The Future in Mind: Aspirations and Forward-Looking Behaviour in Rural Ethiopia

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Do people’s aspirations – their goals or preferred end or boundary states with respect to a relevant domain of choice – affect whether they invest?

Randomly assign Ethiopian farmers to receive a ‘vicarious experience’ of the lives of four role models.

- Treatment = one hour of documentaries.
- No other intervention.
- Very good balance at baseline across groups

Key findings:

- Improvements in aspirations after screening and after six months.
- Changes in related psychosocial charactercistics (LoC), but not risk aversion or time preferences.
- Small improvements in savings, credit, demand for credit, children’s school enrolment and spending on schooling 6 months after screening.
Outline

- Motivation
- Aspirations
- Field experiment – design and findings
  - Report on the direct effects on aspirations;
  - Summarize results related to beliefs, preferences, and future-oriented behaviour
Motivation – why do poor people underinvest?

- Underinvestment by the poor – a source of persistence in poverty and inequality

- Conceptual – ‘opportunities’

- Focus 1 - ‘external circumstances’ and ‘opportunities’.
  - Low returns to investments;
  - Unexploited opportunities due to lack of information or knowledge;
  - Social constraints;

- Focus 2 - constraints associated with the manifested attributes of decision makers
  - Identity issues: sense of self;
  - Psychological issues: impatience, commitment, and psychological barriers

Aspirations failure perspective
What are Aspirations?

Aspirations:

- are goals or boundary-states sought after with respect to a relevant domain of choice (future-oriented);

- Aspirations and expectations – preferences vs. beliefs;

- Aspirations are important for analysing and/or addressing poverty:
  - Condition individual behaviour and well-being (motivators);
  - Are distributed unevenly within communities;
  - Are context-dependent and changing;
Specific Question

Is it possible to alter poor individuals’ understanding of the opportunities they face by actively trying to change their aspirations using an experimental design in a real-world setting?

- Measure aspirations;
- Introduce an exogenous shock aspiration;
- Estimate impact on aspirations, correlates/determinants, and behaviour;
Experimental design: individual treatment

- 64 villages. Random selection of 6 treatment HH, 6 placebo HH, 6 control HH. Head and spouse treated.

- 3 arms:
  - **Treatment**: ticket to view mini-documentaries about similar people who were successful in small business or agriculture.
    - No other intervention.
    - 4 x 15 minute documentaries (2 men, 2 women) = 1 hour in Oromiffa
    - Examples on CSAE Oxford YouTube channel
  - **Placebo**: local Ethiopian TV show in 15 minute segments.
  - **Control**: surveyed at their home.

- 3 rounds of data collection:
  - baseline (Sept-Dec 2010),
  - aspirations immediately after treatment,
  - follow-up six months later (Mar-May 2011).
Measures of aspirations

- **Four dimensions:**
  - Annual income in cash
  - Assets: house, furniture, consumer goods, vehicles
  - Social status: do villagers ask advice
  - Level of education of oldest child

- **Aspirations vs. Expectations:**
  - What is the level of ___ that you would like to achieve?
  - What is the level of ___ that you think you will reach within ten years?

- **Overall aspiration index:**

\[
A_i = \sum_k w_i^k \left( \frac{a_i^k - \mu_k}{\sigma_k} \right)
\]

- \(a_i^k\) = individual i’s aspiration response to dimension k.
- \(w_i^k\) = weight individual i assigned to dimension k.
- \(\mu_k, \sigma_k\) = village sample mean and standard deviation for dimension k.
\[ y_{i2} = \alpha + \delta_1 T_i + \rho_1 P_i + \gamma y_{i1} + X_{i1}' \pi + \mu_v + \eta_i \] (1)

- \( y_{i1} \) = lagged outcome. \( \eta_i \) = individual-level error. \( \mu_v \) = village fixed effects.
- \( X_{i1}' \) = controls at baseline
  - age, gender, education, assets, marital status, food insecurity.
- \( \delta_1 \) and \( \rho_1 \): effect of being allocated a ticket. ITT - 96% compliance.
- For individual-level variables, cluster standard errors to account for clustering at HH level.
Results

- Small treatment effects on aspiration immediately (about 20% of SD).
- No placebo effect;

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<th>After screening (t=1)</th>
<th>Aspirations</th>
<th>Expectations</th>
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<tbody>
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<td><strong>Treated individual</strong></td>
<td>0.13*</td>
<td>0.12**</td>
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<td>0.07</td>
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<td><strong>Respondents</strong></td>
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Small treatment effects on aspiration immediately (about 20% of SD). No placebo effect;
Results

- Small effects on aspiration after 6 months (about 3-5% of SD);
- No placebo effect;
- Hypothesis that the treatment effect right after screening is the same as the effect after six months – not rejected.

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- Small effects on aspiration after 6 months (about 3-5% of SD);
- No placebo effect;
- Hypothesis that the treatment effect right after screening is the same as the effect after six months – not rejected.
Observations

• Watching documentaries about role models improves aspirations compared to a control group and, in some cases, compared to a placebo group.
  – Driven by those with above-median aspirations at baseline.
  – No changes in risk aversion and time preferences.
  – Improvements in individuals’ sense that they control their lives (*LoC, causes of poverty*).

• Small effects on ‘forward-looking behaviour’ - children’s school enrolment, spending on schooling, hypothetical desire for credit - that are robust to multiple testing (NP).
  – Effects on savings, credit are not robust to multiple testing.

• Suggestive evidence that peer effects may reinforce individual effects (NP).
Thank you