

Development in Brief



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What the "psychology of poverty" means for international development cooperation

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A lack of opportunities to work and earn money, unhealthy housing and living conditions, low levels of education and marginalisation – the causes of poverty are numerous, and comparatively well researched. One exception at present is what we call the "psychology of poverty". This is the focus of a new branch of research looking into the mental consequences of (a) material deprivation and (b) relatively low status within society.

The mental consequences of material deprivation

Some of the analyses are looking at the "cognitive tax" that being poor imposes on people. The basic assumption here is that the average poor person has as much cognitive capacity (for example their ability to solve problems or learn) as anyone else. However, in the case of poor people this capacity is tasked much more than in the case of people living in relative material security. Not only do poor people have to manage their scarce resources, but wrong decisions can also have much more severe consequences when you are only just scraping by.

This higher cognitive taxation on poor people has been demonstrated both in laboratory experiments and in the real world. Many farmers in developing countries, for example, suffer temporary material scarcity before the harvest, while afterwards the same people are relatively wealthy thanks to what they earn from their harvest. Researchers took advantage of this situation to study the "executive functions" and "fluid intelligence" of Indian sugar cane farmers both before and after the harvest. Among other things, executive functions are required for impulse control and emotional regulation. Fluid intelligence determines our capacity for logical thinking. Both of these cognitive variables can be crucial when it comes to making the "right"

decisions. The farmers performed much worse in the tests before the harvest (when they were poor) than they did afterwards. More specifically, a state of material deprivation reduced a given person's IQ by an average of ten points in comparison to when they were more well-off. This result was consistently reproducible, even taking other potential factors into account such as differences in the farmers' diet and workload before and after the harvest.

Deprivation also has a number of other negative psychological effects. In Kenya, for example, raised levels of the stress hormone cortisol were found in farmers as a result of sharp falls in their income. Among other things, cortisol affects the part of the brain responsible for impulse control (the prefrontal cortex). A lack of impulse control at least partially explains insufficient rates of saving, malnutrition and unhealthy behaviour (smoking, drinking etc.).

The mental consequences of low status

Low social status and/or relative poverty can also act as a form of cognitive taxation, and promote fatalistic behaviour (apathy). This effect is significant, and not limited to developing countries. Experiments have been conducted in the US, for example, in which a particular social status was covertly suggested. More specifically, participants were asked to provide details including their annual income by means of various income brackets. In some cases (selected at random), the highest income bracket was set at "over USD 40,000" (suggesting high social status), while in others the lowest income bracket was set at "below USD 80,000" (suggesting low social status). Participants who were subjected to a suggestion of low social status in this way tended to display poorer executive functions in the subsequent tests, and had

less faith in their ability to influence their own fate.

In other words, the psychological effects of (relative) poverty can turn into a poverty trap. Surviving at subsistence level uses up cognitive capacity, causes stress and is demoralising. This results in poor decision-making and a lack of motivation, which noticeably reduces a person's chances of escaping poverty.

Conclusion

Research into the psychology of poverty offers important findings for the field of international development cooperation.

1. Measures aimed at alleviating poverty directly, such as cash transfers, have another argument in their favour: not only do they play a direct role in reducing poverty, but they also cancel out the psychological consequences and/or causes of deprivation. They therefore function as an investment, and can render themselves superfluous over time (temporary intervention).
2. The psychology of poverty should be taken into account when planning interventions. In the case of measures aimed at helping people to escape poverty themselves in particular, which place a significant additional burden on the cognitive capacities of the target group, care should be taken to ensure that the target group's contribution is realistic and that the timing is opportune (for example by avoiding seasonal periods of stress). Further angles of approach include skilful empowerment in order to overcome apathy and reducing the cognitive burden on the target group.
3. Finally, the target group's behaviour can be steered in the "right" direction by means of the clever application of "nudges".

The psychology of poverty is certainly not revolutionising the field of international development cooperation. But taking it into account in a more systematic way when planning projects can significantly improve the efficacy of development policy interventions. ■