The Migration Consequences of Input Subsidies

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Abstract

Rural antipoverty programs often focus on increasing agricultural productivity by transferring resources to farmers. Yet, many farmers' most productive investment may be in another technology: migration. This paper examines in two parts how a Zambian input subsidies (ISPs) affect farmers' farming and migration decisions. First, I use a difference-in-difference strategy exploiting the variations in the roll-out the ISP. I show that the ISP increases fertilizer adoption but also doubles the rates of individual outmigration. Furthermore, 30% of the variance in total outmigration is consistent with farmers monetizing the subsidy in resale markets. Second, I use a structural model to compare ISPs in the presence of resale markets, to a lump sum cash transfer and an in-kind transfer. When the model accounts for the externality in adoption, I find that ISP with resale markets is superior to a cash transfer, and fosters highest levels of specialization. With resale markets, the ISP is a convex combination of a cash-transfer to resellers and an in-kind transfers to net-buyers.

Keywords: Input Subsidies, Migration, Agricultural Productivity, Sorting

JEL Codes: R23, O33, Q12

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