

Psychosocial Constraints and Social Protection

- Discussion by Suanna Oh

PSE-CEPR Policy Form
26 June 2023

Poverty trap

Present poverty

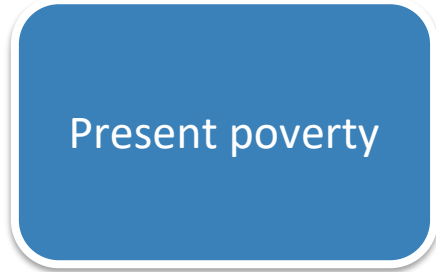


Cannot invest into
productive capital

- **Assets**
- Education
- Health

Future poverty

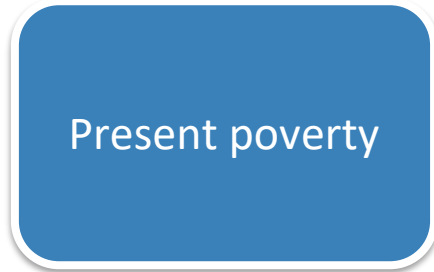
Poverty trap



“Asset-based”
poverty trap



Poverty trap



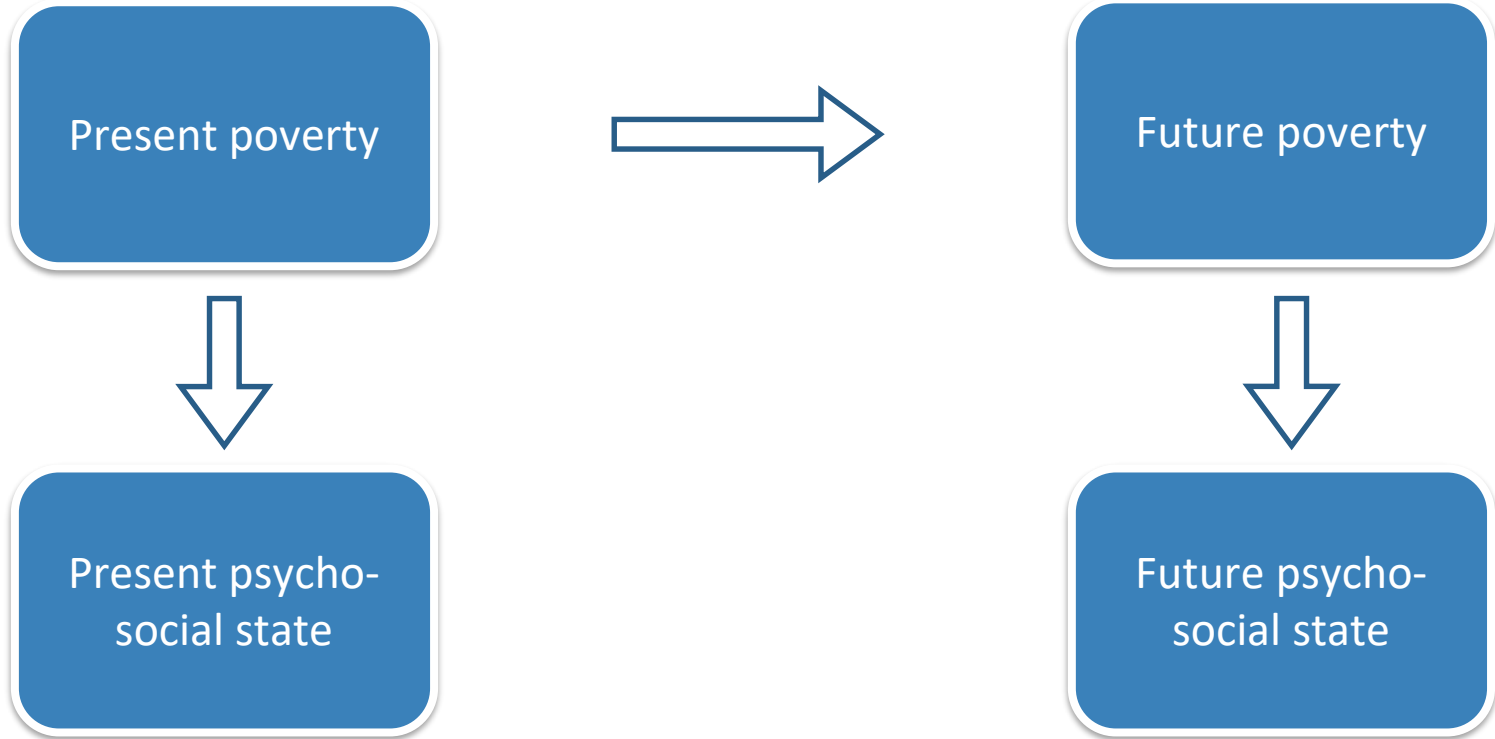
“Asset-based”
poverty trap



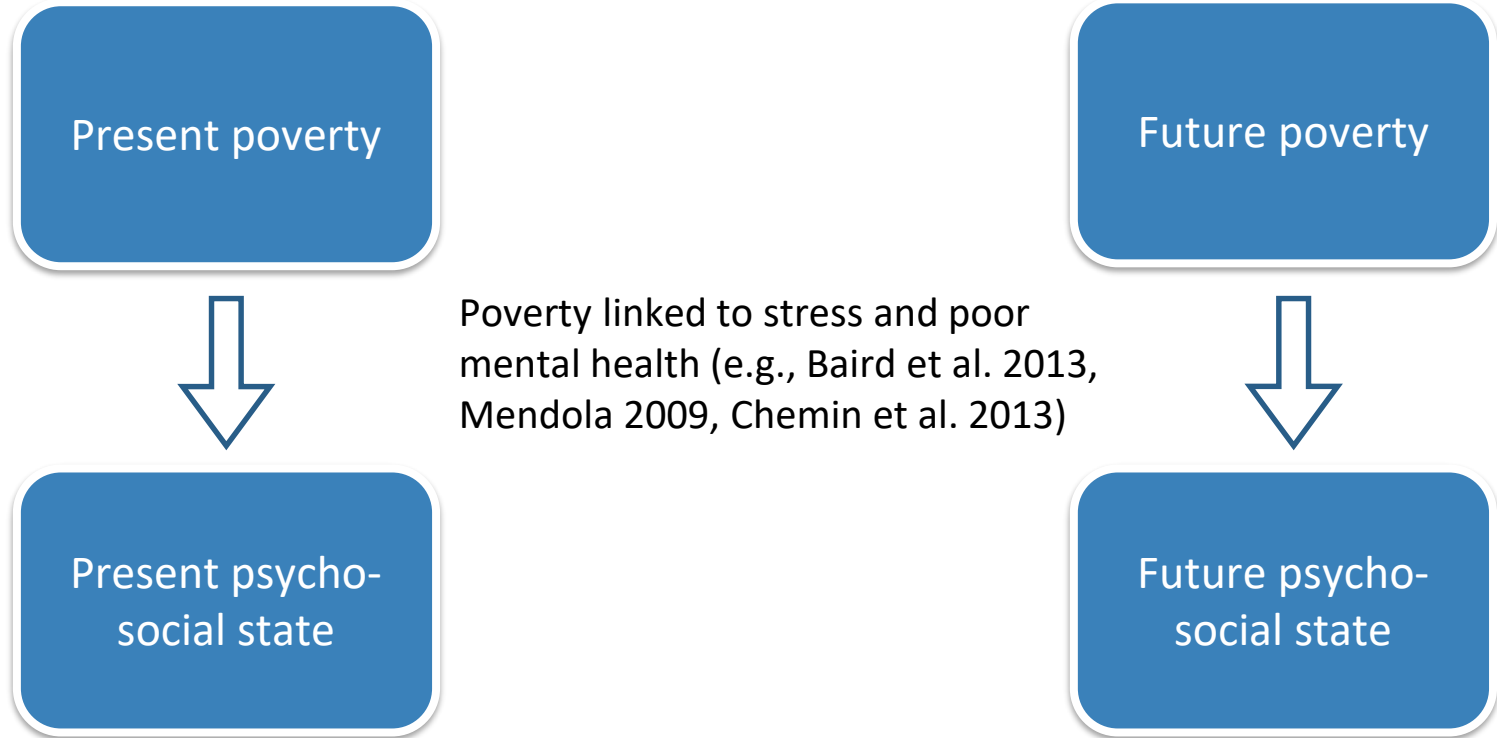
Multi-faceted intervention may be important (“GUP”)

- Persistent reduction in poverty after 10 years
 - Providing only assets or savings not as effective
- “EP” replication
- Strong effect on the less poor after 2-3 years
 - Similar to a cash grant

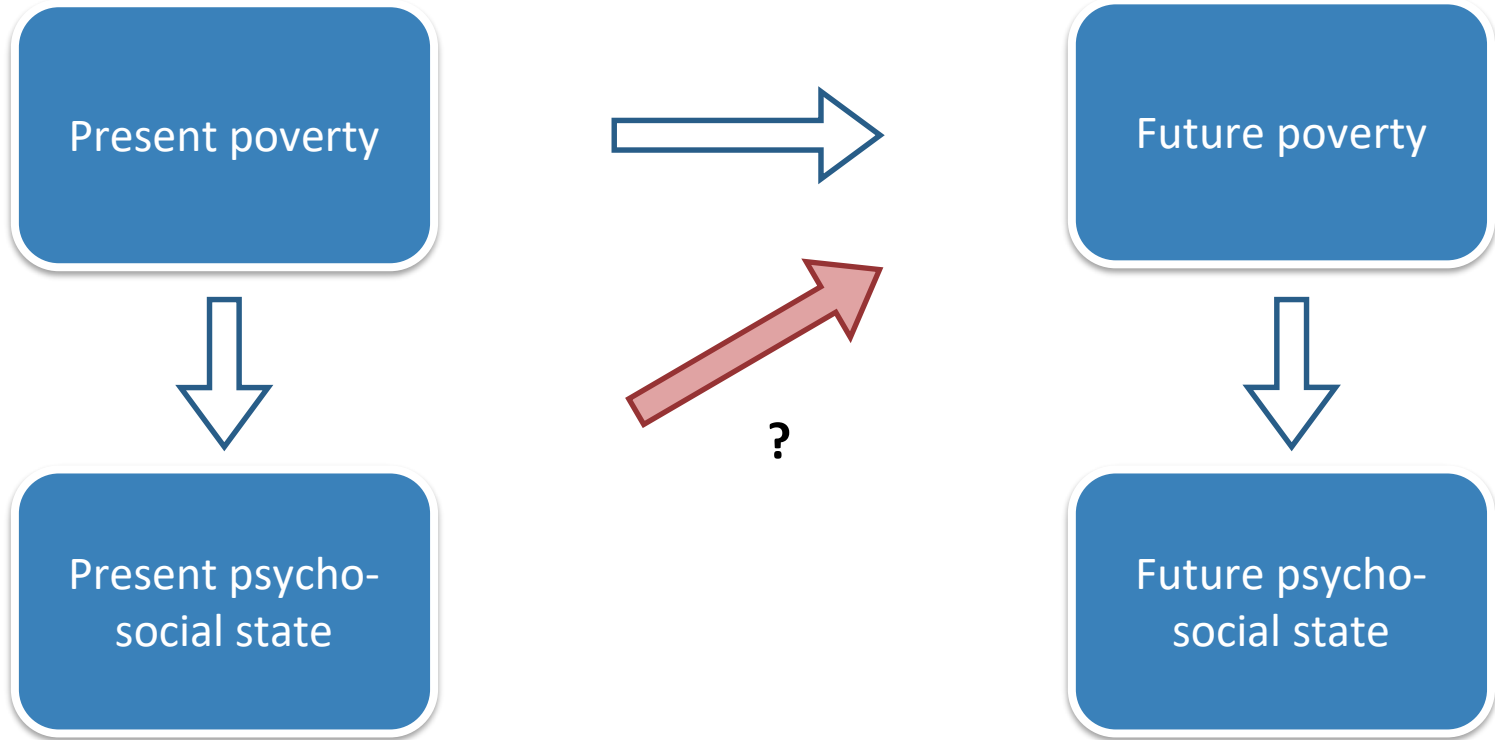
We care about psycho-social health/well-being



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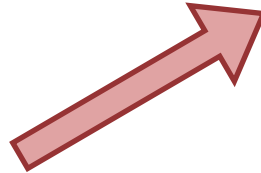
“Behavioral” poverty trap?



“Behavioral” poverty trap?

Stress
Depression
Lack of hope
Mental bandwidth (scarcity)

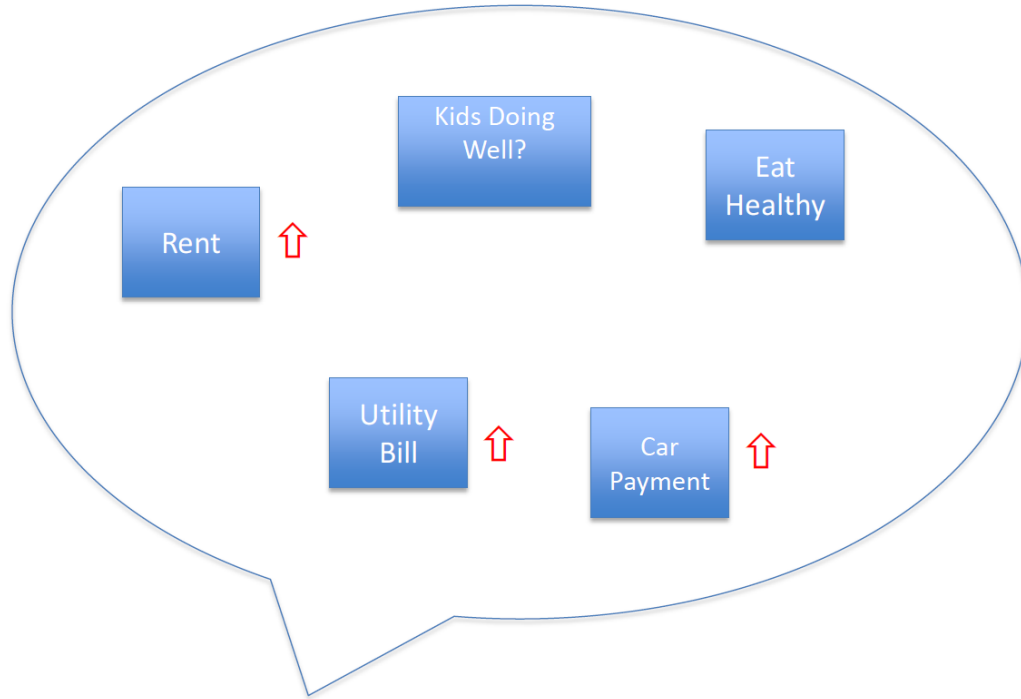
Present psycho-
social state



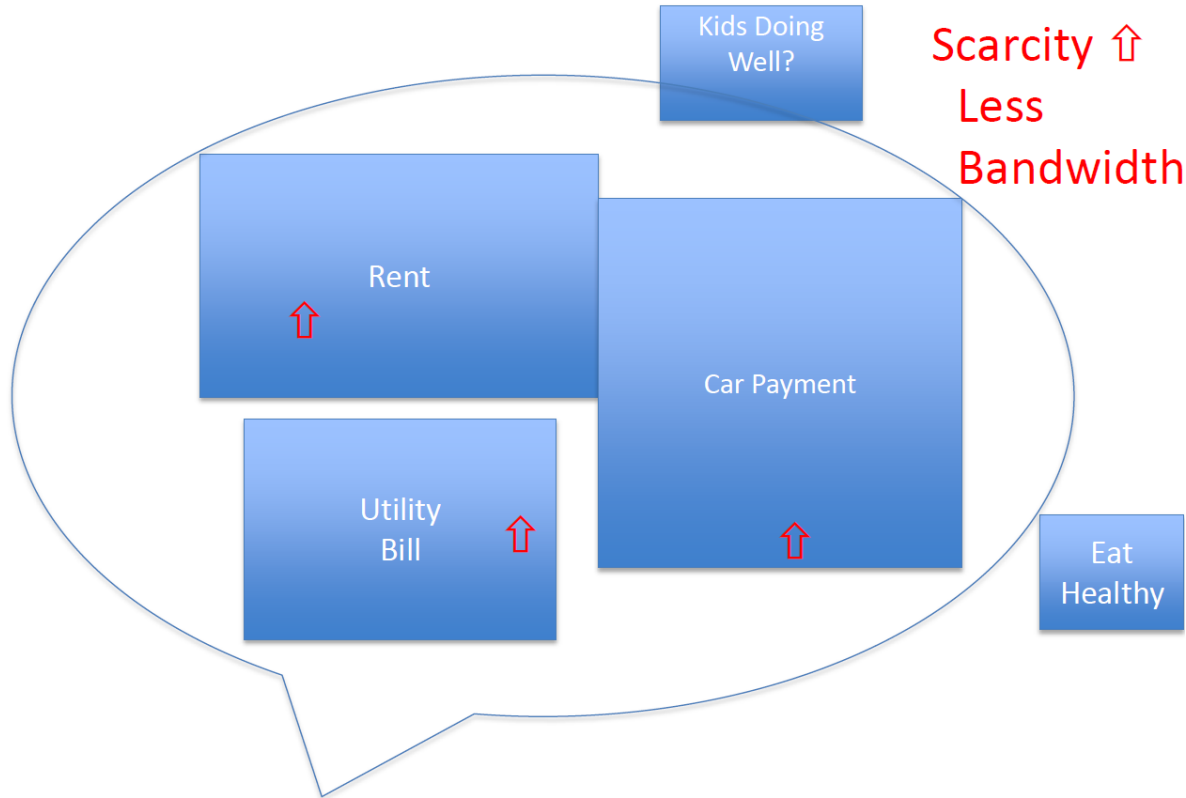
Future poverty

Mental bandwidth (Scarcity)

Scarcity ↑



Mental bandwidth (Scarcity)



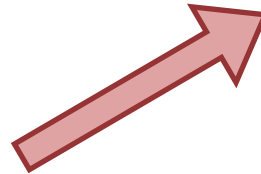
Some symptoms

- Tunneling
- Involuntary capture of attention
- Thoughts related to finances come to mind
- Cognitive distortions (addressed by CBT)

“Behavioral” poverty trap?

Stress
Depression
Lack of hope
Mental bandwidth (scarcity)

Present psycho-
social state

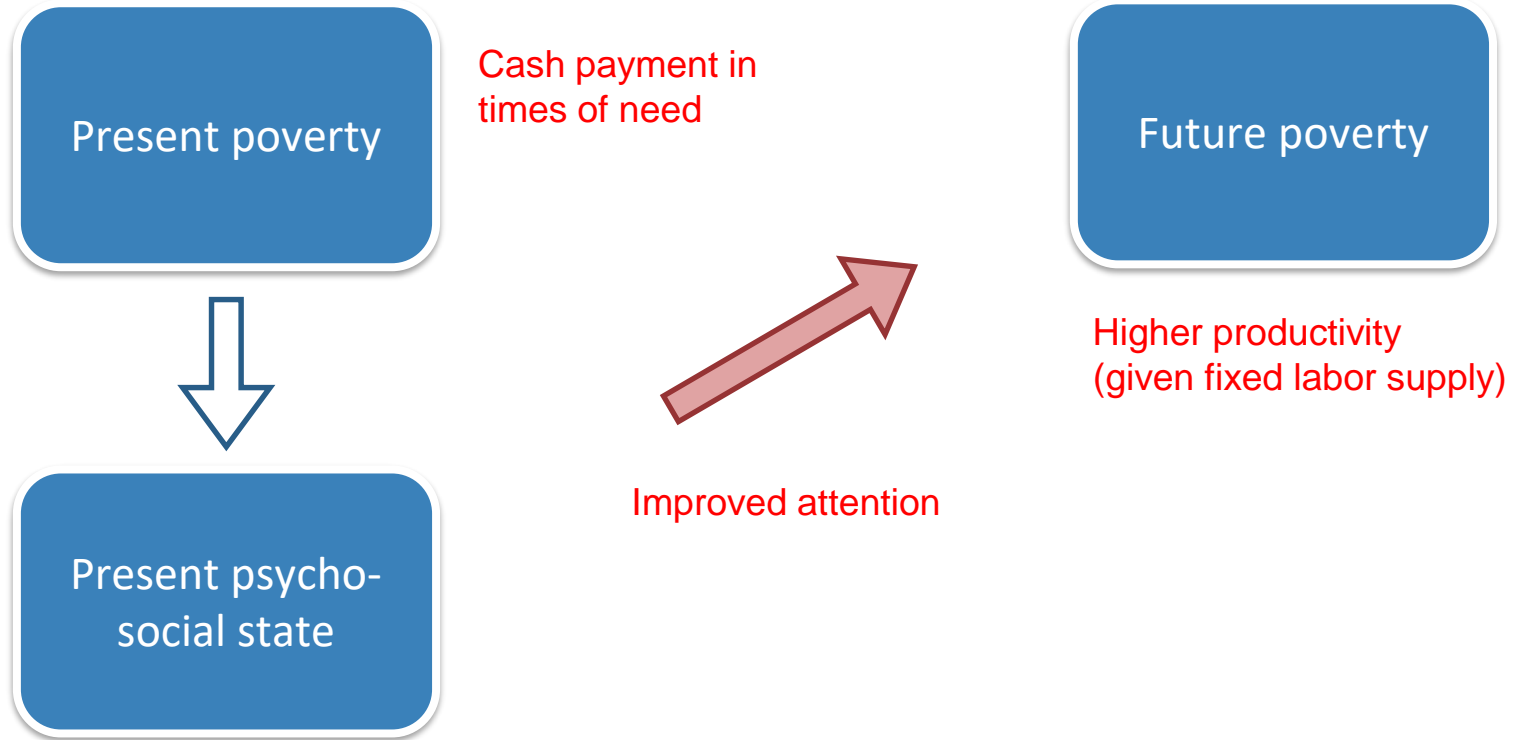


Reduced cognitive function
Lower effort/energy from demotivation
(psychological or physiological)

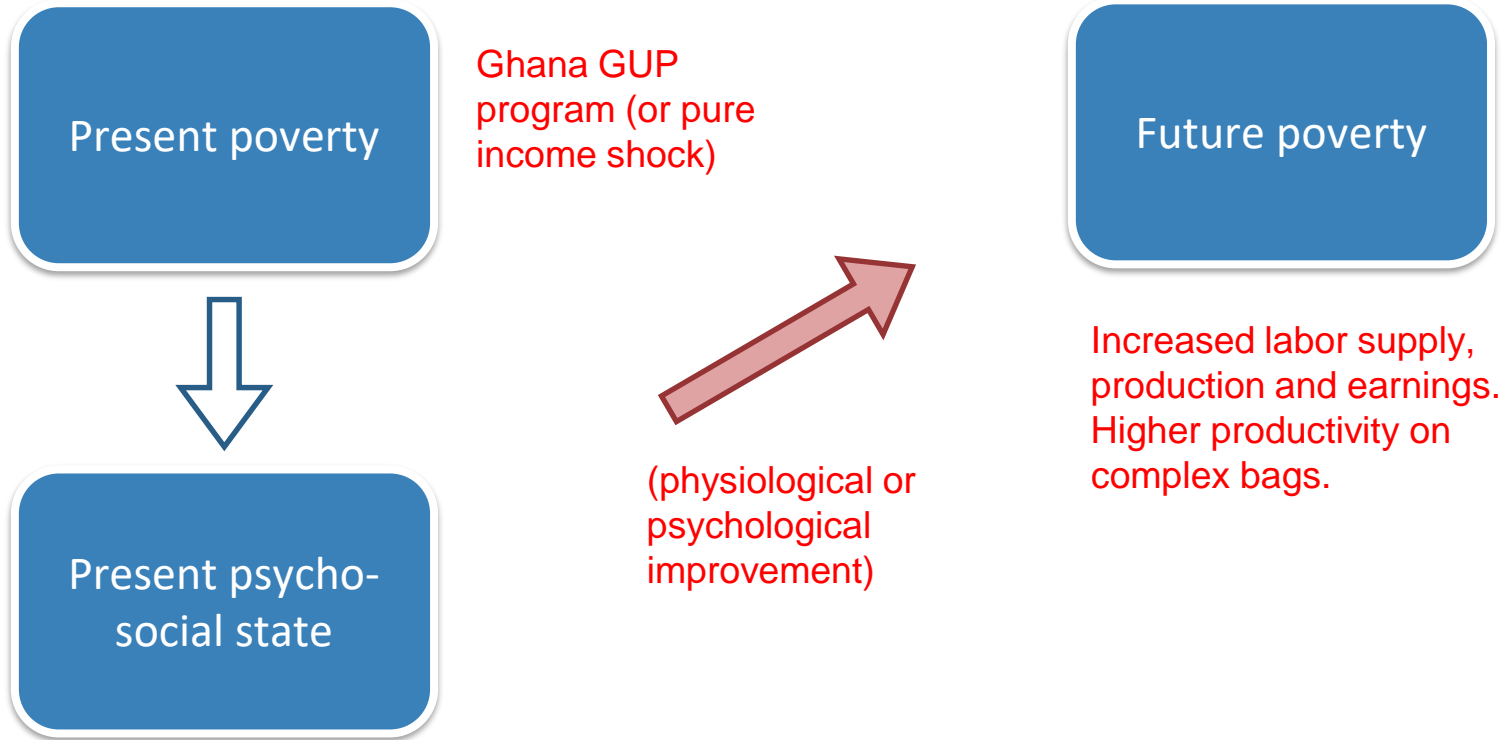
Future poverty

Reduced labor supply
Lower productivity

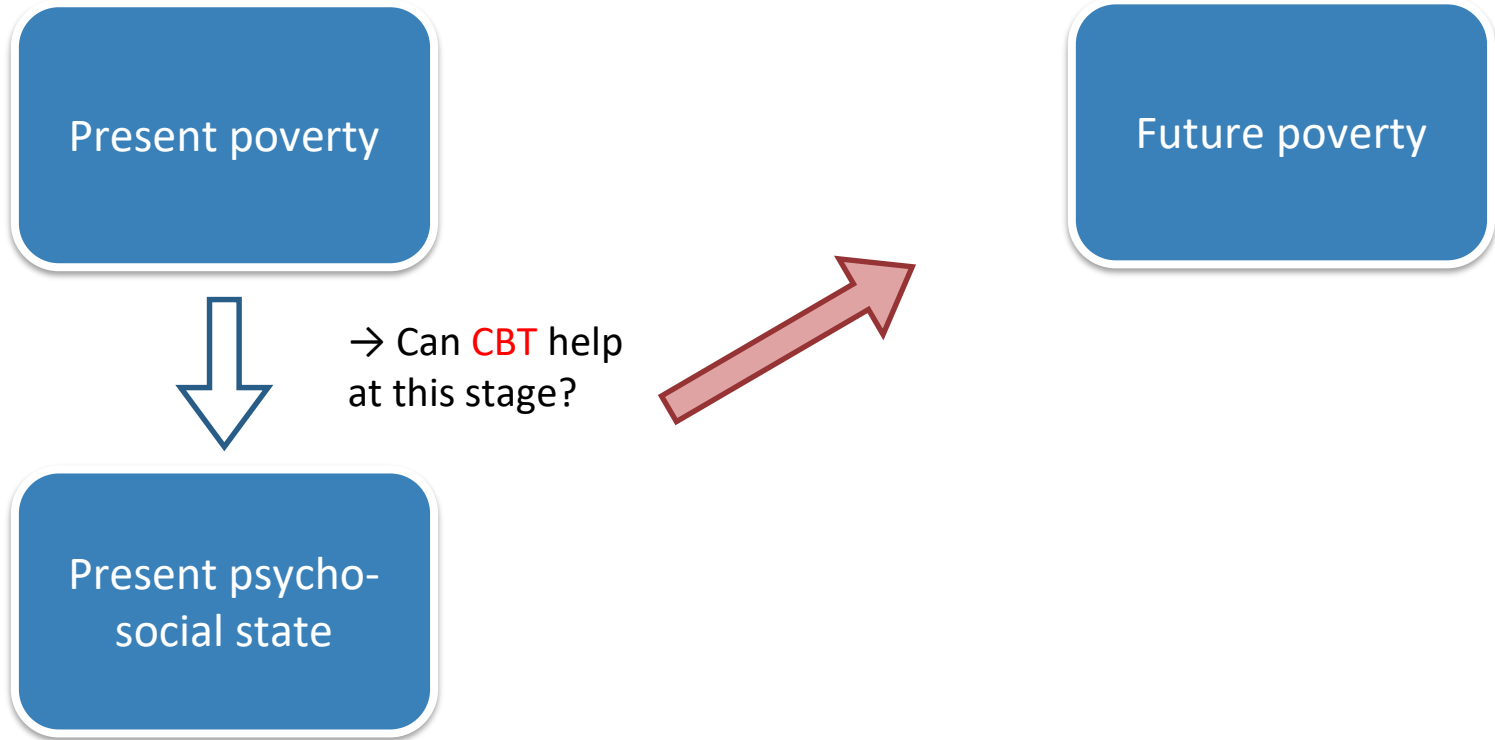
Kaur, Mullainathan, Oh, Schilbach (2022)



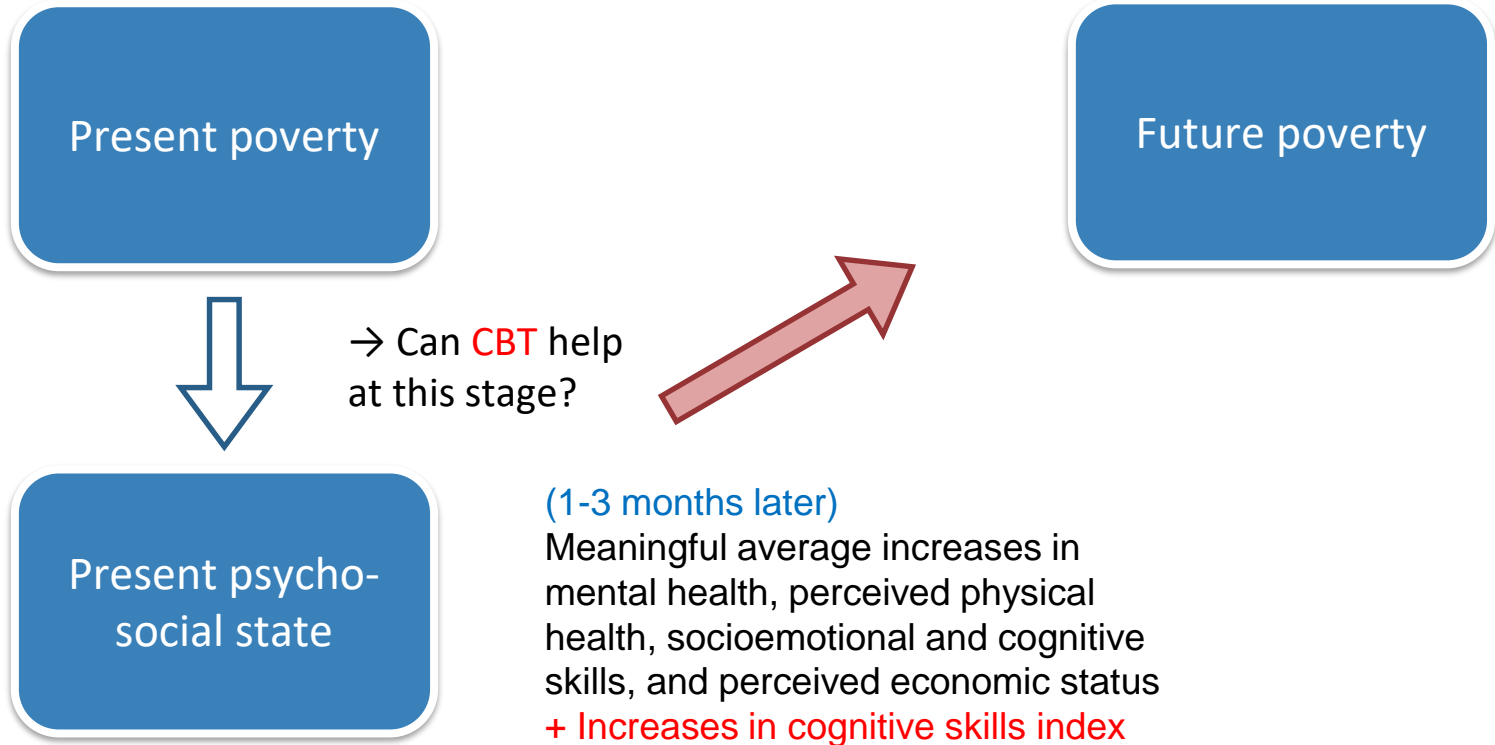
Bannerjee, Karlan, Osei, Trachtman, Udry (2021)



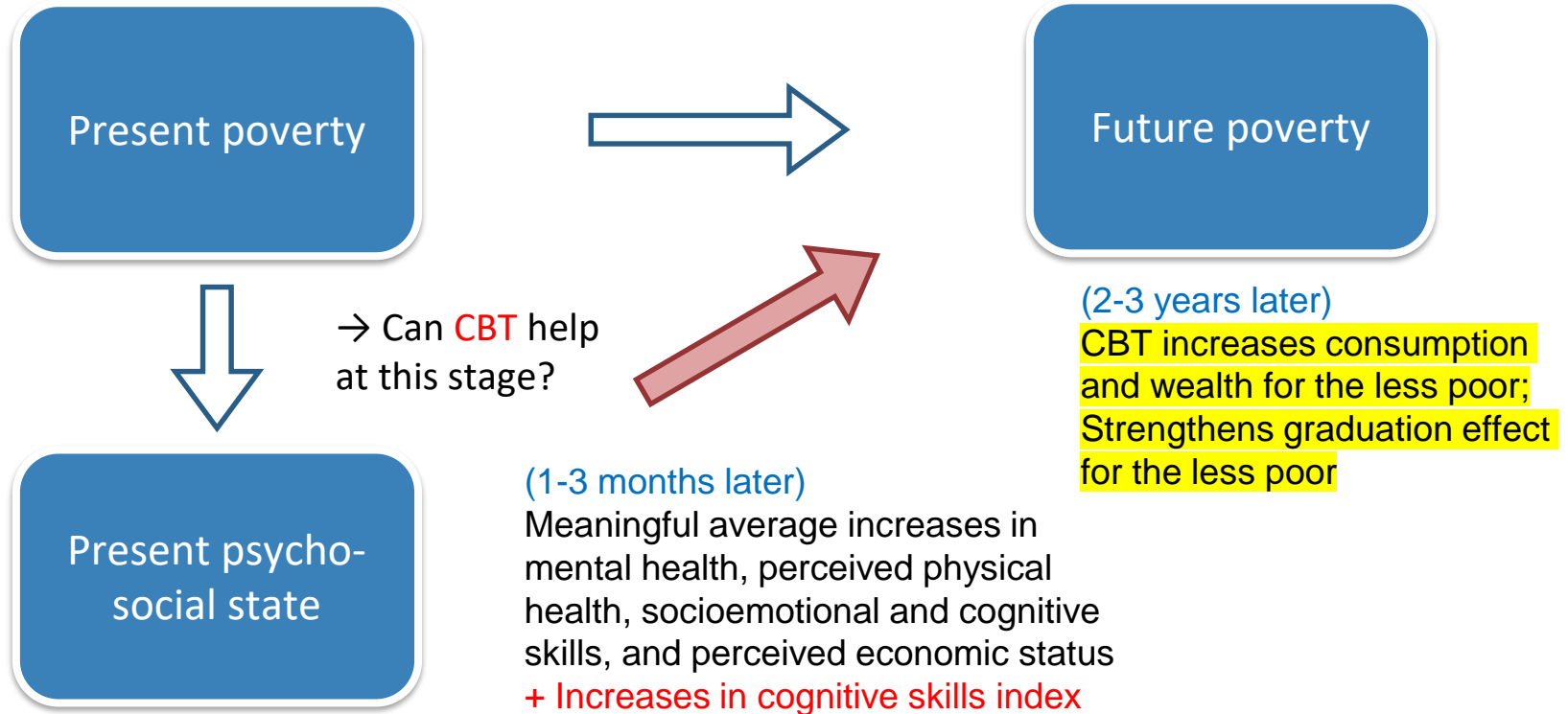
Barker, Bryan, Karlan, Ofori-Atta, Udry (2022)



Barker, Bryan, Karlan, Ofori-Atta, Udry (2022)



Barker, Bryan, Karlan, Ofori-Atta, Udry (today)



Immediate questions

- Quality of the program could vary?
 - Group-based CBT is usually delivered using a strictly controlled manual, allowing CBT to be moved out of a clinical setting.
- Should we save costs by only targeting those who need the program? However, people may not realize their need.
 - Evidence that short-term positive effect on psycho-social status was present regardless of baseline mental distress.
 - There is a lot of “churning” in distress.
- Different CBT effect from Haushofer, Mudida, and Shapiro (2020)?
 - The Ghana sample might be poorer. Intensity is also different. Fading CBT effect (despite the longer-run wealth effect)?

Additional questions

- Why smaller effect on the more poor?
 - Graduation and cash also had a null effect on the more poor; are there related constraints?
- How can we understand the effect of CBT on wealth?
 - Better decision-making at the time of shocks?
 - Increased productivity? Working more hours?
 - Positive attitude leading to more opportunities?