

# Intertemporal Choice and Inequality in Low-Income Countries: Evidence from Thailand, Pakistan, and India\*

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## Abstract

It is well-known that within-cohort consumption inequality increases with age in developed countries and this pattern is consistent with the permanent income hypothesis, under which households smooth consumption through credit markets in the short-run against transient shocks and in the medium-run over the life cycle. This paper provides evidence regarding the age effects in within-cohort inequality for several low-income developing countries, where credit markets are underdeveloped. Empirical results show patterns unnoticed in the literature. The within-cohort inequality in consumption sometimes decreases with age, and the divergence from the pattern from those observed in developed countries is larger among uneducated and rural households. We provide an interpretation that the decreasing age effect in consumption inequality within cohort, found widely in low-income regions and classes in Asia, seem to be consistent with the autarky model with decreasing within-cohort inequality in income in agriculture-based rural societies.

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