

Effects of Poverty on Impatience: Preferences or Inattention?

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Abstract

We study two psychological channels how poverty may increase impatient behavior – an effect on time preference and reduced attention. We measured discount rates among Ugandan farmers who made decisions about when to enjoy entertainment instead of working. We find that experimentally induced thoughts about poverty-related problems increase the preference to consume entertainment early and delay work. The effect is equivalent to a 27 p.p. increase in the intertemporal rate of substitution. Using monitoring tools similar to eye tracking, a novel feature for this subject pool, we show this effect is not due to a lower ability to sustain attention.

Keywords: Poverty, Scarcity, Time Discounting, Preferences, Inattention, Decision-making Process

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