

NECESSITY IS THE MOTHER OF INVENTION: THE EMERGENCE OF THE RELUCTANT ENTREPRENEUR IN RURAL ETHIOPIA

DEPARTMENT OF LAND ECONOMY

Environment, Law, and Economics

{WHERE} Mill Lane Lecture Room 1

{WHEN} Wednesday 15 February, 4-5pm

{SPEAKER}

Professor Salvatore Di Falco, University of Geneva

{ABOUT THE SPEAKER}

Salvatore Di Falco is a Professor at the Department of Economics, University of Geneva. Salvatore Di Falco completed a first degree in Economics at the University of Palermo (Italy). He was awarded a MSc in Economics and a PhD in Environmental Economics from the University of York (UK). He also holds a Doctorate in Agricultural Economics from the University of Catania (Italy). He held a Lectureship in Environment and Development at the LSE and in Applied Economics at the University of Kent. He also held postdoctoral positions at the National University of Ireland, University of Maryland and the University of East Anglia. He was visiting Professor at the University of Wisconsin, Madison. He is honorary Lecturer at the Imperial College London and Research Fellow at the Environment for Development Initiative Ethiopia centre (www.environmentfordevelopment.org/). He is an Associate Editor of Environment and Development Economics (Cambridge University Press) and of Food Security (Springer).

We estimate the effect of weather driven negative income shocks on the likelihood of starting non-farm enterprise in rural Ethiopia. We find that farm households that are exposed to random negative rainfall shocks are more likely to start a non-farm enterprise. Contrary to a model of credit constraints with initial capital requirement, we find that entrepreneurial activities are guided by necessity or ex-post income smoothing rather than business opportunity or ex ante risk management strategies. Moreover, we find that business initiated for necessity tend to perform poorly and yet persist overtime, i.e. new entrepreneurs do not revert back to full farming when hit by a positive productivity shock.

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