

# **Poverty, Seasonal Scarcity and Exchange Asymmetries: Evidence from Small-Scale Farmers in Rural Zambia**

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**Abstract:** A growing literature associates resource scarcity with biases in decision-making. We investigate this link in a sample of over 3,000 small-scale farmers in Zambia, who completed a total of 5,842 decision experiments involving the opportunity to exchange randomly assigned household items for alternative items of similar value. We observe large exchange asymmetries – the so-called endowment effect – with an average trading probability of 34 percent, 16 percentage points below the trading rate predicted by neoclassical theory. Consistent with both increased attention and larger potential trading losses with higher value items, exchange asymmetries are smallest when the value of the traded items is high and when participants are relatively resource constrained. In our sample, both cross-sectional and seasonal scarcity improves the quality of decision-making, moving behavior closer to standard economic predictions. We find no corresponding systematic relationship between scarcity and performance on cognitive tasks.