Considerations of risk and vulnerability are key to understanding the dynamics of poverty. Christiaensen and Subbarao conceive vulnerability as expected poverty and illustrate a methodology to empirically assess household vulnerability using pseudo panel data derived from repeated cross sections augmented with historical information on shocks. Application of the methodology to data from rural Kenya shows that in 1994 rural households faced on average a 40 percent chance of becoming poor in the future. Households in arid areas that experience large rainfall volatility appear more vulnerable than those in non-arid areas, where malaria emerges as a key risk factor. Idiosyncratic shocks also cause non-negligible consumption volatility. Possession of cattle and sheep and goats appears ineffective in protecting consumption against covariant shocks, though sheep and goats help reduce the effect of idiosyncratic shocks, especially in arid zones. Of the policy instruments simulated, interventions directed at reducing the incidence of malaria, promoting adult literacy, and improving market accessibility hold most promise to reduce vulnerability.

Descriptors: Household, Risk, Econometric models, Kenya