## Positionality Statement

I was born in the bustling city of New Delhi, India. By the time I finished high school, I had moved through more than nine schools, five countries, and two continents. I witnessed poverty firsthand while living and traveling across multiple developing nations. These experiences allowed me to recognize the stark disparities in standards of living and quality of life. They also fostered a deep interest in understanding how people trapped in poverty make difficult everyday decisions and what interventions are currently being pursued to alleviate their struggles.

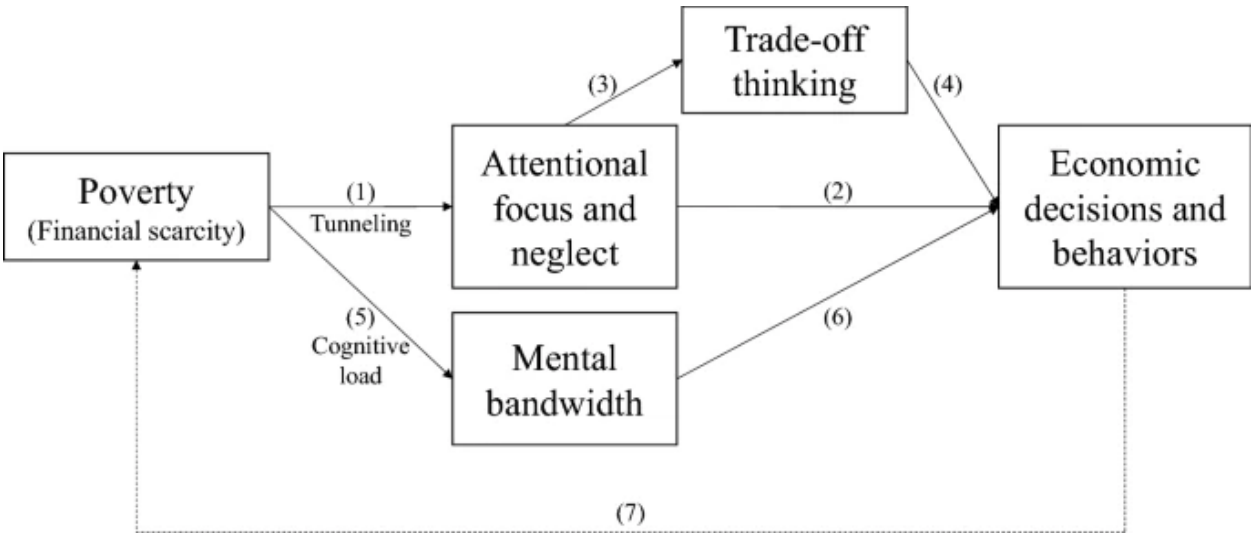
## Poverty, Scarcity, and Economic Decision-Making

Decisions between instant gratification and delayed satisfaction shape our daily lives. For low-income families, such choices often obstruct paths to economic growth. Research increasingly shows that poverty is a multifaceted issue that cannot be solved by financial handouts alone. Instead, targeted interventions, such as randomized control trials (RCTs), help uncover why the poor make specific decisions under resource constraints.

My interviewee, an India-born researcher, leverages RCTs in developing countries to identify the root causes of poverty. Among the many factors enabling the cycle of poverty, psychological and cognitive constraints are key in shaping economic decision-making for low-income families.

To help better understand the detrimental effects of multi-generational poverty cycles on low-income families, we must first understand how the poor become poor. When I asked my interviewee this question, I was given two distinct theories. The first states that people are poor because they are born that way. The second theory is that people are poor because their parents were poor, which now creates obstacles, thus making it harder for them to get out of the poverty trap. This gives us insight into the pre-existing conditions that tie down millions of low-income families around the world from making rational economic decisions. Applying the scarcity theory to the area of poverty "proposes that poverty itself induces a scarcity mindset, which subsequently forces the poor into suboptimal decisions and behaviors" (De Bruijn & Antonides, 2021).

**Figure 1**



“Theoretical framework reflecting scarcity theory applied to poverty and economic decision making”
*Note:* This model was published by De Brujin and Antonides in 2021 applying their working understanding of the scarcity theory to the domain of poverty. From “Poverty and economic decision making: a review of scarcity theory,” by E. de Bruijn & G. Antonides, 2021, *Theory and decision.* Copyright 2021 by Springer Science+Business Media, LLC, part of Springer Nature.

## Theoretical Framework: Scarcity Theory

De Bruijn and Antonides (2021) argue that poverty induces a scarcity mindset, which forces individuals into suboptimal decisions and behaviors.

Theoretical framework applying scarcity theory to poverty and economic decision-making (De Bruijn & Antonides, 2021).

The framework emphasizes three dynamics:

1. Resource Neglect – Poverty compels individuals to prioritize immediate needs, often leading to neglect, overborrowing, and inefficient resource use.

2. Trade-Off Thinking – Limited income perpetuates a constant trade-off cycle where earnings are equal to expenditures, eliminating safety nets.

3. Cognitive Load – Poverty increases stress, reducing cognitive bandwidth and encouraging temporal discounting and risk aversion.

Together, these mechanisms create self-reinforcing behaviors that deepen poverty.

## Poverty Traps: Multi-Dimensional Explanations

My interviewee emphasized that the poverty trap is multidimensional. We explored three major factors, plus an emerging area of research:

### 1. Nutrition-Based Poverty Traps

Sir Dasgupta (1986) highlighted the feedback loop between undernourishment and low work capacity. Poor nutrition reduces productivity, limiting income and reinforcing food insecurity.

### 2. Credit Constraints

Escaping poverty often requires initial investment (e.g., land, a shop, or a small business). Without access to credit, the poor cannot break this cycle. As Bianchi notes, “More productive technologies typically require a minimal capital investment…so it may be impossible for poor individuals to access them.”

3. **Risk Aversion and Temporal Discounting**

Poverty heightens psychological stress and diminishes cognitive ability (Zhao & Tomm, 2018). Families prioritize short-term survival, avoiding long-term investments even when beneficial.

4. **Psychological Impacts (Emerging Factor)**

Anandi Mani's research demonstrates how poverty reduces cognitive performance. Farmers in India performed worse cognitively before harvest (when poor) than after harvest (when temporarily wealthier). Poverty itself consumes mental resources, leaving little capacity for long-term planning (Mani et al., 2013).

## Cultural and Social Context

My interviewee's perspective was shaped by his personal journey. Born and raised in the slums of India, he worked odd jobs to afford schooling in a country without universal free education. His lived experience—combined with academic training in economics—provides unique insight into poverty dynamics. His familiarity with participants' cultural traditions and daily realities enables more nuanced and empathetic research into poverty traps.

## Conclusion

Conversations with my interviewee provided valuable insights into the complex causes of poverty. The scarcity framework (De Bruijn & Antonides, 2021) illustrates how psychological mechanisms—tunneling, trade-offs, and cognitive load—reinforce cycles of poverty. Beyond this, three additional factors (nutrition traps, credit constraints, and risk aversion) highlight how poverty is perpetuated across generations.

My personal experiences growing up in developing nations reinforced the urgency of addressing these cycles. Poverty is rarely the result of individual failings; instead, it emerges from structural barriers, constrained choices, and psychological burdens.

## Assessment of Growth

This project deepened my understanding of poverty alleviation in developing countries. Initially, I underestimated the depth of research and interventions already in place. Over time, I gained a stronger appreciation for how psychological dimensions of poverty shape decision-making.

While I lost some control of the interview's direction, the discussion expanded my perspective, revealing the multidimensionality of poverty traps. I would rate my final analysis a 9/10, with the remaining gap reflecting opportunities for sharper focus in future interviews.

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