difficult to get jobs now compared to 36 percent in 1995 (table 7.9). This is consistent with the adverse dynamics in overall and youth unemployment based on NSS data observed earlier. Moreover, floods afflicted nearly half of the communities visited for the study, severely affecting prospects for agriculture. We found no significant differences along this dimension between no-conflict, low-con-

TABLE 7.9
Access to private jobs in Assam study communities, 1995 and 2005

	1995		*2005*	
Access to private jobs	*Frequency*	*%*	*Frequency*	*%*
Very easy	5	10	3	6
Fairly easy	13	26	9	18
Not so hard if help is available from relatives/friends	9	18	8	16
Not so hard if help is available from a paid agent/middleman	5	10	2	4
Somewhat difficult	13	26	17	34
Very difficult	5	10	11	22
Total	50	100	50	100

flict, and high-conflict communities or between villages that had ongoing conflict and those that had made the transition to peace.

Security/law and order. There are striking differences between the perceptions of officials and those of ordinary villagers with respect to peace and security. According to key informants, who were usually local officials, a decline in the intensity of conflict and a shift to peace in some communities has led to a decrease in crime and violence and a dramatic improvement in public safety. Key informants in more than 80 percent of the villages surveyed believe that their communities have become moderately peaceful or very peaceful places. Discussions with groups of men and women in the same villages, however, revealed a different picture. When asked directly about safety, community discussion groups in both peaceful and conflict-affected communities reported an overall decline in safety and an increase in danger over the last 10 years. In fact, the decline was more marked in peaceful communities since conflict-affected communities were already unsafe 10 years ago (table 7.10; see also annex table 7.C for change over time).

Corruption. Corruption in local government offices took a turn for the worse. Respondents in more than 65 percent of the communities surveyed agreed that most or almost all government officials in their village or neighborhood are corrupt. This was a clear deterioration from 1995, when only 28 percent of communities were identified as having corrupt officials (annex table 7.D).

TABLE 7.10
Peace and safety in Assam study communities: Perceptions of key informants and community groups, by conflict trajectory

	Key informants: % reporting community is very or moderately peaceful		
Conflict trajectory	*1995*	*2005*	*Change (%)*
Peace to peace	71	93	+30
Conflict to peace	28	89	+220
Conflict to conflict	24	88	+275
Total	39	90	+132
1995: Pearson chi2(6) = 14.65 Pr = 0.023 2005: Pearson chi2(6) = 9.18 Pr = 0.164			
	Community groups: % reporting community is very safe or safe		
Conflict trajectory	*1995*	*2005*	*Change (%)*
Peace to peace	36	14	–60
Conflict to peace	44	17	–62
Conflict to conflict	18	12	–33
Total	33	14	–56
1995: Pearson chi2(8) = 4.87 Pr = 0.772 2005: Pearson chi2(8) = 10.50 Pr = 0.232			

TABLE 7.11
Perceived corruption among local officials in Assam study communities, by conflict trajectory

	% of communities reporting most or all local officials take bribes		
Conflict trajectory	*1995*	*2005*	*Change (%)*
Peace to peace	29	100	+250
Conflict to peace	22	44	+100
Conflict to conflict	29	59	+100
Total	27	65	+146
1995: Pearson chi2(6) = 13.61 Pr = 0.034 2005: Pearson chi2(6) = 6.16 Pr = 0.406			

The increase in perceived corruption is higher in the peaceful communities than in the conflict-affected communities. All the peaceful communities reported high levels of corruption among local officials, while only 59 percent of the conflict communities did (table 7.11).

Social capital. On the social side, it seemed that conflict did not affect or even had a positive effect on community cohesion and relations within the village. More than 90 percent of the communities visited for the study responded in the affirmative for both time periods when asked, "Do people cooperate to solve common problems like access to water and help each other in case of accidents like fire?" It is interesting to note that both in 1995 and 2005, communities that remained in conflict scored higher than (or at least as high as) peaceful communities or the communities becoming peaceful (table 7.12)

More communities reported the presence of people's own groups and organizations in 2005 than in 1995. Nearly 40 percent of the communities visited had 10 or more groups operational in 2005. This was in sharp contrast to the situation 10 years earlier, when only one village was reported to have 10 groups. The increase in the number of groups in these villages was confirmed by the increase in the average or mean number of groups per community, from nearly three groups to eight groups per village. In conflict communities, the increase in the number of groups was almost double the increase in peaceful areas, with a mean of nine groups compared to seven in peaceful areas (table 7.13).

Finally, a majority of communities (nearly 60 percent) reported that there was no division in their village along lines of caste, ethnicity, or religion. We also found evidence that inequality based on both gender and ethnicity has eased among children in schools. A majority of the communities reported an improvement in the treatment of girls (compared to boys) and children of lower-caste groups over 10 years (annex table 7.E). There were no significant differences across communities, whether peaceful or conflict-affected, in this trend; overall 65 percent reported improvement on both counts (annex table 7.F).

TABLE 7.12
Propensity for collective action in Assam study communities, by conflict trajectory

	% of communities reporting people cooperate to solve water shortages		
Conflict trajectory	*1995*	*2005*	*Change (%)*
Peace to peace	71	93	+30
Conflict to peace	89	94	+6
Conflict to conflict	94	94	0
Total	86	94	+10
1995: Pearson chi2(6) = 8.84 Pr = 0.183			
2005: Pearson chi2(6) = 3.62 Pr = 0.728			

TABLE 7.13
Number of local groups in Assam study communities, by conflict trajectory

	Number of local groups per community (mean)		
Conflict trajectory	*1995*	*2005*	*Change (%)*
Peace to peace	4	7	+110
Conflict to peace	3	9	+185
Conflict to conflict	3	9	+192
Total	3	8	+163

Profile of households: Movers versus chronic poor

Most poverty analysis until recently has focused on individual assets and capabilities in determining who is and who is not able to move out of poverty. Poor people are usually defined as lacking assets like land and as deficient in the skills, education, and training needed for a climb out of poverty. Their bodies are their sole resource and are used for backbreaking labor under harsh conditions, leading to frequent health problems. We would argue, however, that households differ not only in terms of their assets and skills but also along social and political dimensions that are important to moving out of poverty.[21]

Responsiveness of local democracy. Movers, on average, have more positive perceptions of their local democratic structures than those who remain stuck in poverty. More than 40 percent of movers but only 29 percent of the chronic poor reported satisfaction with the way local democracy works in their village (table 7.14). Initial conditions also seemed to play a role. Those who escaped poverty by the end of the study period reported having had a higher level of trust in their local government officials in 1995 compared with those who remained poor (25 vs. 18 percent). There were no striking differences across conflict contexts.

Fairness in access. Those who escaped poverty were slightly more likely to receive fair prices when they went to sell their goods in the market. Fifty-two percent of the movers said that their ability to get fair prices for their produce had increased over 10 years, compared to 45 percent of the chronic poor (annex table 7.G). Households in persistent conflict communities, across mobility groups, reported much lower levels of improvements than the peaceful areas (annex table 7.H).

TABLE 7.14
Satisfaction with local democracy, by mobility group, 2005, Assam

Satisfaction with local democracy	*Movers*		*Chronic poor*		*Fallers*		*Never poor*		*Total*	
	Freq.	*%*	*Freq.*	*%*	*Freq.*	*%*	*Freq.*	*%*	*Freq.*	*%*
Very satisfied	9	5	6	2	2	3	14	6	31	4
Somewhat satisfied	67	37	73	27	13	20	97	43	250	34
Somewhat dissatisfied	63	34	99	37	21	32	74	33	257	34
Very dissatisfied	44	24	93	34	29	45	42	19	208	28
Total	183	100	271	100	65	100	227	100	746	100

Aspirations and psychological well-being. Opportunities offered by the local democracy or the market may not result in mobility unless the individual believes that he or she can use them to advantage and move out of poverty. Aspirations for a better future can be a strong trigger for mobility. The importance of such aspirations is reflected in our quantitative data as well. The mover households, for instance, spoke passionately about their dreams for themselves and for their children, with more than 80 percent expecting themselves and their children to be better off in the future. By contrast, only half of the chronically poor had such expectations (table 7.15). These differences gain significance in light of the fact that mobility status is not self-reported but decided by the wider focus group in the community. This minimizes the risk that a mover household will retrospectively report higher aspirations because it rates itself as having moved out of poverty. There were no differences across conflict settings.

Empowerment. In community after community, poor men and women cite empowerment—proxied by their control over everyday decisions and their sense of their power and rights—as crucial in escaping poverty. The significance of empowerment is reflected in the quantitative data as well. While 34 percent of those who escaped poverty reported an increase in control over their everyday decisions between 1995 and 2005, only 13 percent of the chronic poor did (table 7.16). The mover households also placed themselves higher on average on a 10-step ladder of power and rights, both in 1995 and 10 years later, compared with the chronic poor. Once again there were very few differences across conflict settings.

TABLE 7.15
Aspirations for self and for next generation, by mobility group, Assam

Aspirations for self	*Movers*		*Chronic poor*		*Fallers*		*Never poor*		*Total*	
	Freq.	%	*Freq.*	%	*Freq.*	%	*Freq.*	%	*Freq.*	%
Better off	151	83	126	46	33	51	170	75	480	64
About the same	26	14	97	36	19	29	45	20	187	25
Worse off	6	3	48	18	13	20	12	5	79	11
Total	183	100	271	100	65	100	227	100	746	100
Aspirations for next generation	*Movers*		*Chronic poor*		*Fallers*		*Never poor*		*Total*	
	Freq.	%	*Freq.*	%	*Freq.*	%	*Freq.*	%	*Freq.*	%
Better off	158	86	149	55	40	62	194	85	541	73
About the same	18	10	79	29	14	22	25	11	136	18
Worse off	7	4	43	16	11	17	8	4	69	9
Total	183	100	271	100	65	100	227	100	746	100

TABLE 7.16
Change in control over everyday decisions, 1995–2005, by mobility group, Assam

Change in control over everyday decisions	*Movers*		*Chronic poor*		*Fallers*		*Never poor*		*Total*	
	Freq.	%	*Freq.*	%	*Freq.*	%	*Freq.*	%	*Freq.*	%
More	63	34	36	13	14	22	59	26	172	23
About the same	113	62	186	69	32	49	159	70	490	66
Less	7	4	49	18	19	29	9	4	84	11
Total	183	100	271	100	65	100	227	100	746	100

How did conflict affect the mental distress felt by members of households? Clashes and violence are known to leave deep psychological scars. We find evidence of such trauma in our sample, but there are differences between households depending on mobility category. Those who escaped poverty were less psychologically affected by conflict than those who had remained poor. When people were asked whether they were bothered by nervousness or shakiness, 79 percent of movers said they were not bothered at all, compared to only 35 percent of the chronic poor (table 7.17). Over-

TABLE 7.17
Psychological well-being, by mobility group, Assam

Bothered by distress, nervousness, shakiness	*Movers*		*Chronic poor*		*Fallers*		*Never poor*		*Total*	
	Freq.	%	*Freq.*	%	*Freq.*	%	*Freq.*	%	*Freq*	%
Not at all	144	79	94	35	19	29	172	76	429	58
A little	28	15	119	44	35	54	42	19	224	30
Quite a bit	7	4	34	13	7	11	13	6	61	8
Extremely	4	2	24	9	4	6	0	0	32	4
Total	183	100	271	100	65	100	227	100	746	100

all, more households from peaceful communities and communities moving from conflict to peace reported mental distress (14 percent), compared to households from conflict-affected communities (10 percent).

Those stuck in chronic poverty also reported more feelings of restlessness, low energy, worthlessness, and apathy. We think this is because the livelihoods of the chronic poor, who generally work as daily wage labor or do odd jobs, are usually the worst affected when conflict strikes. Intense fighting and a climate of fear restricts those at the bottom from stepping out of their homes, leading to a loss of their daily bread. This may create a vicious cycle of poverty, fear, and low expectations for the future (box 7.1).

Ability to come together for collective action. In addition to their own efforts, poor men and women often cited the importance of their social networks and groups in helping them cope with shocks and move out of poverty. Of all the social formations cited, the family emerged as the most important. Households often used monetary support from children, for example, to expand their business or upgrade their farming, in some cases enabling them to escape poverty. Financial support from children working in cities was particularly crucial to mobility. A mover from Konwar Gaon village said, "In 1998 I bought a water pump set. The money was given by my younger son. He is a soldier in the Border Security Force. Now I can give water in my fields even during the dry season. My production has increased." A mover from Thengal Gaon related, "In 1996, after my elder son got a teaching job, our family condition became smooth. In 1999 my son built a pucca house. Before that we had a thatched roof. In 2003 he bought 11 bighas [about 4 acres] of land. The produce from the land covers our entire year's food requirements and we are also able to sell a portion."

BOX 7.1
Living in fear: The story of Sibpur

Sibpur is a scenic village in the district of Jorhat, surrounded by tea gardens. Most people work as laborers on the tea estate, farm small tracts of land, run market stalls, or do odd jobs. The village has been through an intense period of conflict over the past 10 or 12 years. Though it is more peaceful now, the villagers recount with much fear the days when the conflict was at its peak.

The origins of the conflict lie in the Bodo insurgency. The hills around town provide shelter to Bodo insurgents from surrounding states that include Manipur, Mizoram, and Meghalaya. The insurgents have been operating in the village since 1991. While they started as an extortion group, making claims on both poor and rich people in the area, villagers say they became increasingly violent as time went on. "In 1993 they attacked the temporary army outpost and looted the weapons. We were terrified as we had no security to protect us then," recalled a discussion group of men in the village. Armed with weaponry, the insurgents mounted attacks with increasing frequency and intensity. A year later they burned down the forest office near the village along with a number of houses. A few people were killed in the fires and several lost their belongings. In 1995 the rebels kidnapped the manager of the tea estate, leading to widespread fear in the village. "We were not able to sleep in peace. We ensured that our children were back to home before the night fell. Till date, we pay money to them. Nobody opens their doors during the night. At times, we even put locks on our own doors and sleep elsewhere," said the men.

Conflict had an adverse effect on livelihoods within the community. The most severely affected were the bottom poor, who usually worked for daily wages on the tea estate or sold small quantities of firewood that they gathered in the Bhuban hills. The kidnapping of the tea estate manager led to a temporary closure of the gardens and loss of livelihood for many villagers. Furthermore, with insurgents hiding out in the hills, there were reports that villagers were assaulted or went missing when they ventured out to collect wood. The men explained: "These people used to live by selling firewood or making things of bamboo and cane. They have now stopped going to the hills after hearing reports of people getting lost. They are very frightened."

Insurgent activities have decreased in recent years. The decline in violence is attributed to the setting up of a permanent army post and the formation of a village defense party in the village. "Now we recognize that if we stay united, nobody can do anything to us," the men say. But they say they still live under a "shadow of terror."

While family is paramount, the movers also engaged more in groups outside of their households. On average, a mover household belonged to 0.9 groups versus 0.6 for those remaining in poverty. Moreover, nearly 28 percent of the groups that movers belonged to frequently interacted with other groups outside the village, compared to 18 percent of the groups to which the chronic poor belonged. In other words, the level of *linking* social capital seemed to be higher for groups of which movers were members. The movers were more trusting of others than the chronic poor: only 30 percent of movers said that someone in their village could take advantage of them if they were not careful, whereas 38 percent of the chronic poor believed this.

Education and assets. There were differences in two of the usual correlates of mobility. On average, those who moved out of poverty had completed at least primary education or education until the lower secondary grade. In contrast, the chronic poor in our sample found it difficult even to complete primary education. The mover households also seemed to do marginally better on initial assets owned, including land: on average, movers owned 2.7 units of land in 1995, while the chronic poor owned 2.4 units.

The effect of shocks. The sharpest contrast between the two sets of households, however, emerged in the reporting of health shocks faced between 1995 and 2005. Nearly 62 percent of the chronic poor reported facing a health shock, compared to only 45 percent of the movers. While idiosyncratic, recovery depended on the nature and frequency of the shocks and on the individual's ability to finance recovery or obtain loans to do so. Several times, the chronic poor spoke of a series of illnesses, some long-term, whose treatment they struggled to pay for. More often than not, they had no choice but to sell their assets or take a high-interest private loan. This pushed many households into destitution (box 7.2).

The speed of recovery from health shocks is also contingent on the availability of health facilities, and these were generally weak in all communities. Nearly half the communities visited for the study reported their health facilities to be bad or very bad. A teacher in the conflict-affected village of Leteku Gaon reported, "A health subcenter lies near the border of our village, but there is no doctor. Long back there was a doctor and a nurse. But as the village is at the border and as the Naga insurgents demand money, the doctors have gone away. Government officials fear to come here. As a result

BOX 7.2
"Shocked" into poverty

Multiple and closely spaced shocks often featured in the life histories of those stuck in chronic poverty and those that fell into poverty during the study period. The life story of 53-year-old Jatin is a case in point. Born into poverty in Choudhuri Pum, a village in Kamrup district, he migrated to Guwahati at age 13 to work as a salesman. But he returned to his native village after six years because of a conflict with the store owner, and he has been working as a farm laborer since. In 1995 his wife died in childbirth. "I was stunned. My condition was extremely pathetic." Three years later his son became ill with malaria. He just managed to save him, with the help of other villagers. As a final shock, in 2001 he broke his hand and could no longer work. His son now works and feeds him. "I feel very sorry about that [his son supporting him]. I could not buy any property in my life so far and have not made any major profit. I have not made any deposit too. I have to spend more than I earn because of illness," he said.

Joy Chandra in Bilpar village, Nalbari district, has a history of illness in his family. Born in 1965 into a prosperous family (his father had 20 bighas of land, about 7 acres), he started farming at the age of 20 and then expanded into other activities, including a grocery business. However, ill health in the family has been a constant bane. The Rs 85,000 loan he took to open the grocery was spent on the illnesses of his father and mother. Eventually he had to sell part of the land to repay the loan. His elder brother is mentally handicapped because of the torture inflicted by the army during the conflict period. Finally, floods in 2005 damaged almost 10 bighas of his land. He says "I don't think my life is dynamic. It has become static. I feel demoralized."

The life of Biren in Leteku Gaon village, Jorhat district, is yet another example of how the cumulative impact of shocks can cause a fall. The son of rich parents, 40-year-old Biren has "had many problems," as he put it. When he was 25, he and his brothers divided their parents' property. Left with a meager share, Biren was forced to take up work as a laborer. Five years later both his parents died, and another two years later he discovered that his wife suffered from a mental illness. His prospects improved temporarily when his elder son received a scholarship and Biren himself was offered a reader's post in the local prayer hall. But soon thereafter, shocks struck again. In 2002 the roof of his house collapsed in a storm, and three years later a thief entered his house and took everything. Over the years he has been forced to give his land on contract, instead of tilling it himself, and sell his wife's jewelry. He does not find work regularly and now lives in near destitution.

the public is deprived of getting better health service. In 2004 our village was severely affected by malaria and cerebral malaria. About 12 people died. Before cremating one [body] we had to prepare for another. [Disease] will continue since we do not get good quality water. We drink boiled water all the time, winter or summer."

Factors influencing upward mobility: Regression analysis

We consider a range of factors in our study of mobility in the conflict context of Assam.[22] The first group of variables relates to local economic vibrancy. Two indicators considered here are the initial strength of the economy (a proxy for initial level of income) and change in economic prosperity (a proxy for growth). In the standard growth literature, the first indicator is expected to be associated with a negative sign (sign for convergence). In the conflict scenario, however, the opposite possibility also exists, as the richer areas are likely to be less affected, allowing greater chances for escape from poverty. That is why the expected sign appears to us quite indeterminate on an a priori basis. Growth is expected to be positively associated with mobility, but given the low-growth context in Assam, one would not expect a strong association.[23]

The second group of indicators captures various dimensions of the local state. We consider two indicators: the level of corruption in the local government and the strength of local democracy. Again, in the context of conflict, the effect of corruption is uncertain: more corruption opportunities may actually mean more transfer of resources from the state to the area, indirectly aiding mobility of the poor. The strength of local democracy is a statistical index that takes into consideration several dimensions of the "supply" and "demand" sides of democracy, such as community trust in local government officials, ability to contact local government and influence their actions, level of responsiveness of local government to local problems, and overall level of satisfaction with the way democracy works in the local government. It must be mentioned, however, that local government elections could not be held in many areas of Assam because of conflict, and hence the very existence of local government needs to be seen as an indicator of stronger local democratic aspiration.

The third group of variables captures a broad measure of fairness. The latter is empirically constructed based on three aspects of accessibility: rural producers' ability to get fair prices for their produce, the degree of fair treatment by law, and access to credit. The last two dimensions are especially

important for mobility of the poor and are likely to be even more important for asset recovery and growth in a conflict-afflicted context.

The fourth group of variables pertains to personal empowerment, rights, and aspiration. Individuals or households that were initially located higher on the ladder of power and rights are expected to be better prepared to take advantage of the available opportunities to improve their life situation, livelihood, and prospects for upward mobility. The precise channels through which personal empowerment can have an independent effect on income growth and mobility are somewhat debated. Does it work through better connectivity with the existing power structure—in which case empowerment of a few movers may contribute to disempowerment of the rest of the poor? Does it imply improved networking capacity or bargaining power in the marketplace? Perhaps an empowered individual is a person "with a plan" even under the most adverse circumstances. Or does being empowered simply indicate freedom from extra-economic coercion? We were able to answer some of these questions.

The last argument may actually mean that empowered individuals represent distinct economic actors who do not depend on the landlord or moneylenders for their livelihood. They may be working in occupations that are more formal, perhaps in salaried jobs or self-employed trading, or they may be members of some self-help group with a measure of independence from the traditional rural middlemen and landlords. In this view, empowerment is a derivative of initial occupational choice, with few extra effects. In order to explore this issue we included several indicators of empowerment: (a) an initial-status indicator such as "position on the ladder of life 10 years ago" (as self-perceived by the household); (b) a change-status indicator that rates whether control over everyday decisions has increased in the last 10 years; and (c) an "aspiration" indicator that rates the person's degree of optimistic expectation about the future. The economic impact of positive aspiration is well known: it has an important bearing on savings and investment behavior. Does it also work through better personal initiatives on the work front? It is quite possible that the so-called culture of poverty has important effect on mobility outcomes through the aspiration channel.[24] While poverty of aspiration may be one of the crucial aspects of poverty in general, it is not altogether clear whether it is conditioned by more deep-seated factors such as family and inheritance.[25] What we need to test is whether empowerment picks up some independent effects even when the level of aspiration is significant.

The fifth group of factors captures the presence of social capital, while the sixth group focuses on the theme of discrimination based on ethnicity/

caste, gender, and class-based distinction (as in the case of unequal treatment of students in public schools). In Assam, especially in the ethno-linguistic Assamese community, caste-based discrimination is unheard of. However, there are social divisions based on ethnicity in some places, and these may be advantageous for some social groups of movers in the context of conflict.

The seventh and eighth groups of variables draw attention to the conventional factors of importance such as human capital (both educational and health capital, the latter represented negatively as health shocks) and other land and nonland assets. It should be noted, however, that these assets may bring very low return in the slow-growth context of Assam. Thus, only about 15 percent of the state's cultivated land is presently irrigated, although the potential for introducing a winter-season crop is very high in the plains. This may partly explain why often just owning or cultivating land does not provide a basis for upward mobility.

Finally, we have the target variable of interest: the nature of the conflict regime. In this chapter we have opted for the indicator of "conflict trajectory," which is a continuous variable. Areas that were peaceful during the last 10 years receive a value of 1, areas where the situation has graduated from conflict to peace a value of 2, areas where peace has given way to conflict a value of 3, and areas where conflict has become more intense a value of 4. The conventional expectation is that higher mobility will be associated with peace. However, as discussed above, there may be an alternative possibility: the rate of progress in poverty reduction may actually increase in the presence of durable conflict as the government makes more public resources available to the conflict-ridden area in an effort to buy peace. Again, this may not work for all classes of the poor; the urban areas may claim a disproportionate share of this resource flow, followed by the rural top echelons, leaving very little for the poorest. We test some of these hypotheses in a multivariate framework and for different economic groups that have experienced upward mobility.

The test for public-private interest congruence is of added utility in the context of conflict where the possibility of such divergence cannot be excluded. From this angle, a statistical clarification of the community-level variables created by aggregating the household responses through calculation of the leave-out mean (LOM) is in order.[26] This relates to five factors: strength of local democracy, fairness in access, level of initial empowerment, personal aspiration, and violence against women. For each of these variables, both the household rating and the average rating for the rest of the community minus the household have been included. The idea is to statistically test whether some of these factors function as a public good (benefiting all residents of

the community) or a private good (benefiting the fortunate few). In the case of local democracy, for example, if the individual household rating is higher than the average community rating, then local democracy would seem to be working for the movers only (who may be a select few), but not necessarily for the entire community.

Regression results

We focus here on two groups of the upwardly mobile poor: (a) the narrow set of "mover" households that escaped poverty during 1995–2005 (represented by the MOP index); and (b) the broad set of initially poor households that moved up some degree during this period, irrespective of whether or not they escaped poverty (represented by the MPI index). As discussed earlier, the first group is a subset of the second group. A linear probability model is estimated to perform multivariate analysis of factors that influence upward movement for the two groups separately.[27] The characteristics of these two groups are compared with those observed for the chronic poor. The detailed results are presented in annex tables 7.I and 7.J. Several variants (model specifications) were implemented; we focus on the results of the extended model (column 9 in each case). Here we shall mainly discuss the results for the first group, those who moved out of poverty, in comparison to the chronic poor (table 7.18).

Local democracy helps movers, but not everyone. First, the presence of vigorous and responsive local democracy appears to be a strong predictor of escape from poverty as well as for upward mobility of the poor in general. This is in line with our findings regarding the differential impact of local democracy on movers and the chronic poor. However, the leave-out mean community rating of local democracy is significant and negative for both models. Statistically, it suggests that distribution of benefits through the channel of local democracy is benefiting the movers but not the rest of the community.[28] This is not to downplay the value of local government as an institution. In the case of Assam, local government is of recent origin and rationing of its benefits may reflect its early stage of development. The fact that local government emerged as an important factor for mobility of the poor indicates its future potential, provided the structure of governance is further democratized and empowered fiscally, politically, and administratively.

Fair access matters. Second, fairness in terms of accessibility is an important determinant of upward mobility. Unequal and low access to credit is frequently cited in the community focus group discussions as a major constraint

TABLE 7.18
Factors influencing escape from poverty (MOP) during conflict, Assam

Variable		*Variable*	
Initial strength of economy	0.043	Index collective action (PCA rc412b rc413b with current weights)	0.009
	[1.77]*		[0.43]
Change in economic prosperity	0.008	Access to networks and associations	–0.031
	[0.51]		[0.75]
Corruption	0.04	Social divisions	0.013
	[1.50]		[0.59]
Responsiveness of local democracy	0.036	Violence against women	0.089
	[2.07]**		[3.35]***
LOM of responsiveness of local democracy	–0.092	LOM of violence against women	–0.153
	[2.19]**		[2.99]***
Conflict trajectory	0.037	School inequality	0.009
	[1.83]*		[0.44]
Fairness index	0.034	Education of head of household	0.043
	[1.91]*		[3.12]***
LOM of fairness index	–0.009	Health shocks	–0.079
	[0.16]		[1.76]*
Step on the ladder of power and rights	0.017	Initial landholding	–0.005
	[0.81]		[0.84]
LOM of step on the ladder of power and rights	0.122	Ownership of house	0.115
	[2.00]*		[0.79]
Control over everyday decisions	0.138	Assets index	0.06
	[3.55]***		[1.26]
LOM of control over everyday decisions	–0.137	Livestock index	–0.029
	[0.92]		[0.98]
Household aspirations	0.088	Constant	–0.167
	[4.98]***		[0.33]
LOM of household aspirations	–0.077	Observations	452
	[1.32]	R^2	0.31

Note: Robust *t*-statistics in brackets.

*p < .10 **p < .05 ***p < .01

to household recovery and mobility. Lack of access to fair prices (largely reflective of the prevailing poor infrastructural conditions) is also a matter of common concern for those stuck in poverty. Unequal treatment before law in Assam may have an important ethnic dimension.

Empowerment and aspirations are both important. Third, both empowerment (proxied by control over everyday decisions) and aspiration matter statistically. The average attainment (score) of the "rest of the community" (as measured by the leave-out mean method) with respect to position on the ladder of power and rights shows similar directionality, implying that empowering community life, livelihood, and institutions is likely to favor the process of escape from poverty. Control over decisions is a significant determinant of mobility even when personal aspiration is accounted for separately. This means there is more to empowerment than the element of aspiration as such: each of these aspects of greater power and freedom should be accorded individual importance. Perhaps the movers are characterized by higher *internal* empowerment before *external* (such as economic and political) empowerment takes place; perhaps both take place simultaneously. Case studies show that movers almost invariably have better family relationships, greater determination to educate their children even in extremely adverse circumstances, and a core of will to succeed incrementally through saving, hard work, and grabbing whatever fleeting chances come their way. Part of the route to achieving power and freedom surely lies in personally empowering measures such as credit access, greater women's agency, and lesser ethnic, class, gender discrimination in the public sphere. But there is also a need to strengthen pro-poor institutions, that is, institutions that protect the poor from coercion and shocks, help them access new technology, credit, and land, and increase their participation in the local political process.

Living in communities with high levels of violence against women slows mobility. Fourth, inequality and unfairness toward women (proxied by an indicator on violence against women within households) is strikingly significant for mobility. The negative and significant coefficient on the leave-out mean for this variable suggests that communities where such violence is practiced are also those that experience lower movement out of poverty.

Human development indicators, especially education and health, matter. Fifth, expansion of human development is expected to have further favorable influence on escape from poverty. This is anticipated by the positive and signifi-

cant sign for the household head's education and the negative though weakly significant sign for health shocks.

The insignificant variables. Finally, a number of variables emerged as statistically insignificant, including local growth (indicated by changes in community prosperity), corruption, inequality, social capital, and accumulation of physical assets, including land, livestock and other assets. One can see these factors as interconnected with the broader context of sluggish macro growth. Many of the village economies are actually passing through phases of low or stagnant growth or are at best recovering from such stagnation. With large-scale rural unemployment, low diversification of the rural economy, and slow expansion of irrigation technology, there is very little statistical variation in the community growth variable in the first place (or at least the people cannot see any resurgent growth beyond these structural signs). With modest local growth, the return on rural assets must have been very low to have any independent effect.

Similarly, one of the two variables used for capturing social capital is "access to networks and organizations." The supply of such organizations is also likely to be limited by slow growth and durable conflict. The other indicator of social capital, "collective action," shows little intercommunity variation, largely because collective action for mutual survival is common in times of conflict: youth committees were formed in almost every conflict-prone village. The insignificance of corruption needs to be weighed against the clientelist practices of local government, but it is quite possible that the scope for extensive corruption at the village level is limited by the low overall vibrancy of the economy.

It must be noted, however, that there is some evidence for "divergence": the stronger the economy 10 years ago, the higher the chances of mobility on the part of the poor (although weakly significant at the 10 percent level). This would mean that redistributive transfers on the part of the state government could not moderate the regional differences in well-being between richer and poorer areas afflicted by the conflict.

Validity of the statistical results under alternative methods and assumptions

Annex table 7.K presents the statistical results of the multivariate analysis of the factors explaining escape from poverty for weighted and unweighted models, as well as for ordinary least squares (OLS) and probit specifications. Although

there are some expected differences, the results for the key correlates for escape from poverty are broadly similar across specifications. These results point to the importance of local democracy, fair access, empowerment, aspiration, and human capital (education of household head). The relative disadvantage of nonmovers in relation to movers in accessing the benefits of local democracy (the leave-out mean result) is also upheld across the methods of estimation. The same is true of the negative influence of dysfunctional households in terms of intrahousehold gender relations, as captured by the indicator of low or absent violence against women (the expected sign is positive, as higher value means lower violence). Corruption appears to be positively correlated with escape from poverty in all variants, suggestive of the role of rent-seeking and patronage distribution in moving out of poverty in the adverse governance context of Assam.

Association with conflict. With respect to conflict and its association with escape from poverty, however, the analysis gives a very different picture across unweighted and weighted as well as across methods of estimation. In the unweighted OLS version of the model, we find evidence that long-duration, low-intensity conflict tends to create conditions for greater escape from poverty. This leads us to speculate that the more conflict-prone areas become the target of greater resource allocation at the margin.

However, other methods of estimation do not support this regression result. This does not mean that the overall argument that redistributive policy mitigates the effects of conflict is lost in the statistical wilderness. Such a policy must have been working for Assam to some extent, given that the conflict-ridden state managed to reduce poverty considerably during the slow-growth decade of 1995–2005. However, the lack of robustness of the link between conflict and poverty escape shows that at the margin the aggravation of conflict hurts some poor people but *still benefits others.* Perhaps it is only a segment of the poor population, connected to political and other influential networks, that moves out of poverty in the conflict context.

What our results do establish is that *there is no significant negative relationship between conflict and moving out of poverty.* Clearly, supporting conflict is not a policy choice for poverty reduction, but when low-intensity conflict does happen, not all is lost. Even in such tough environments many poor people manage to escape poverty. Among our sample communities experiencing prolonged conflict over a decade or more, at least 29 percent experienced high levels of movement out of poverty, only slightly lower than the

percentage in communities experiencing peace (table 7.7). Conventional wisdom would predict no movement out of poverty in contexts of prolonged conflict, but this is not what we observed.

Understanding the Association between Conflict and Local Democracy

As we have seen, local democracies can play a positive role in influencing mobility in conflict-affected contexts. This effect, however, may be compromised by exclusionary redistributive practices that lead to elite capture of resources. The Assam study also examined the association between conflict and local democracy.

Local democracy as a factor in upward mobility

The positive and significant coefficient on the local democracy variable in the regressions suggests that the responsiveness of local democratic structures can go a long way toward helping people move out of poverty, even in the context of conflict. Our qualitative data reveal that local governments usually facilitate mobility when they serve as effective conduits for transfer of projects and funds from the state to the local level. People in village after village mentioned construction of public infrastructure such as roads and markets using state finances as opening up opportunities for all, including the poor. Often community members identified the presence of a strong and cooperative leader as the most important factor leading to such investments. The comparative stories from Raja Pukhuri and Gobordia illustrate this point.

Raja Pukhuri and Gobordia are located near the Brahmaputra River in Assam's Kamrup district. The two villages have a lot in common: similar livelihoods, a history of conflict between the ULFA and the army, the presence of self-help groups, and high unemployment. Yet their stories are very different. Despite continuing conflict in Raja Pukhuri, its people feel that their village has become more prosperous over 10 years and estimate that nearly 16 percent of the villagers have moved out of poverty. In contrast, in Gobordia, where peace has been restored, only 5 percent of the residents moved out of poverty over the same period. Residents of that village also say they have fewer economic opportunities, despite the transition to peace.

The most important factor in Raja Pukhuri's increased prosperity is its strong and proactive local government. Both men and women agree that their ability to contact the local government and influence its decisions has

increased over the past 10 years. People also seem generally satisfied with the performance of the local government, which is credited with effective implementation of state schemes to build new roads, expand markets, and provide education and health facilities in the village. In particular, the opening of a large market in Raja Pukhuri has led to high demand for products produced locally, and people have started getting fair prices for their produce. A group of key informants in Raja Pukhuri said, "The government set up a market at Raja Pukhuri near M.E. school in 1983. The market is big. Many people come to this market because the market is only 7 kilometers far from Guwahati [the state capital]. The market is held two times a week. From this market, the businessmen buy many things at a wholesale rate."

Better roads translate into reduced transportation costs and improved access to markets, schools, and hospitals. The government's initiative to set up self-help groups, which began 10 years ago, has also facilitated access to credit and helped people start new businesses. Today Raja Pukhuri has several well-functioning self-help groups that have helped women increase their savings and start new livelihoods such as poultry farming and livestock rearing. The establishment of a wine factory in the village has opened up employment opportunities to many young women who are now able to contribute to the family income. According to a female focus group, "If we compare between the last 10 years and the present we see that the people are getting more profits . . . The local government brings plans for the development of the people. The local government sends the public's appeals to the state government."

Another significant factor in Raja Pukhuri is community unity. The village has a diverse population of Hindus, Muslims, and Christians, and people from West Bengal and Bihar also live there. Respondents in the group discussions proudly call their village a "mini India" and agree that the greatest strength of the community is the high degree of solidarity and unity among its members. This enables people from these different groups to live together in peace and harmony, even though they are surrounded by conflict.

Gobordia presents a different picture. The village is composed almost entirely of Assamese Hindus belonging to different caste groups. The village is about 40 kilometers from Guwahati, but it is only 3 kilometers away from the town of Bijoynagartam. Like Raja Pukhuri, the village has experienced high conflict, and men and women in the community have faced torture and harassment by the ULFA and the army. Over the past 10 years the conflict has subsided and peace has been restored. Yet the community has become less prosperous during this time, with fewer economic opportunities. Today Gobordia is characterized by poor roads, lack of access to markets, and a high rate of unemployment; soil erosion has cut down severely on the availability of cultivable land.

Poor governance has hindered community development in Gobordia. Both men and women agree that over the past 10 years their ability to contact the local government has decreased. Decisions affecting the community are made by a few influential people. As a result, only the rich and those with links to political parties get the benefits of government programs. People in the community clearly express their disappointment with local democracy. Members of a male focus group said, "In the last 10 years, the quality of democracy has deteriorated to a much lower level. Democracy has been replaced by *dhanatantra* [a system where only money matters]. The [state] parliament has taken the form of piggery. The members of the parliament make a hue and cry in the parliament only to satisfy their own interests rather than the interest of the public."

The degradation of democracy in the village manifests itself in the form of poor access to roads and drinking water, lack of new economic opportunities, and increasing unemployment. Poor roads make transportation to nearby cities difficult and severely hinder the livelihoods of people engaged in business and trade. Village men in a focus group pointed out, "Despite being so near to Guwahati city, the roads of our village are very bad for commuting. Car and vehicles cannot run on this road. As a result it has become difficult for the local people to do shopping and marketing or for the people who are earning their livelihood say by running pan shop and vegetable shop to go to the market. If it rains these people remain indoors as they cannot travel on that road. For those days, they find it difficult to even feed their families."

On the whole, access to economic opportunities in Gobordia has dwindled, and respondents attribute this to a highly corrupt and inefficient local government. A male focus group said, "Our people got very few economic opportunities such as government aid, houses, tin sheet, etc., even 10 years ago, and still today they are getting fewer economic opportunities and facilities. The reason behind this is political interest according to party lines. The people do not get government aid if they are not supported by a certain party."

Exclusionary practices of local democracy

The literature on India's political economy suggests that while central government transfers help, the actual distributive mechanism adopted at the local level may be discretionary along lines of ethnicity or between rural and urban areas. As a result, everyone may not benefit equally. A negative sign on the leave-out mean variable of local democracy in our regressions supports this conclusion at the community level. (The negative sign suggests that *within* communities, only a few people benefit from local projects initiated by the democratic structure in the village, and they do so at other people's expense.)

Nearly 80 percent of the households reported that the local government worked for its own self-interest, with no differences across groups.

The case of Gobordia provides some indication of how the elite or the rich capture resources and how political connections matter for accessing government aid. The qualitative data yielded many similar examples (box 7.3).

Relationship between conflict and local democracy

It is possible that poor local democratic structures increase the probability of conflict or serve to perpetuate it. Elbadawi and Sambanis (2002) and Gurr (2000) find that a low level of democracy is associated with a higher risk of conflict, while Sambanis (2003) presents robust evidence that a functional democracy reduces the risk of civil war.

We tested this association in our sample of communities by running simple linear regressions. We used our variable of interest, that is, conflict trajectory, as the dependent variable. The latter is a continuous variable: areas with endemic conflict get the highest score, followed by areas of recent conflict, followed by areas of peace. We take elite capture, corruption, and responsiveness as measures of efficacy of the local panchayat. The results are reported in annex table 7.L.[29]

The results point to three key findings. First, higher corruption and elite capture have a very significant, positive association with ongoing conflict. In other words, communities with high levels of persistent conflict are also the ones where discretionary resources are likely to be captured, resulting in high levels of corruption. The evidence is in line with Collier's theory of the "inextricable fusion" of greed with grievance in the lead-up to civil conflict (Collier, Hoeffler, and Sambanis 2005). The large transfer of resources to a region (as has been the case in Assam) combines with low and stagnant levels of per capita income to make the prolongation of conflict in the best interests of all parties—for the elite who influence the local government as well as for the insurgents.[30]

Second, we observe a positive and significant association between the conflict trajectory variable and the law and order index within the community. Though counterintuitive at first glance, this result is mostly explained by the strong military presence we found in high-conflict zones in our sample.

Finally, we find that the ability of citizens to influence local democracy is lower in areas of higher conflict. This is indirectly confirmed by the indicator of "household political activism," which measures initiatives taken by households themselves to contact politicians or to influence their panchayat. The results show an inverse association between the level of household political activism and the degree of conflict (annex table 7.M).

BOX 7.3
Evidence of elite capture: village voices

The local government takes all decisions on its own. It doesn't pay importance to public opinions. There is nothing like a good or a bad decision. They do everything for their own profit. They distribute the government aids [looms, thread, houses, and tin] as they like. The needy people don't get these resources. They are distributed among the supporters of the political party.

—Discussion with a group of young girls, Bogar Gaon

Those from the richer classes get preferential treatment whenever opportunities like loans or government projects come to the village. As everywhere, the main thing that matters is *monirami* [money]. They can pour money so they get the preference.

—Discussion with a group of women, Bogar Gaon

Their [the panchayat's] decisions don't have any influence on the society because they don't give importance to matters of public interest. They are more eager to fulfill their own self-interests. They distribute government facilities among their near and dear ones and to those who have links with them. Other people don't get these facilities.

—Discussion with a group of male youths, Langpuria

In our village the panchayat is like a *vekovaona* [a useless spectacle]. There is not a single person in the village who believes in the panchayat. They take all decisions among themselves. They keep themselves busy by thinking how can they rob the seeds or plunder the government grants. *Bortukulai gita di Khai pelaise,* that is, they gulp them [all facilities and grants] like a crane. If any supply contract comes, they give it to their son, cousin, etc., secretly and spend only [5 percent of allocated amount] on actual development work; [the remaining 95 percent] enters into their pockets. The common people do not get even the skin of the banana. The villagers cannot affect the decisions of the panchayat. Actually the panchayat does not give us a chance to speak about any decision. Every decision is taken in meetings in the village leader's house or in the drawing room of the president.

—Discussion with a group of men, Upper Deuri

They [the panchayat] have done one or two works. But most have made their pockets hot. It is like throwing sand in the eyes of the people.

—Discussion with a group of women, Leteku Gaon

The panchayat does not distribute the government grants, fertilizers, seeds, etc., among the people who should be the actual beneficiaries of these schemes. They are pocketing the money meant for us. The members of the panchayat sanction the contracts to repair the roads and bridges of the village from the government but do not sanction the contract to other contractors. They take the contracts but do not do the works properly. They even construct bamboo bridges in place of [all-weather paved] roads.

—Discussion with a group of women, Langpuria

Concluding Remarks

We have argued that democracies are not likely to take the same approach to civil conflicts as dictatorships, which depend primarily on military might. The Indian experience bears this out: the central government deploys the army for counterinsurgency, but it also transfers public resources to the embattled areas to weaken insurgents, undermine their base, and build alliances with regional politicians. Some of this transfer helps the poor.

It is striking to note that conflict does not have a predominantly negative relationship with moving out of poverty. In fact, there are few large differences between mobility rates in conflict-affected areas and more peaceful areas of Assam, and it is important to consider factors that may enable mobility of the poor in such difficult circumstances. Nonetheless, the overall rates of poverty escapes are low in Assam compared to other states. This fact, along with the continuing conflict, points to an urgent need for greater investment in Assam to improve roads, create more local economic opportunities, promote fairness in the marketplace, and strengthen functioning of local democracy. Only then will educated but unemployed youth, who provide the recruits to fuel the insurgency, have alternatives. Only then will poor people' initiatives, ingenuity, persistence, and aspirations translate into improved well-being, security, and peace.

Conflicts destroy. In this environment, resource transfers from outside—in the case of Assam, from the central government—become very important in rebuilding destroyed infrastructure and enabling people to begin life over. Without hope for better lives, people have few incentives to stop fighting or supporting the insurgents. Substantial central transfers could, in principle, jump-start the process of economic recovery in a region. However, in Assam, the nature and magnitude of central transfers have not been sufficient to generate a favorable investment climate and dynamic economic growth, despite the fact that Assam has much higher literacy rates than other low-income states and education rates higher than the all-India average.

Responsive local democratic structures can go a long way toward helping people move out of poverty, even in the context of conflict, and they can have an economic healing effect. In Assam, local democracy was found to have a positive influence on the likelihood of moving out of poverty. We asked, however, whether the movers are a select category, as the actual distributive mechanism adopted at the local level may be discretionary along lines of ethnicity or political affiliation and consequently everyone may not benefit

equally from robust local democracy. A negative sign on the leave-out mean variable of local democracy in our regressions bears out this hypothesis at the community level. This suggests that the practice of local democracy needs to be deepened and broadened and made more inclusive to have greater poverty-reducing impact.

Our results also show a strong association of higher corruption and elite capture with ongoing conflict. While some poor households have escaped poverty despite persistent conflict, the overall magnitude of escape in Assam is much less than in the other states included in the study, especially West Bengal. We also find some indication of "poverty divergence": that is, the likelihood of escape from poverty is higher for initially richer areas than for initially poorer areas.

The policy response of the central, state, and local governments to the conflict was clearly important in providing connectivity, electricity, local market access, schools, and health centers. It also enabled the rapid expansion of self-employment opportunities after 2000 through support to self-help groups. And the structure of local governance, however imperfect, provided a mechanism for interaction between villagers and the local state.

However, gains in upward mobility of the poor in Assam cannot be explained just by referring to development initiatives from "above." The qualitative evidence culled from the case studies, even in the villages marked by high conflict, shows that people also drew on their own internal resources, resilience, and initiatives. In village after village, we found instances of social empathy and unity amid diversity; of collective action for local peace maintenance, often through youth clubs; of increasing demand for higher education, especially among youth; of adoption of new agricultural practices; of diversification for job creation at the local level; and of migration within the state to find opportunities. Perhaps most striking was the widespread persistence of optimism and aspiration. Even in communities plagued by long-lasting conflict, 50 percent of the chronic poor and 80 percent of the movers hope for a better future in either this generation or the next, through their own upward mobility or that of their children. All these findings suggest that the silent activism of development initiatives from "below" are critical for inclusive growth. When individual and collective agency meet economic opportunity, where people are no longer afraid to go out for work or play, lives will improve and communities will heal.

ANNEX TABLE 7.A
State revenues and expenditures, India, 2000/01

State	*Per capita state domestic product (Rs)*	*Poverty ratio, 1999–2000 (%)*	*Per capita revenue (Rs)*	*Own revenue as % of state domestic product*	*Per capita transfers (Rs)*	*Per capita current spending (Rs)*	*Per capita transfers as % of current spending*	*Own revenue as % of current spending*
High-income states	22,461	17.8	2,932	13.1	500	4,387	11.4	66.8
Goa	44,613	4.4	14,310	15.8	588	11,905	4.9	120.2
Gujarat	18,685	14.1	2,685	13.2	863	5,168	16.7	52.0
Haryana	21,551	8.7	3,210	12.1	502	4,108	12.2	78.1
Maharashtra	22,604	25.0	2,741	11.1	448	3,853	11.6	71.2
Punjab	23,254	6.2	3,333	10.2	494	4,713	10.5	70.7
Middle-income states	17,635	20.3	1,869	10.6	658	3,400	19.4	55.0
Andhra Pradesh	14,878	15.8	1,930	10.7	713	3,320	21.5	58.1
Karnataka	16,654	20.4	2,148	11.3	686	3,581	19.2	60.0
Kerala	17,709	12.7	2,296	10.2	690	3,689	18.7	62.2
Tamil Nadu	18,623	21.1	2,343	11.3	658	3,594	18.3	65.2
West Bengal	4,874	27.0	1,091	5.5	576	3,093	18.6	35.3
Low-income states	9,013	34.3	847	9.4	673	2,243	29.9	37.7
Bihar	4,813	42.6	338	8.9	724	1,516	47.8	22.3
Chhattisgarh	10,405	—	1,264	4.9	—	2,455	—	51.5
Jharkhand	9,223	—	1,128	9.0	—	2,229	—	50.6

Madhya Pradesh	11,626	37.4	1,062	11.5	624	2,696	23.1	39.4
Orissa	8,733	47.2	901	9.3	969	2,785	34.8	32.3
Rajasthan	13,046	15.3	1,297	10.4	693	2,864	24.2	45.3
Uttaranchal	—	—	1,296	—	—	4,913	—	26.4
Uttar Pradesh	9,323	31.2	791	8.1	598	2,136	28.0	37.0
General category states	14,476	26.0	1,594	11.0	660	3,045	21.7	52.3
Special category states	12,339	—	1,156	9.4	2,896	5,715	50.7	20.2
Arunachal Pradesh	13,352	33.5	1,068	5.3	7,985	9,992	79.9	10.7
Assam	9,720	36.1	799	7.2	1,216	3,317	36.7	24.1
Himachal Pradesh	17,786	7.6	1,661	7.8	3,070	7,421	41.4	22.4
Jammu and Kashmir	12,373	3.5	1,150	7.9	4,602	6,080	75.7	18.9
Manipur	12,721	28.5	406	3.1	3,971	6,032	65.8	6.7
Meghalaya	12,063	33.9	1,067	6.3	3,149	5,878	53.6	18.1
Mizoram	14,909	19.5	679	3.8	9,602	12,846	74.7	5.3
Nagaland	12,594	32.7	507	3.7	6,332	7,291	86.8	7.0
Sikkim	14,751	36.6	5,998	15.9	7,945	12,201	65.1	49.2
Tripura	13,195	34.4	730	4.8	3,376	5,839	57.8	12.5
All states	14,359	26.1	1,570	10.9	768	3,191	24.1	49.2

Source: Rao and Singh 2004.

— Not available.

ANNEX TABLE 7.B
Unemployment among youth ages 15–29 in Assam and other states

percent

State	1983/84	1993/94	State	1983/84	1993/94
Andhra Pradesh	2.5	3.5	Maharashtra	2.8	6.6
Assam	3.0	19.3	Orissa	2.5	7.4
Bihar	2.8	7.4	Punjab	4.2	5.3
Gujarat	2.2	4.1	Rajasthan	1.3	1.8
Haryana	3.3	6.2	Tamil Nadu	5.9	8.0
Karnataka	2.6	5.0	Uttar Pradesh	2.0	3.8
Kerala	13.5	25.6	West Bengal	5.7	11.5
Madhya Pradesh	0.9	4.4	All India	3.3	6.5

Source: Aggarwal and Goyal 2000, cited in GoI 2002, 64.

ANNEX TABLE 7.C
Peace and safety in Assam study communities, 1995 and 2005: Perceptions of key informants and community groups

	1995		2005	
Safety rating of own community	*Frequency*	*%*	*Frequency*	*%*
Key informants				
Very peaceful	7	14	21	42
Moderately peaceful	13	26	23	46
Moderately violent	20	40	5	10
Very violent	10	20	1	2
Total	50	100	50	100
Community focus groups				
No response	1	2	0	0
Very safe with no crime	2	4	1	2
Safe with only minor crimes	13	26	6	12
Neither dangerous nor safe	10	20	26	52
Dangerous with theft and assault	17	34	15	30
Very dangerous	7	14	2	4
Total	50	100	50	100

ANNEX TABLE 7.D
Community perceptions of corruption among local government officials, 1995 and 2005, Assam

	1995		*2005*	
Corrupt officials	*Frequency*	*%*	*Frequency*	*%*
Almost none	14	28	5	10
A few	22	44	12	24
Most	10	20	21	42
Almost all	4	8	12	24
Total	50	100	50	100

ANNEX TABLE 7.E
Trends in school inequality, 1995–2005, Assam

Equal treatment of boys and girls in schools	*Frequency*	*%*
Improved	32	64
Stayed about the same	12	24
Deteriorated	6	12
Total	50	100
Equal treatment of different ethnic/religious groups in schools	*Frequency*	*%*
Improved	33	66
Stayed about the same	13	26
Deteriorated	4	8
Total	50	100

ANNEX TABLE 7.F
Trends in school inequality by conflict trajectory, 1995–2005, Assam

	% reporting equal treatment in schools has improved	
Conflict trajectory	*Treatment of boys and girls*	*Treatment of different ethnic/religious groups*
Peace to peace	64	71
Conflict to peace	67	61
Conflict to conflict	65	65
Total	65	65
Pearson chi2(4) = 2.29 Pr = 0.683		

	% reporting equal treatment in schools has improved or stayed same	
Conflict trajectory	*Treatment of boys and girls*	*Treatment of different ethnic/religious groups*
Peace to peace	79	93
Conflict to peace	94	94
Conflict to conflict	88	88
Total	88	92
Pearson chi2(4) = 1.08 Pr = 0.898		

ANNEX TABLE 7.G
Trend in ability to get fair prices, 1995–2005, by mobility group, Assam

Trend in ability to get fair prices	*Movers*		*Chronic poor*		*Fallers*		*Never poor*		*Total*	
	Freq.	*%*	*Freq.*	*%*	*Freq.*	*%*	*Freq.*	*%*	*Freq.*	*%*
Improved	96	52	121	45	22	34	126	56	365	49
Same	65	36	110	41	24	37	77	34	276	37
Deteriorated	22	12	40	15	19	29	24	11	105	14
Total	183	100	271	100	65	100	227	100	746	100

ANNEX TABLE 7.H
Trend in ability to get fair prices, 1995–2005, by mobility group and conflict trajectory, Assam

Trend in ability to get fair prices	*Movers*	*Chronic poor*	*Fallers*	*Never poor*	*Total*
Peace to peace					
Improved	62	55	65	61	59
Same	38	42	29	39	39
Deteriorated	0	3	6	0	2
Total	100	100	100	100	100
Conflict to peace					
Improved	47	39	25	47	42
Same	33	46	50	42	42
Deteriorated	21	15	25	10	16
Total	100	100	100	100	100
Conflict to conflict					
Improved	48	37	20	57	46
Same	38	34	25	26	32
Deteriorated	14	29	55	16	23
Total	100	100	100	100	100

ANNEX TABLE 7.I
Factors influencing escape from poverty (MOP) during conflict, Assam

Variable	*Model 1*	*Model 2*	*Model 3*	*Model 4*	*Model 5*	*Model 6*	*Model 7*	*Model 8*	*Model 9*
Initial strength of economy	0.023	0.034	0.036	0.032	0.031	0.031	0.039	0.035	0.043
	[0.76]	[1.12]	[1.22]	[1.12]	[1.11]	[1.21]	[1.51]	[1.37]	[1.77]*
Change in economic prosperity	–0.003	–0.001	0.012	0.015	0.014	0.014	0.021	0.016	0.008
	[0.15]	[0.07]	[0.64]	[0.80]	[0.75]	[0.79]	[1.15]	[0.93]	[0.51]
Corruption		0.01	0.01	0.013	0.031	0.032	0.035	0.036	0.04
		[0.36]	[0.44]	[0.55]	[1.46]	[1.45]	[1.48]	[1.36]	[1.50]
Responsiveness of local democracy		0.106	0.107	0.096	0.053	0.03	0.031	0.035	0.036
		[5.63]***	[5.72]***	[4.96]***	[2.83]***	[1.72]*	[1.75]*	[1.99]*	[2.07]**
LOM of responsiveness of local democracy		–0.155	–0.156	–0.149	–0.112	–0.083	–0.083	–0.101	–0.092
		[4.08]***	[4.26]***	[3.80]***	[2.66]**	[1.93]*	[1.91]*	[2.12]**	[2.19]**
Conflict trajectory			0.049	0.051	0.047	0.048	0.038	0.041	0.037
			[2.13]**	[2.18]**	[2.15]**	[2.24]**	[1.71]*	[2.00]*	[1.83]*
Fairness index				0.046	0.052	0.046	0.045	0.038	0.034
				[2.52]**	[2.92]***	[2.71]***	[2.65]**	[2.12]**	[1.91]*
LOM of fairness index				–0.012	0.029	0.036	0.018	0.009	–0.009
				[0.17]	[0.49]	[0.60]	[0.30]	[0.17]	[0.16]
Step on the ladder of power and rights					0.045	0.031	0.031	0.031	0.017
					[2.57]**	[1.66]*	[1.65]*	[1.67]*	[0.81]

LOM of step on the ladder of power and rights	0.112	0.134	0.124	0.135	0.122
	[1.77]	[2.02]**	[1.84]*	[2.16]**	[2.00]*
Control over everyday decisions	0.216	0.169	0.17	0.176	0.138
	[4.62]***	[3.97]***	[4.01]***	[4.14]***	[3.55]***
LOM of control over everyday decisions	–0.217	–0.204	–0.198	–0.166	–0.137
	[1.45]	[1.27]	[1.30]	[1.05]	[0.92]
Household aspirations		0.094	0.093	0.101	0.088
		[5.45]***	[5.33]***	[5.92]***	[4.98]***
LOM of household aspirations		–0.078	–0.088	–0.082	–0.077
		[1.20]	[1.36]	[1.39]	[1.32]
Index collective action (PCA rc412b rc413b with current weights)			0.005	0.011	0.009
			[0.24]	[0.53]	[0.43]
Access to networks and associations			–0.047	–0.039	–0.031
			[1.21]	[0.95]	[0.75]
Social divisiveness				0.013	0.013
				[0.60]	[0.59]
Violence against women				0.087	0.089
				[3.10]***	[3.35]***
LOM of violence against women				–0.128	–0.153
				[2.56]**	[2.99]***
School inequality				0.006	0.009
				[0.25]	[0.44]

continued

ANNEX TABLE 7.1 ***(continued)***

Variable	*Model 1*	*Model 2*	*Model 3*	*Model 4*	*Model 5*	*Model 6*	*Model 7*	*Model 8*	*Model 9*
Education of head of household									0.043
									[3.12]***
Health shocks									–0.079
									[1.76]*
Initial landholding									–0.005
									[0.84]
Ownership of house									0.115
									[0.79]
Assets index									0.06
									[1.26]
Livestock index									–0.029
									[0.98]
Constant	0.404	0.418	0.303	0.302	–0.225	–0.193	0.035	–0.071	–0.167
	[14.15]***	[14.22]***	[5.06]***	[4.98]***	[0.78]	[0.60]	[0.09]	[0.15]	[0.33]
Observations	454	454	454	454	454	454	454	454	452
R^2	0	0.08	0.09	0.10	0.19	0.25	0.25	0.27	0.31

Note: Robust *t*-statistics in brackets.

*p < .10 **p < .05 ***p < .01

ANNEX TABLE 7.J
Factors influencing upward mobility of all poor (MPI) during conflict, Assam

Variable	*Model 1*	*Model 2*	*Model 3*	*Model 4*	*Model 5*	*Model 6*	*Model 7*	*Model 8*	*Model 9*
Initial strength of economy	0.045	0.059	0.06	0.059	0.063	0.066	0.069	0.067	0.073
	[1.65]*	[2.14]**	[2.24]**	[2.15]**	[2.54]**	[3.03]***	[3.14]***	[3.00]***	[3.54]***
Change in economic prosperity	0.002	0.005	0.013	0.015	0.012	0.013	0.016	0.009	0.003
	[0.10]	[0.29]	[0.84]	[0.98]	[0.72]	[0.80]	[0.94]	[0.60]	[0.17]
Corruption		0.006	0.006	0.006	0.014	0.014	0.002	0.007	0.008
		[0.44]	[0.44]	[0.39]	[0.83]	[0.86]	[0.12]	[0.40]	[0.41]
Responsiveness of local democracy		0.114	0.114	0.099	0.06	0.032	0.033	0.036	0.037
		[5.62]***	[5.68]***	[4.76]***	[3.08]***	[1.82]*	[1.88]*	[2.04]**	[2.14]**
LOM of responsiveness of local democracy		–0.174	–0.175	–0.159	–0.124	–0.088	–0.082	–0.098	–0.092
		[6.19]***	[6.23]***	[5.06]***	[3.65]***	[2.61]**	[2.39]**	[2.62]**	[2.60]**
Conflict trajectory			0.031	0.031	0.027	0.029	0.029	0.031	0.029
			[1.47]	[1.51]	[1.39]	[1.51]	[1.40]	[1.64]*	[1.58]
Fairness index				0.06	0.063	0.056	0.055	0.049	0.043
				[3.37]***	[3.72]***	[3.35]***	[3.32]***	[2.85]***	[2.54]**
LOM of fairness index				–0.071	–0.054	–0.043	–0.058	–0.07	–0.088
				[1.05]	[0.89]	[0.68]	[0.92]	[1.14]	[1.43]
Step on the ladder of power and rights					0.026	0.01	0.008	0.008	–0.004
					[1.62]	[0.54]	[0.44]	[0.49]	[0.18]

continued

ANNEX TABLE 7.J ***(continued)***

Variable	*Model 1*	*Model 2*	*Model 3*	*Model 4*	*Model 5*	*Model 6*	*Model 7*	*Model 8*	*Model 9*
LOM of step on the ladder of power and rights					0.035	0.065	0.042	0.054	0.038
					[0.68]	[1.11]	[0.76]	[1.07]	[0.77]
Control over everyday decisions					0.237	0.179	0.179	0.182	0.151
					[4.99]***	[4.18]***	[4.15]***	[4.26]***	[3.64]***
LOM of control over everyday decisions					–0.202	–0.193	–0.191	–0.18	–0.15
					[1.37]	[1.19]	[1.25]	[1.12]	[0.97]
Household aspirations						0.118	0.118	0.125	0.113
						[7.07]***	[7.01]***	[7.74]***	[6.60]***
LOM of household aspirations						–0.084	–0.094	–0.081	–0.076
						[1.34]	[1.50]	[1.35]	[1.27]
Index collective action (PCA with current weights)							–0.033	–0.025	–0.028
							[1.34]	[1.10]	[1.29]
Access to networks and associations, 10 years ago							–0.041	–0.042	–0.034
							[1.06]	[1.06]	[0.82]
Social divisiveness								0.003	0.004
								[0.21]	[0.26]
Violence against women								0.07	0.069
								[2.58]**	[2.71]***

LOM of violence against women								–0.134	–0.153
								[2.84]***	[3.24]***
School inequality								0.009	0.013
								[0.48]	[0.66]
Education of head of household									0.035
									[2.41]**
Health shocks									–0.069
									[1.67]*
Initial landholding									–0.002
									[0.32]
Ownership of house									0.161
									[1.05]
Assets index									0.066
									[1.50]
Livestock index									–0.057
									[2.03]**
Constant	0.497	0.512	0.441	0.445	0.175	0.224	0.464	0.501	0.352
	[21.33]***	[21.72]***	[10.25]***	[10.25]***	[0.69]	[0.83]	[1.33]	[1.19]	[0.79]
Observations	454	454	454	454	454	454	454	454	452
R^2	0.01	0.09	0.1	0.12	0.2	0.29	0.29	0.3	0.33

Note: Robust *t*-statistics in brackets.

*p < .10 **p < .05 ***p < .01

ANNEX TABLE 7.K
Factors explaining movement out of poverty in Assam: Household-level regressions under alternative methods of estimation (movers vs. chronic poor within initial poor set)

Variable	*OLS weighted*	*OLS unweighted*	*Probit weighted*	*Probit unweighted*
Initial strength of economy	0.01	0.042	–0.237	0.017
	[0.48]	[1.72]*	[0.85]	[0.08]
Change in economic prosperity	0.007	0.008	–0.809	–0.563
	[0.45]	[0.50]	[1.53]	[1.26]
Responsiveness of local democracy	0.004	0.036	1.116	0.747
	[0.41]	[2.02]**	[4.24]***	[4.25]***
LOM of responsiveness of local democracy	–0.001	–0.088	–0.16	–0.124
	[1.27]	[2.09]**	[3.69]***	[3.87]***
Corruption	0.031	0.042	0.984	0.744
	[1.69]*	[1.62]	[2.61]**	[2.26]**
Conflict trajectory	0.002	0.035	–0.085	–0.077
	[0.17]	[1.67]*	[0.70]	[0.53]
Fairness index	0.019	0.036	0.265	0.242
	[2.91]***	[1.97]*	[1.94]*	[1.87]*
LOM of fairness index	–0.004	–0.008	–0.239	–0.187
	[3.44]***	[0.16]	[4.81]***	[4.68]***
Initial position on 10-step ladder of power and rights	0.007	0.016	–0.171	–0.062
	[0.77]	[0.77]	[0.97]	[0.42]
LOM of initial position on 10-step ladder of power and rights	–0.004	0.126	–0.286	–0.222
	[3.93]***	[2.08]**	[5.52]***	[7.81]***
Change in control over everyday decisions	0.052	0.137	1.894	1.221
	[2.41]**	[3.48]***	[3.90]***	[3.16]***
LOM of change in control over everyday decisions	0.006	–0.138	0.513	0.423
	[2.45]**	[0.91]	[5.78]***	[7.00]***
Household aspirations	0.03	0.088	0.901	0.702
	[4.14]***	[5.10]***	[5.04]***	[4.85]***

Variable	*OLS weighted*	*OLS unweighted*	*Probit weighted*	*Probit unweighted*
LOM of household aspirations	–0.006	–0.079	–0.449	–0.352
	[4.02]***	[1.34]	[3.55]***	[3.84]***
Index of collective action	–0.016	0.009	–0.178	0.083
	[0.63]	[0.43]	[0.32]	[0.15]
Trend in access to networks and associations	0.026	–0.031	1.138	0.58
	[0.93]	[0.74]	[1.84]*	[1.11]
Social divisions	–0.003	0.012	1.172	0.76
	[0.14]	[0.55]	[2.88]***	[2.49]**
Trend in school inequality	–0.011	0.008	0.773	0.463
	[0.87]	[0.38]	[2.06]**	[1.80]*
Violence against women in households	0.025	0.093	0.694	0.551
	[1.89]*	[3.45]***	[1.87]*	[2.13]**
LOM of violence against women in households	0.002	–0.156	0.101	0.049
	[0.90]	[3.07]***	[1.87]*	[1.16]
Education status of head of household	0.024	0.043	0.636	0.541
	[3.62]***	[3.16]***	[5.85]***	[7.77]***
Health shocks	–0.001	–0.079	–0.674	–0.306
	[0.06]	[1.75]*	[1.56]	[0.84]
Initial landholding	–0.003	–0.006	–0.356	–0.267
	[0.89]	[0.99]	[3.52]***	[4.00]***
Ownership of house	0.016	0.11		
	[0.29]	[0.74]		
Assets index	0.019	0.056	0.29	–0.094
	[0.99]	[1.19]	[0.48]	[0.21]
Livestock index	0.006	0.002	1.144	0.787
	[0.84]	[0.16]	[3.50]***	[3.30]***
Constant	–0.143	–0.158	–13.932	–8.866
	[0.87]	[0.30]	[4.25]***	[4.01]***
Observations	452	452	452	447
R^2	0.40	0.31		

Note: *t*-statistics for OLS and *z*-statistics for probit are in brackets.

*p < .10 **p < .05 ***p < .01

ANNEX TABLE 7.L
Association between conflict trajectory and functioning of local democracy, Assam

Variable	*Model 1*	*Model 2*	*Model 3*	*Model 4*	*Model 5*
Index of responsiveness	–0.109	–0.056	–0.056	0.095	0.057
	[0.43]	[0.29]	[0.29]	[0.50]	[0.32]
Index of corruption		0.189	0.189	0.207	0.267
		[1.00]	[1.00]	[1.58]	[2.16]**
Index of law and order		0.463	0.463	0.445	0.435
		[2.45]**	[2.45]**	[2.51]**	[2.61]**
Elite capture				5.03	5.323
				[3.57]***	[4.12]***
Household political activism					–0.582
					[1.52]
Constant	2.397	2.408	2.408	–7.219	–7.929
	[13.18]***	[14.35]***	[14.35]***	[2.70]***	[3.24]***
Observations	50	50	50	50	50
R^2	0.01	0.14	0.14	0.28	0.33

Note: Robust *t*-statistics in brackets.

*p < .10 **p < .05 ***p < .01

ANNEX TABLE 7.M
Association between conflict intensity and functioning of local democracy, Assam

Variable	*Model 1*	*Model 2*	*Model 3*	*Model 4*	*Model 5*
Index of responsiveness	–0.09	–0.029	–0.029	0.024	0
	[0.57]	[0.25]	[0.25]	[0.21]	[0.00]
Index of corruption		0.097	0.097	0.103	0.143
		[0.92]	[0.92]	[1.24]	[1.98]*
Index of law and order		0.36	0.36	0.354	0.347
		[3.53]***	[3.53]***	[3.51]***	[3.59]***
Elite capture				1.79	1.982
				[1.88]*	[2.26]**
Household political activism					–0.381
					[2.09]**
Constant	1.921	1.934	1.934	–1.492	–1.956
	[18.04]***	[20.49]***	[20.49]***	[0.80]	[1.14]
Observations	50	50	50	50	50
R^2	0.01	0.22	0.22	0.27	0.32

Note: Robust *t*-statistics in brackets.

*p < .10 **p < .05 ***p < .01

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Notes

1. In Assam, normal processes of democracy and development coexist with the brutalities of a civil conflict, resulting in what Baruah (2005) calls "durable disorder."
2. For an analytic account of the role of migration in Assamese politics, see Weiner (1978).
3. The central government followed a similar two-pronged strategy in Punjab during the civil conflict there (1984–93), as well as in Kashmir, Mizoram, and Nagaland. The civil conflicts in these states have varied in their intensity and duration, but the central government's strategy, in essence, has been the same.
4. See Collier and Hoeffler (2004, 2006) and Collier (1999a, 1999b, 2007). There is an extensive literature on the causes and consequences of conflict. See Stewart et al (1997), Carbonnier (1998), Sambanis (2003), and Stewart (2008), among others.
5. This can take the form of additional fiscal transfers to some states within the same nation if conflict takes place within a federal polity.
6. There is a negative correlation between per capita state gross state domestic product and the amount of central government transfer received by the state (coefficient of correlation is –0.78). Central transfers to the poor states as a proportion of total transfers increased between 1985/86 and 1989/90, dropped between 1991/92 and 1997/98 under fiscal stress, and rose thereafter (World

Bank 2005). These trends, of course, are based on transfers occurring through the formal system and do not take into account the so-called hidden transfers. There are three forms of formal transfer from center to state: (a) Finance Commission transfers, accounting for two-thirds of total transfers; (b) block plan grants that are linked to plan loans, making up about 20 percent of total transfers; and (c) specific-purpose grants for centrally sponsored projects. Unfortunately, the World Bank report on state fiscal reforms in India (2005) does not include any of the northeastern states. In general, the broader issue of intergovernmental fiscal transfer to the conflict-prone northeastern states, including Assam, represents a serious gap in the literature.

7. The number of fatalities came closest to reaching this level during 1983, the year of the Nelie massacre. In that incident, about 900 Muslim inhabitants of a single village perished in an antimigration backlash.
8. Both these propositions can be tested by quantifying the rate of upward movement of the poor (MPI index) and the rate of downward movement of the nonpoor (FRI and FRIP indexes) as used throughout the study.
9. Intertemporal comparison based on indirect evidence seems to show increasing dependence on the central transfers over the period between 1993/94 (the year for the earliest estimate presently available) and 2000/01 (the year for the latest estimate available). Thus, in 1993/94, 33 percent of current spending in Assam was accounted for by own revenue; in 2000/01 it dropped to 24 percent (Rao and Singh 2004). However, the issue of intertemporal comparison needs to be probed further.
10. Poverty numbers are based on Planning Commission estimates using expert group methodology. The drop will be greater if one uses the seven-day recall method.
11. The same applies to maternal mortality, where Assam's position in 1997 was slightly better than the all-India average (401 versus 408 deaths per 100,000 live births). Its performance was also better than that of some low-income states such as Bihar, Madhya Pradesh, and Uttar Pradesh, but worse than Orissa and Andhra Pradesh (see GoA 2002, table 10.10).
12. The highest youth unemployment rate is in Kerala, a special case where widespread education is combined with relatively limited economic opportunities.
13. The most conflict-affected districts include Barpeta, Bongaigaon, Dhubri, Goalpara, Golaghat, Karbi Anglong, Kokrajhar, Nagaon, North Cachar Hills, and Tinsukia. Flood-prone districts include Cachar, Dhemaji, Hailakandi, Karimganj, Lakhimpur, and Morigaon.
14. Pulling such information across communities, of course, assumes some degree of homogeneity in the way "poor" is defined, but this homogeneity should be less of a problem in the within-state context, given shared norms and experiences.
15. There is a yet a fifth group that could be considered, consisting of initially *nonpoor* households that experienced upward mobility. They are significant for two reasons: first, many of the nonpoor households are located not much above the poverty line and can slip into poverty following unforeseen shocks. Second, communities where nonpoor households can increase their income and assets are likely to have higher growth prospects, which affects poor aspirants positively as

well. In the conflict context, however, there is also a different relational possibility: winning for some may mean losing for others. The nonpoor may move up at the expense of the poor, or vice versa, if the initial nonpoor and initial poor belong to two contending ethnic groups whose political fortunes are changing because of the conflict. However, we have decided against including the group of initially nonpoor households that experienced mobility in our subsequent statistical exercises for Assam because of very small number of observations in this group.

16. It is also interesting to note that of the set of initially poor households, fully 20 percent experienced some degree of upward mobility (although they may or may not have escaped poverty). This is more than double the 8.6 percent of initially nonpoor households that moved up-a pattern uniformly observed across the four Moving Out of Poverty study states.
17. These two self-reported reasons for escape each comprised several types of responses. "Job" combines (a) steady job/increase in wages; (b) got a job/got a better job; and (c) increase in work opportunities. "Individual initiative (agricultural)" combines (a) crop diversification; (b) increased crop production because of improved agricultural technology/irrigation/high-yielding varieties of seeds.
18. The various self-reported reasons for downfall were grouped as follows. "Decreasing national/local prosperity" combines (a) vulnerability to market price fluctuations; (b) economy got worse; (c) high inflation/increase in price of basic necessities; (d) inconsistent work opportunities; (e) increased restrictions on business/increased taxes. "Failure in agriculture" combines (a) low agricultural yield/bad harvest; (b) death of animal (cow, goat, etc.). "Health/death shocks" combines (a) health problems/accidents/high health expenses; (b) death of earning member; (c) aging.
19. While the relatively peaceful communities also experienced conflict, it was not of the separatist or ethnic kind that we consider in this chapter. Rather, conflicts in these villages revolved around land, local crimes including theft and robbery, and alcoholism.
20. This may reflect the army crackdown on the ULFA and other militant outfits in the late 1990s, as well as the ULFA's integration into local and mainstream politics in the state.
21. There are, of course, potentially worrying problems of the direction of causality (e.g., the problem of endogeneity) in some of the associational links that may arise with respect to some indicators discussed in this and subsequent sections. This is because we are drawing our conclusions on the basis of a one-shot survey rather than a panel survey. For instance, greater trust in local government on the part of movers may reflect their optimistic frame of mind after they have escaped poverty, rather than proving that local government played an important role in their ascent from poverty. We tried to address this issue of endogeneity as much as possible by considering the respondent's rating of the state of local government and other such social and political institutional indicators pertaining to the initial period (1995). Nevertheless, given the nature of data, we do not claim any causal role of local democracy and other institutional factors here and merely indicate their associations with movement out of poverty.

22. The discussion of the choice of explanatory factors here closely follows the basic conceptual framework discussed in chapter 1 as well as in other chapters of this volume.
23. The strength of association will differ by the exact choice of the growth variable from the qualitative data. For example, the indicator of whether it is "easier or harder for people to make a living and get ahead than it used to be" is positively related to mobility, though only weakly significant at 10 percent.
24. The term "culture of poverty" was popularized decades ago by anthropologist Oscar Lewis in his studies of poor families in Mexico, San Juan, and New York. Lewis maintained that poor people display certain characteristics and values that are not held by the nonpoor in the same societies and that these attitudes and social isolation from the cultural mainstream are major barriers to economic mobility. According to this theory, poverty is not a short-lived financial predicament but a way of life transmitted across generations, underpinned by the perceived hopelessness of accomplishing even minor economic goals (Lewis 1969).
25. The family/inheritance line of reasoning-as opposed to the culture of poverty argument-has been developed by Samuel Bowles and others (see Bowles, Gintis, and Osborne Groves 2005).
26. For a detailed discussion of the leave-out mean variables, see chapter 1 and appendix 1 of this volume.
27. The dependent variable takes the value of 1 if the household is identified by the community as a mover, 0 otherwise. The model explaining escape from poverty (as in annex table 7.1) or mobility within poverty (as in annex table 7.1) is estimated for the sample of the *initial poor* only.
28. This is consistent with the picture of patronage through local government. The fortunate few who are well connected with local government officials through political and other collusive mechanisms are able to use these connections to their advantage.
29. Since the conflict trajectory is a community-level variable, most indicators used as explanatory factors are also community-level variables. These include the index of corruption and law and order, using the same questions as used for the descriptive statistics outlined above. All household-level variables used, such as index of responsiveness, elite capture, and political activism, were appropriately weighted, using weights from community-wide rankings. This was done to correct for the distributional bias of the household sample toward the movers.
30. Collier (2007) calls this "the conflict trap," made possible by "lootable resources."