

**Final Progress Report**  
**Sustainability Science Program**  
**Term: September 1, 2013 – August 1, 2014**

**Name:**

Asanga Nilesh Fernando

**Your fields:**

Development Economics, Labor Economics, Applied Econometrics

**Your degree program, institution and (expected) graduation date:**

Ph.D.Public Policy, Kennedy School of Government, Harvard University, Expected June 2015

**Faculty host(s) at Harvard name and department:**

Michael Kremer (Harvard Econ) and Shawn Cole (HBS)

**Description of SSP-related research activity, including a title:**

Shackled to the Soil: Inherited Wealth and Occupational Persistence in Rural India

**Abstract:**

Large differences exist in the returns to labor across the agricultural and non-agricultural sectors, yet in many developing countries labor persists in the less remunerative agricultural sector. Why? This paper examines the role of inherited wealth and factor market frictions in explaining occupational persistence in rural India. I estimate the causal effect of inherited land in the long run using variation arising from Hindu inheritance customs that favor sons. I find that those who inherit more land are significantly less likely to transition out of agriculture, an effect that is dramatically higher for smallholder farmers. In general, land increases household consumption but for smallholders this effect is reversed, albeit imprecisely estimated. These effects and the fact that they are accentuated among those who inherit younger, suggest that initial endowments have lasting effects on occupational trajectories, with harmful consequences for household welfare. In support of this, I find evidence for two mechanisms: cultural obligations and transaction costs in land markets. Where these frictions bind, inheriting land can have a net-negative effect on household consumption. A series of falsification tests support the inheritance of land as being the primary channel for these effects. These findings suggest that inherited wealth is an important barrier to the transition of labor out of agriculture in the presence of factor market frictions.

**Identification of the problem you address:**

Limited labor mobility out of the agricultural sector in spite of higher returns to non-agricultural work.

**Key question asked about the problem:**

What are the long-term effects of inherited wealth on occupational mobility in the presence of factor market frictions in rural India?

**The methods by which you answered that question:**

Applied Econometrics, Interviews

**Principle literature upon which the research drew:**

Labor economics and development economics.

**Empirical data acquisition description:**

Conducted phone-based surveys in Gujarat, India and acquired two datasets from the National Council for Applied Economic Research (NCAER) in Delhi, India.

**Geographical region studied:**

South Asia

**Recommendations that might be relevant for your problem:**

Ease restrictions on rental and sales markets for agricultural land in rural India. Asset-based anti-poverty programs (land-reform, cattle transfers etc..) may have undesirable welfare effects in the absence of smoothly functioning factor markets.

**A description of the final product(s) you have/are aiming to produce:**

Job Market Paper – eventually submit to economics journal

**Description of major other intellectual or professional advancement activity(ies) over the past academic year, including working title(s):**

Second Paper, joint research with Shawn Cole: “Value of Advice: Evidence from Mobile-Phone Based Agricultural Extension”

**Please list citations for reports, papers, publications and presentations that built on your fellowship research:**

NA

**Please describe any collaborative activities with other SSP Fellows that you are involved with.**

Supreet Kaur (SSP Alumni Fellow)

**Principal collaborators outside Harvard:**

Supreet Kaur, Columbia University