

Social Constraints to Development

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What keeps people in poverty?

- Lack of resources?
- Lack of knowledge?
- Inefficient social norms?
 - family; gender; ethnicity

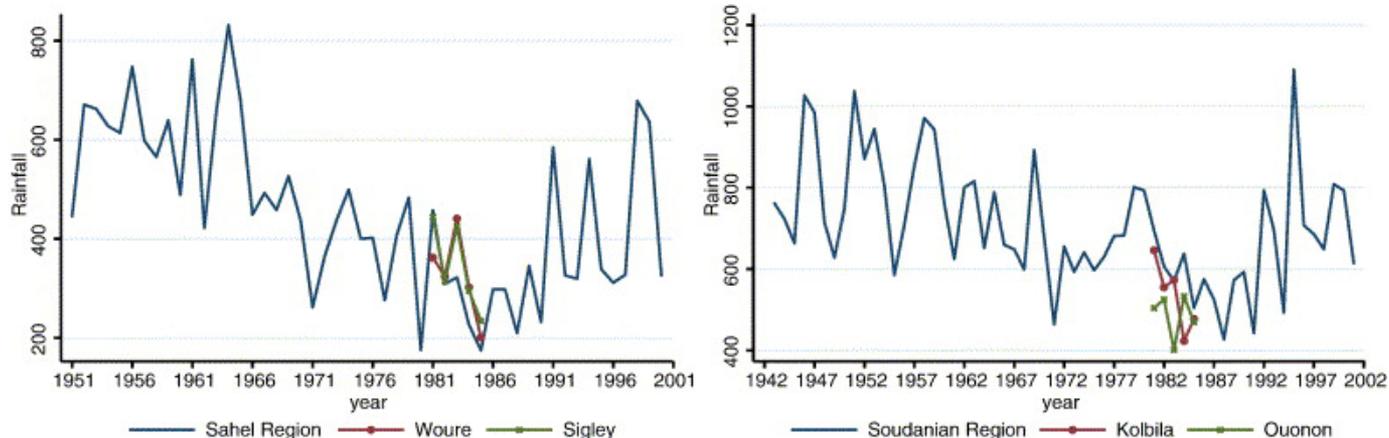
1. The family



(a) Families as opportunities

Insurance

- Poor households extremely vulnerable to income shocks (e.g., in agriculture)
- Rainfall fluctuations in Burkina Faso:



Source: Kazianga-Udry (2006)

- Limited or no access to formal insurance
- Wide fluctuations in consumption
(around subsistence level!)

→ The poor depend on **informal risk sharing**:

transfers from hh's with above-average income realizations to hh's with below-average

To support risk sharing:

- **Information** on individuals' income realizations
 - Ability to **punish** non-compliers
- **Families** have an advantage!

Large body of empirical evidence on mutual insurance schemes, e.g., transfers, remittances, child fostering (Townsend 1993, Fafchamps 2011, Akresh 2009, etc.)

Similar arguments apply to informal **credit**

(b) Families as constraints

Sharing: the other side of the coin...

- Strong **egalitarian norms** in much of Sub-Saharan Africa: those who have surplus should share it (Platteau, 2000)
- Limits to individual wealth accumulation

Savings

People discouraged from saving for fear of “informal taxation”. Three examples.

Cameroon (Baland-Guirkinker-Mali, 2011)

- Members of credit cooperatives
- Borrow even though have savings balance in liquid accounts of same amount
- Interest rate paid on loans $>$ interest received on savings (13% of loan amount)

→ Why borrow??

Take a loan to signal that they are liquidity constrained:

“ When I take a loan, my relatives think I have no money. I do it on purpose. If I simply withdraw my money, it will end, so I tell them that I borrowed. Then, when one complains he has a problem, I say I have to pay back my loan. ”

Kenya (Dupas-Robinson, 2011)

- Intervention to give people possibility to open savings account with local bank
 - Zero interest on deposits; high opening & withdrawal fees; effectively **negative interest rate**
- Should save on your own if you can!

Impact on women: ↑ amount saved, ↑ business investment, ↑ daily expenditures

Impact on men: none

→ Suggests account was alleviating a constraint for women (could not save on their own), not for men

Kenya (Jakiela-Ozier, 2012)

- Lab-field experiment where you can conceal size of initial endowment
 - Women opt for investment strategies that keep income secret but have lower returns
 - No such effect for men
 - Effect driven by women whose relatives are attending
- Suggests women more vulnerable to demands from friends & relatives

2. Gender norms



↑
boy

↑
girl

↑
mom

The inefficiency of gender bias

African agriculture

- Women actively employed
- Households cultivate multiple plots, with different members in charge of different plots
- How does productivity vary across plots cultivated by men & women?

Burkina Faso (Udry, 1996)

- Estimate agric yields as a function of plot characteristics (e.g., soil quality) and gender of cultivator
- Within-household and holding crop constant
- Finds **30% lower yields** on plots cultivated by women. Why?

Variable factors of production

- fertilizer
- non-household labor
- child labor

used more intensively on plots controlled by men

Ghana (Goldstein-Udry, 2008)

- Lower profits on plots cultivated by women
- Women **fallow for shorter periods** → soil is less fertile.

Why?

- Traditional system: lineage allocates land
- Fallowing increases risk of losing the land
- Women have **weaker property rights**

... unless connected to traditional office holders

- No negative effect of gender on fallowing & profits after controlling for political power!

Policy responses - Ongoing work

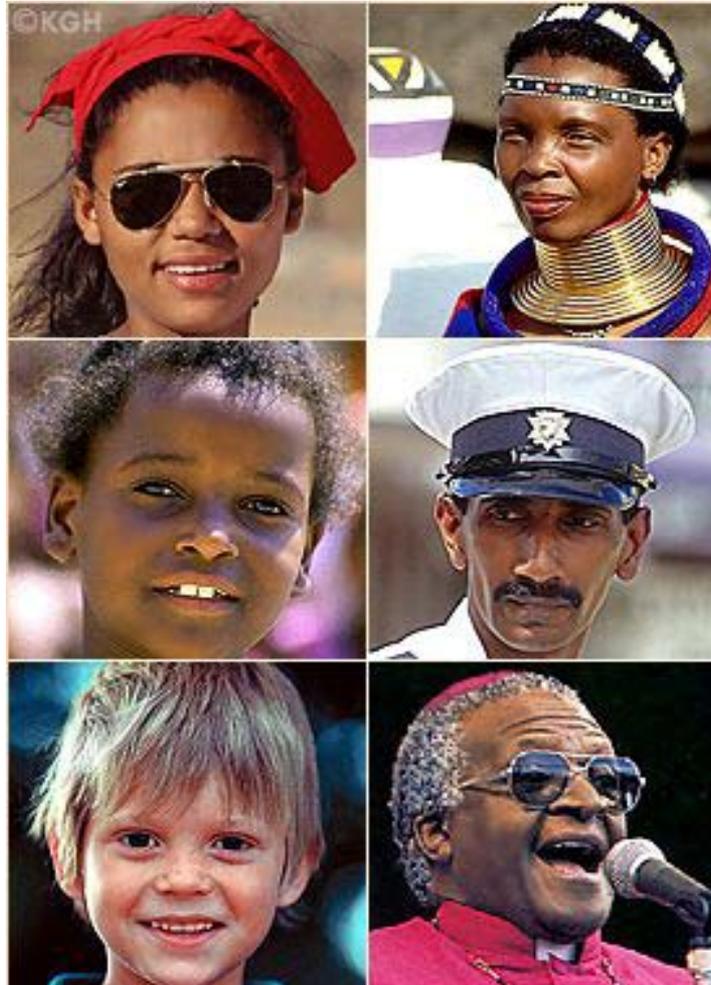
Inheritance reform in Ghana (La Ferrara-Milazzo)

- Floor on the amount of land inherited by father → weakens power of the lineage

Land titling in Rwanda (Ali-Deininger-Duplonchel-Goldstein-La Ferrara)

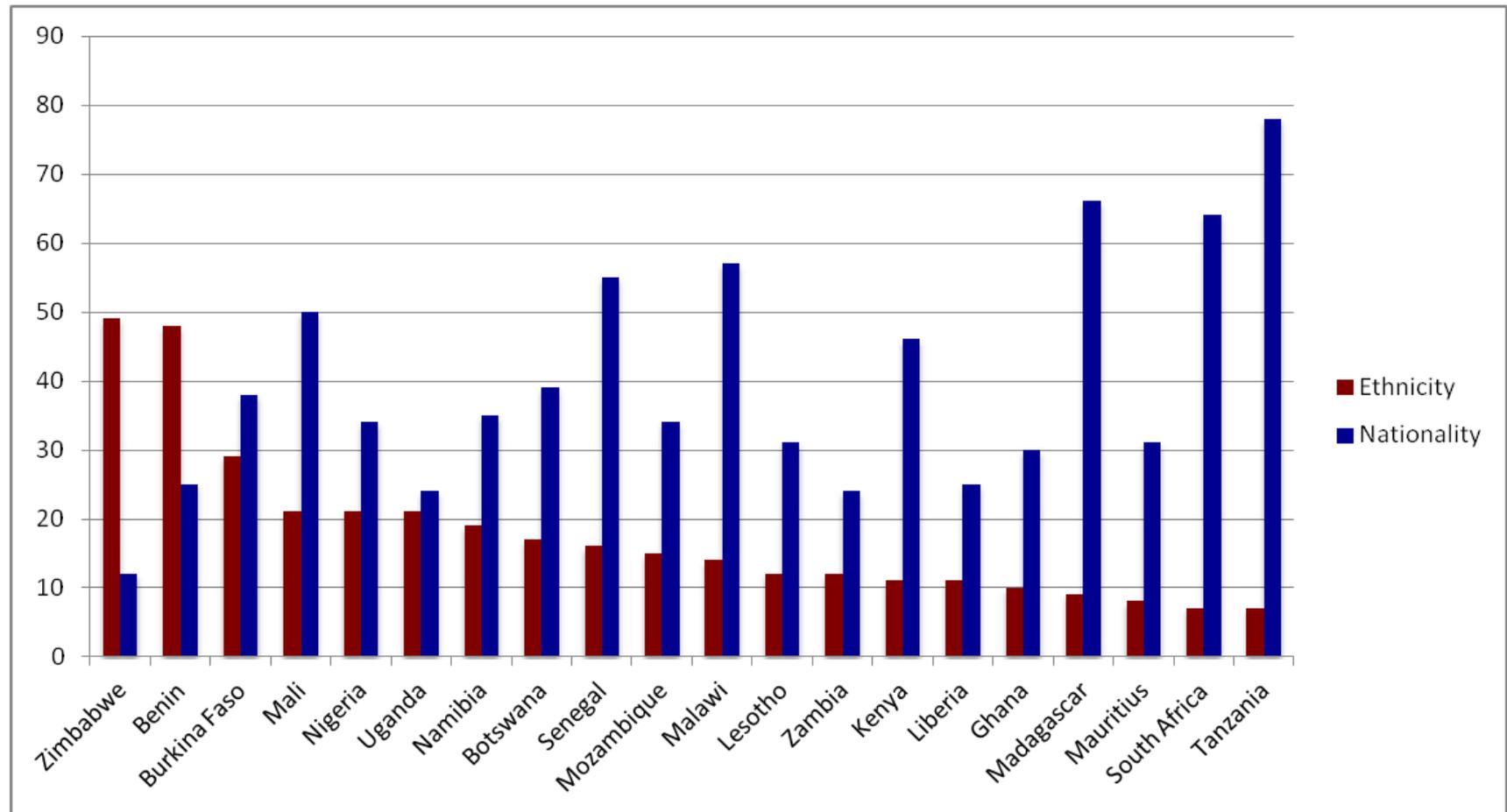
- Wife's name included in the title when land is registered → stronger rights & bargaining power

3. Ethnicity



National vs. ethnic identity in Africa

Let us suppose that you had to choose between being a [NATIONALITY] and being a [ETHNIC GROUP]. Which of the following best expresses your feelings?



Does this matter from an economic point of view?

Preferences

- Positive utility from welfare of in-group (not out-group) members
(Social identity theory, Tajfel et al. 1971)
- Different groups may prefer different types of public goods (Alesina-Baqir-Easterly, 1999)

Consequences

Higher ethnic diversity associated with lower public goods provision

(Khwaja 2000, Banerjee-Iyer-Somanathan 2005, Miguel-Gugerty 2005, etc.)

- across countries
- across states
- across communities
(in industrialized & in developing countries)

Other outcomes: growth, trust, conflict

(Easterly-Levine 1997, Alesina-La Ferrara 2003 & 2005, Esteban-Mayoral-Ray 2012)

Open questions

- Empirical **identification** strategy: exogenous variation in ethnic diversity?
- **Mechanisms**: preferences vs. sanctions vs. technology? (Habyarimana-Humphreys-Posner-Weinstein, 2007)
- **Positive** effects of ethnic diversity: skill complementarities & productivity
 - organization theory & experimental evidence (Lazear, 1999)

Policy responses

Institutions

- Power sharing and minority representation in decision making bodies
 - Sierra Leone (Casey-Glennerster-Miguel, 2012)
 - Afghanistan (Christia-Enikopolov, 2012)

Identity formation

- Immigration policy (Bisin et al. 2006)
- Media (Paluck-Green 2009)

Policy responses - Ongoing work

Inter-racial interaction in South Africa (Burns-Corno-La Ferrara)

- Random allocation policy of roommates at University of Cape Town
- Effects on prejudice, cooperation, academic productivity

To wrap up...

What keeps people in poverty?

- Lack of resources?
 - policies to provide people with factors of production and access to capital
- Lack of knowledge?
 - education and training
- Inefficient social norms?
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