

Evidence for Direct Effect of Poverty on Time Preference: An Experiment with Ultra-poor Farmers in Uganda

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Abstract:

In this paper, we study two psychological channels how poverty may increase time discounting – a direct effect on time preference and reduced attention. We measured time discounting of ultra-poor farmers in Uganda, using a task in which participants choose when to enjoy entertainment instead of working. To gather rich data on attention allocation, we used monitoring tools similar to eye-tracking techniques, a novel experimental feature for this subject pool. To circumvent identification issues and income effects when manipulating poverty-related concerns, participants were primed before making decisions with a scenario of either a serious or a small income shock. We find that concerns about poverty-related problems increase preference to consume entertainment and delay work, an effect equivalent to 27 percentage points increase in intertemporal rate of substitution. Using a range of measures of attention, including decision-making time or depths of inspection of available options, we show this effect is not due to a lower ability to sustain attention. Together, the findings suggest that thinking about poverty directly increases time preference.

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