The Economics of Poverty Traps
National Bureau of Economic Research

Officers
Karen N. Horn, chair
John Lipsky, vice chair
James M. Poterba, president and chief executive officer
Robert Mednick, treasurer
Kelly Horak, controller and assistant corporate secretary
Alterra Milone, corporate secretary
Denis Healy, assistant corporate secretary

Directors at Large
Peter C. Aldrich
Elizabeth E. Bailey
John H. Biggs
John S. Clarkeson
Kathleen B. Cooper
Charles H. Dallara
George C. Eads
Jessica P. Einhorn
Mohamed El-Erian
Jacob A. Frenkel
Robert S. Hamada
Peter Blair Henry
Karen N. Horn
Lisa Jordan
John Lipsky
Laurence H. Meyer
Karen Mills
Michael H. Moskow
Alicia H. Munnell
Robert T. Parry
James M. Poterba
John S. Reed
Marina v. N. Whitman
Martin B. Zimmerman

Directors by University Appointment
Timothy Bresnahan, Stanford
Pierre-André Chiappori, Columbia
Alan V. Deardorff, Michigan
Ray C. Fair, Yale
Edward Foster, Minnesota
John P. Gould, Chicago
Mark Grinblatt, California, Los Angeles
Bruce Hansen, Wisconsin–Madison
Benjamin Hermalin, California, Berkeley
George Mailath, Pennsylvania
Marjorie B. McElroy, Duke
Joel Mokyr, Northwestern
Cecilia Rouse, Princeton
Richard L. Schmalensee, Massachusetts Institute of Technology
Ingo Walter, New York
David B. Yoffie, Harvard

Directors by Appointment of Other Organizations
Jean-Paul Chavas, Agricultural and Applied Economics Association
Martin J. Gruber, American Finance Association
Philip Hoffman, Economic History Association
Arthur Kennickell, American Statistical Association
Jack Kleinhenz, National Association for Business Economics
Robert Mednick, American Institute of Certified Public Accountants
Peter L. Rousseau, American Economic Association
Gregor W. Smith, Canadian Economics Association
William Spriggs, American Federation of Labor and Congress of Industrial Organizations
Bart van Ark, The Conference Board

Directors Emeriti
George Akerlof
Jagdish Bhagwati
Don R. Conlan
Franklin Fisher
George Hatsopoulos
Saul H. Hymans
Rudolph A. Oswald
Andrew Postlewaite
John J. Siegfried
Craig Swan

You are reading copyrighted material published by University of Chicago Press. Unauthorized posting, copying, or distributing of this work except as permitted under U.S. copyright law is illegal and injures the author and publisher.
Relation of the Directors to the Work and Publications of the National Bureau of Economic Research

1. The object of the NBER is to ascertain and present to the economics profession, and to the public more generally, important economic facts and their interpretation in a scientific manner without policy recommendations. The Board of Directors is charged with the responsibility of ensuring that the work of the NBER is carried on in strict conformity with this object.

2. The President shall establish an internal review process to ensure that book manuscripts proposed for publication do not contain policy recommendations. This shall apply both to the proceedings of conferences and to manuscripts by a single author or by one or more coauthors but shall not apply to authors of comments at NBER conferences who are not NBER affiliates.

3. No book manuscript reporting research shall be published by the NBER until the President has sent to each member of the Board a notice that a manuscript is recommended for publication and that in the President’s opinion it is suitable for publication in accordance with the above principles of the NBER. Such notification will include a table of contents and an abstract or summary of the manuscript’s content, a list of contributors if applicable, and a response form for use by Directors who desire a copy of the manuscript for review. Each manuscript shall contain a summary drawing attention to the nature and treatment of the problem studied and the main conclusions reached.

4. No volume shall be published until forty-five days have elapsed from the above notification of intention to publish it. During this period a copy shall be sent to any Director requesting it, and if any Director objects to publication on the grounds that the manuscript contains policy recommendations, the objection will be presented to the author(s) or editor(s). In case of dispute, all members of the Board shall be notified, and the President shall appoint an ad hoc committee of the Board to decide the matter; thirty days additional shall be granted for this purpose.

5. The President shall present annually to the Board a report describing the internal manuscript review process, any objections made by Directors before publication or by anyone after publication, any disputes about such matters, and how they were handled.

6. Publications of the NBER issued for informational purposes concerning the work of the Bureau, or issued to inform the public of the activities at the Bureau, including but not limited to the NBER Digest and Reporter, shall be consistent with the object stated in paragraph 1. They shall contain a specific disclaimer noting that they have not passed through the review procedures required in this resolution. The Executive Committee of the Board is charged with the review of all such publications from time to time.

7. NBER working papers and manuscripts distributed on the Bureau’s web site are not deemed to be publications for the purpose of this resolution, but they shall be consistent with the object stated in paragraph 1. Working papers shall contain a specific disclaimer noting that they have not passed through the review procedures required in this resolution. The NBER’s web site shall contain a similar disclaimer. The President shall establish an internal review process to ensure that the working papers and the web site do not contain policy recommendations, and shall report annually to the Board on this process and any concerns raised in connection with it.

8. Unless otherwise determined by the Board or exempted by the terms of paragraphs 6 and 7, a copy of this resolution shall be printed in each NBER publication as described in paragraph 2 above.
# Contents

Acknowledgments ix

**Introduction** 1
Christopher B. Barrett, Michael R. Carter, and Jean-Paul Chavas

## I. Nutrition, Health, and Human Capital Formation

1. **Human Capital and Shocks: Evidence on Education, Health, and Nutrition** 23
   Elizabeth Frankenberg and Duncan Thomas

2. **Poverty and Cognitive Function** 57
   Emma Boswell Dean, Frank Schilbach, and Heather Schofield
   *Comment on chapters 1 and 2: John Hoddinott* 119

## II. Psychology of Poverty, Hope, and Aspirations

3. **Depression through the Lens of Economics: A Research Agenda** 127
   Jonathan de Quidt and Johannes Haushofer

4. **Hope as Aspirations, Agency, and Pathways: Poverty Dynamics and Microfinance in Oaxaca, Mexico** 153
   Travis J. Lybbert and Bruce Wydick
   *Comment on chapters 3 and 4: Rachid Laajaj* 179
III. IMPERFECT AND INCOMPLETE FINANCIAL MARKETS

5. Taking Stock of the Evidence on Microfinancial Interventions 189
   Francisco J. Buera, Joseph P. Kaboski, and Yongseok Shin

   Munenobu Ikegami, Michael R. Carter, Christopher B. Barrett, and Sarah Janzen
   Comment on chapters 5 and 6:
   Stephen C. Smith 257

IV. DYNAMICS AND RESILIENCE IN NATURAL RESOURCES AND AGRICULTURE

7. Heterogeneous Wealth Dynamics: On the Roles of Risk and Ability 265
   Paulo Santos and Christopher B. Barrett

8. Agroecosystem Productivity and the Dynamic Response to Shocks 291
   Jean-Paul Chavas
   Comment on chapters 7 and 8:
   Edward B. Barbier 315

V. POLICY IN THE PRESENCE OF POVERTY TRAP MECHANISMS

9. Sustaining Impacts When Transfers End: Women Leaders, Aspirations, and Investments in Children 325
   Karen Macours and Renos Vakis

    M. Caridad Araujo, Mariano Bosch, and Norbert Schady
    Comment on chapters 9 and 10:
    Maitreesh Ghatak 383

Contributors 395
Author Index 399
Subject Index 409
Acknowledgments

This volume grew out of a conference held June 28–29, 2016, in Washington, DC, hosted by the National Bureau of Economic Research (NBER). We thank the NBER, and in particular Jim Poterba for his strong support for this conference and project, Carl Beck and Lita Kimble for their outstanding work organizing the conference, and Helena Fitz-Patrick for her expert guidance during the publication process. Sophie Javers at the University of California, Davis created and produced video interviews with conference participants that are available on the BASIS website. Liz Bageant at Cornell University handled much of the background organization of the conference and volume on behalf of the editors.

This book, and the conference that preceded it, were made possible by the generous support of the American people through the United States Agency for International Development (USAID) under grant AID-OAA-L-12-00001 to the BASIS Assets and Market Access Feed the Future Innovation Lab. The Agricultural and Applied Economics Association provided valuable travel support that enabled younger professionals to participate in the conference. The editorial board of the *Economics That Really Matters* blog and contributing authors Mohamad Alloush, Liz Bageant, Julia Berazneva, Jennifer Denno Cissé, Kibrom Tafere Hirfrfot, Nathan Jensen, Jeong Hyun Lee, Linden McBride, Emilia Tjernström, and Joanna Upton summarized the papers and discussions at the conference on social media.

Conference participants provided excellent feedback on the papers, including an excellent talk by Oriana Bandiera, whose paper was unfortunately already committed to be published elsewhere. Makhtar Diop gave an inspiring lunchtime address, and Kaushik Basu and Greg Collins offered excellent summary comments on policymaker perspectives on the papers.
and discussions. We thank them and all of the contributors—who also served as single-blind peer reviewers on one another’s papers—for making this volume possible. The contents of this volume do not necessarily reflect the views of USAID or the United States government. Any remaining errors are our sole responsibility.