Poverty Traps: Conceptual Foundations, Theory, Evidence, and Policy—With Implications for Uzbekistan

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Abstract

The concept of a poverty trap occupies a central place in development economics because it suggests that poverty can persist not merely due to bad luck or slow growth, but because self-reinforcing mechanisms keep individuals, households, communities, or whole economies locked in low-welfare states. Contemporary literature defines poverty traps as dynamic systems with "basins of attraction," where small shocks or modest policies fail to change long-run outcomes, while sufficiently large interventions can shift trajectories to higher equilibria. This report synthesizes major theoretical approaches—neoclassical low-level equilibria, coordination failures and multiple equilibria, asset-based nonlinear dynamics, and behavioral economics—highlighting mechanisms such as low savings and investment, human-capital feedback loops, institutional failures, and welfare/incentive distortions. It then reviews empirical evidence and debates, emphasizing that large "stagnation-style" traps may be rare at the macro level, while localized geographic, institutional, and household-level traps can be more plausible and policy-relevant. Finally, the report applies these frameworks to

Uzbekistan using recent poverty, inequality, education, labor-market and social-protection evidence, concluding that while recent poverty reduction is substantial, risks of localized traps remain—especially where informality, spatial disadvantage, human-capital deficits, and unequal access to productive opportunities interact.

Keywords: poverty traps; persistent poverty; multiple equilibria; asset thresholds; human capital; behavioral economics; social protection; conditional cash transfers; big push; Uzbekistan; regional inequality; informality.

Conceptual foundation

Definition and core idea. In modern development economics, a poverty trap is typically defined as a *self-reinforcing mechanism that causes poverty to persist over time*, i.e., "poverty begets poverty" through feedback loops that link today's low welfare to tomorrow's low welfare. This definition is emphasized in surveys and syntheses that distinguish *persistence* from *momentary deprivation*, and that frame poverty traps as dynamic systems with stable low-level equilibria or "basins of attraction" in which units remain unless a threshold is crossed. [1]

Poverty trap as a vicious cycle and low-level equilibrium. The "vicious cycle of poverty" language predates modern formal modeling, but maps naturally onto equilibrium logic: low income constrains savings; low savings constrain investment; low investment keeps productivity and wages low; and the cycle repeats. Classic low-level equilibrium trap models (e.g., Nelson's framework) formalized how economies can settle into a stable subsistence-like equilibrium when structural parameters (saving behavior, population dynamics, or productivity) interact in ways that prevent capital deepening. [2]

Poverty traps vs. temporary poverty. A crucial conceptual distinction is between: - **Temporary/transitory poverty**, where a household or person falls below a poverty line

because of shocks (crop failure, illness, job loss) but is expected—given underlying "path dynamics"—to recover without a structural change. - **Structural/persistent poverty**, where the underlying asset dynamics, market failures, or institutional constraints imply that, absent a sufficiently large shift, the household remains poor for a long period.

Barrett and Carter stress that observed persistence in income or consumption is neither necessary nor sufficient to infer a poverty trap: some households may look persistently poor during the observation window but be on a growth path that exits poverty soon, while others may appear non-poor temporarily yet remain structurally vulnerable given their asset base. [3]

Scale matters: individual, household, and national-level traps. Poverty traps can operate at multiple scales: - **Individual-level traps** can arise from constraints on health, cognition, or skills that reduce productivity and future investment capacity. - **Household-level traps** often emphasize assets, livelihoods, and credit constraints (e.g., inability to finance a lumpy investment that would raise returns). - **Community/regional traps** can arise from spatial disadvantage, poor connectivity, or weak local institutions. - **National-level traps** include macro mechanisms (low saving, low investment, coordination failures) that may generate multiple steady states at the aggregate level.

The same "self-reinforcing" definition can apply across these scales, but mechanisms and policy implications differ sharply, which is why careful diagnosis is essential. [4]

Theoretical framework

Neoclassical growth theory and low saving equilibria. A standard way to express a macro poverty trap is an extension of the Solow framework in which the saving rate is low at very low income levels and rises after a threshold—yielding two steady states: a

low-capital, low-income equilibrium and a high-capital, higher-income equilibrium. In such a model, an economy starting below the threshold converges to the low equilibrium unless an intervention (or shock) raises capital above the tipping point. This low-level equilibrium logic is closely related to earlier "low-level equilibrium trap" theories. [5]

Multiple equilibria and coordination failures. Coordination failure models generate poverty traps when the profitability of one investment depends on complementary investments by others (firms, sectors, workers, or institutions). The formal "Big Push" tradition (e.g., Murphy–Shleifer–Vishny) shows how increasing returns and demand complementarities can produce both a low-industrialization equilibrium and a high-industrialization equilibrium. In the low equilibrium, each firm's private incentive is too weak to invest because complementary demand or input availability is missing; in the high equilibrium, coordinated investment expands markets and raises returns, making industrialization self-sustaining. [6]

This framework motivates policies that are *coordinated and sufficiently large* (industrial policy packages, infrastructure plus skills plus finance), but also raises practical concerns about information and incentives in large-scale planning—issues central to later critiques. [7]

Asset-based poverty trap models and nonlinear dynamics. Micro-level "asset poverty traps" emphasize that returns to assets can be nonlinear and that poor households face thresholds: below a critical asset level, the feasible livelihood set yields low returns and limited accumulation; above it, households can access higher-return activities and accumulate further assets. This framework distinguishes "single-equilibrium" traps (where the best feasible equilibrium is still poor given technology and constraints) from "multiple-equilibrium" traps (where both poor and non-poor

equilibria exist, but the household's starting point determines which basin it converges to). [8]

Asset-based thinking also clarifies why income-based poverty dynamics can be misleading: assets (productive capital, human capital, social capital) are closer to state variables that determine future welfare. [3]

Behavioral economics and "scarcity" mechanisms. Behavioral poverty trap frameworks do not assume the poor are irrational; rather, they model how poverty-induced stress, bandwidth constraints, and present bias can alter intertemporal choices. Evidence shows that poverty-related concerns can reduce measured cognitive performance, implying that scarcity can directly impair decision-making capacity in ways that may reinforce poverty (e.g., lower take-up of beneficial programs, worse financial decisions, underinvestment in preventive health). [9]

A key implication is that policies may need to reduce cognitive and administrative burdens (simpler enrollment, default options, predictable transfers) to be effective in practice—not only increase resources. [10]

Core mechanisms that connect the frameworks. The literature repeatedly returns to a set of mechanisms that can be interpreted through different theoretical lenses:

- **Low savings → low investment → low productivity.** Low incomes limit savings; low savings limit investment in physical and human capital; low productivity keeps incomes low—consistent with low-level equilibrium trap logic. [11]

- **Human capital traps (education and health).** Poor health and low skills reduce productivity and wages, which constrains future investment in health and education for both current and next generations—linking micro foundations to macro outcomes. The human capital crisis framing emphasizes that deficits in health and

learning translate into large productivity losses over the life cycle, helping explain persistence. [12]

- **Institutional traps.** Weak economic institutions—poor property rights, weak state capacity, corruption, low-quality public services—shape incentives and constrain investment, often generating path dependence. Institutional economics highlights that "rules of the game" influence transaction costs and enforceability, while empirical work argues that institutional differences can be fundamental drivers of long-run development divergence. [13]

- **Welfare traps / incentive distortions.** In some contexts, high effective marginal tax rates created by the interaction of taxes and means-tested benefits can reduce incentives to increase earnings, potentially generating a "poverty trap" in disposable income dynamics. The magnitude and prevalence of such traps are empirical questions, but the concept is analytically well-developed through marginal effective tax rate frameworks. [14]

Typology and multi-level interaction

A visual intuition for trap dynamics is often conveyed through diagrams showing multiple steady states or threshold effects (e.g., an S-shaped asset accumulation curve). The empirical relevance depends on whether real-world constraints produce such nonconvexities. [15]

Micro-level traps (household and individual). Household traps frequently appear in settings with: - **credit constraints + lumpy technologies**, where profitable activities require an indivisible asset (livestock herd size, machinery, shop inventory) and small-scale entry yields only subsistence returns; - **risk and missing insurance**, where fear of shocks discourages investment (ex ante) and shocks push households below thresholds (ex post). [16]

Macro-level traps (country development traps). Macro traps include: - **low-saving equilibria** (capital deepening never takes off); - **coordination failures** (industrialization requires simultaneous investments); - **institutional persistence** (political economy constraints prevent reforms that would raise productivity). [17]

However, influential reviews argue that "stagnation-style" macro traps—where countries are stuck with near-zero growth for long periods—are empirically uncommon, pushing attention toward micro mechanisms and spatial/geographic traps. [18]

Spatial poverty traps (rural/urban and geographic disadvantage). Spatial traps emphasize "geographic capital": remoteness, weak infrastructure, ecological constraints, and political marginalization can jointly depress returns to private investment. This can produce persistent pockets of poverty in remote rural areas or marginalized urban settlements, even if national averages improve. [19]

Institutional traps (local governance and service delivery). Institutional traps may be spatially concentrated: weak local governance can degrade education quality, health access, and public goods provision, reinforcing human-capital and productivity traps. Path dependence is especially strong where institutions create rents for local elites or where enforcement capacity is low. [20]

Health-based poverty traps. Health poverty traps describe cycles where low income leads to poor health (or inadequate nutrition), which lowers productivity and earnings, further depressing the resources available for health. Recent literature frames these traps as modernization challenges in which health and poverty co-evolve and can become mutually reinforcing. [21]

How traps interact across levels. A key modern insight is that poverty traps can be multi-level and mutually reinforcing: household constraints (credit, skills) interact with community conditions (infrastructure, market access) and national institutions (policy

stability, financial regulation). Multi-level trap perspectives emphasize that interventions at one level may fail if constraints at another level remain binding (e.g., cash transfers without local schools/clinics; roads without institutions that enable enterprise). [22]

Causes and mechanisms of persistence

Education and healthcare access. Education and health are not merely welfare outcomes; they are productive inputs that shape lifetime earnings and intergenerational mobility. When poor households face low-quality schools, high indirect costs (transport, opportunity cost of child labor), or weak primary health systems, underinvestment becomes rational in the short run—yet can generate long-run persistence via low skills, poor health, and reduced productivity. The "human capital crisis" framing underscores that early-life deficits can permanently reduce adult productivity, offering a structural channel for persistence. [23]

Capital constraints and missing markets. Credit market imperfections can create an occupational trap when high-return self-employment requires a minimum scale of capital, but the poor cannot borrow at reasonable terms. Barrett and Carter highlight "multiple financial market failures" as a common mechanism: if borrowing constraints, savings constraints, and risk interact, households may rationally choose low-risk, low-return activities even when higher-return opportunities exist in principle. [15]

Institutions and governance. Poor institutions can create persistence through several channels: insecure property rights reduce investment; corruption raises transaction costs; weak state capacity reduces public goods; and policy unpredictability discourages long-horizon investments. Empirical and theoretical work argues that institutional differences can be fundamental causes of long-run development differences, and institutional evolution can be path-dependent—meaning that "bad rules" can persist

even when they are socially costly. [13]

Geography and infrastructure. Spatial poverty traps stress that geography is not destiny, but it shapes returns and costs: remoteness or weak infrastructure can raise input costs and reduce market access, lowering returns to education, firm entry, and technology adoption. This can trap regions even when the national economy grows. [24]

Social norms and inequality. Inequality can help generate poverty traps when it restricts who can cross thresholds (asset or skill thresholds), and when social norms shape who can access markets, migration channels, or public services. Nutrition-based trap models also link inequality to malnutrition and unemployment in ways that can make poverty persistent for specific groups. [25]

Risk, shocks, and "downward mobility" into traps. A defining feature of many trap models is that households need not start poor to become poor: shocks (drought, illness, conflict) can push households below thresholds, after which self-reinforcing dynamics hinder recovery. This is one reason social protection can have high returns: preventing descent below thresholds can be more cost-effective than lifting households back up later. [26]

Empirical evidence and contested status

Why empirical identification is hard. Poverty traps are difficult to test because they imply nonlinear dynamics, thresholds, and long-run outcomes—and many datasets have short panels and measurement error. Barrett and Carter argue that strategies to identify traps must be mechanism-specific and often rely on indirect behavioral implications rather than attempting to estimate "S-shaped" asset dynamics directly, which can be econometrically fragile. [27]

World Bank and the "rarity" view of classic traps. A widely cited synthesis

concludes that the kind of long-run absolute income stagnation predicted by canonical poverty-trap models appears rare at the country level, and that many hypothesized micro traps are "not widespread," though they can exist in remote or otherwise disadvantaged areas. This perspective shifts policy away from blanket "Big Push" aid narratives toward more targeted interventions and, notably, actions that reduce barriers to mobility (internal or international migration) when geographic traps are binding. [28]

Household-level evidence: "graduation" and asset-transfer programs. Evidence from randomized evaluations has strengthened the case that some households are near thresholds and can be pushed onto better trajectories:

- The multi-country "Graduation" approach tested in six countries—Ethiopia[29], Ghana[30], Honduras[31], Pakistan[32], Peru[33] and India—combined productive asset transfers with consumption support, training/coaching, savings encouragement, and health components. The study reported statistically significant improvements across a broad set of outcomes at program end, with many gains still present one year after program completion (36 months after the productive asset transfer). [34]

- Longer-horizon evidence from a 10-year randomized evaluation in India finds that a "big-push" style asset transfer produced persistent gains in consumption, food security, income, and health; importantly, a migration channel helped sustain gains by enabling treated households to diversify into better wage employment. [35]

These findings are consistent with an interpretation that at least some populations face threshold-like dynamics: a one-time "jump" in assets and capabilities can change long-run trajectories, though heterogeneity is large and not every setting shows equal persistence. [36]

Bangladesh case study (micro-trap and spillovers). Bangladesh is central to the empirical poverty-trap debate due to large-scale graduation programs. Evidence

exploiting randomized rollout of the graduation approach shows changes not only in treated households' welfare but also in social and labor-market relationships (e.g., patterns of informal transfers and the interlinkage of labor with informal insurance). Such findings highlight that poverty traps can be embedded in local labor and social systems, not only in individual assets. [37]

Sub-Saharan Africa case study (localized traps and the Big Push controversy). Household asset dynamics evidence in some remote sites in rural Kenya[38] and Madagascar[39] has been interpreted as consistent with multiple equilibria in certain contexts, supporting the idea that geographic isolation and limited technologies can create local traps. [40]
At the same time, high-profile integrated aid packages such as the Millennium Villages Project[41] were explicitly motivated by poverty-trap logic, yet sparked methodological debate about attribution, counterfactuals, and external validity; reviews emphasize transparency and evaluation design as key lessons. [42]

Southeast Asia case study (conditional cash transfers and human-capital traps). CCT programs provide a prominent example of policies aimed at breaking intergenerational persistence by incentivizing health and education investments: - In Mexico[43], evaluations of PROGRESA/Oportunidades show impacts on school participation and health service use, illustrating the theory that relaxing current resource constraints while nudging investment choices can break intergenerational transmission. [44] - In Indonesia[45], the Program Keluarga Harapan[46] aimed to improve health and education outcomes among very poor households, with an impact evaluation embedded in the program's design, reflecting the broader shift toward empirical testing of anti-poverty interventions. [47]

Do poverty traps really exist? A disciplined interpretation. Taken together, the evidence suggests a nuanced position: 1. **Strong macro "stagnation traps"** (where

countries are stuck with near-zero growth for long periods because they are poor) appear rare in the post-war data. [18]

2. **Localized and mechanism-specific traps**—especially geographic/spatial and some household asset traps—are more plausible and more directly tied to actionable policy levers. [48]

3. **Behavioral mechanisms** may reinforce poverty, but the evidence base is still developing, and interpretation requires care to avoid blaming individuals rather than recognizing how scarcity shapes cognition and choice sets. [49]

Policy approaches to break poverty traps

Why "external intervention" is often required in theory. In multiple-equilibrium and threshold models, private actions alone may not be sufficient to shift the system: individuals and firms may be unable or unwilling to bear the up-front costs of crossing thresholds when returns depend on complementary investments or when credit is constrained. This is why poverty-trap logic often implies that "small" or incremental programs may change short-run welfare but not long-run equilibria unless they move households/regions over the tipping point. [50]

Big Push and coordinated investment packages. The Big Push tradition argues for large, coordinated investment to overcome complementarities and generate takeoff. Modern coordination-failure models formalize the logic, but empirical support for blanket Big Push narratives is debated, and critiques stress planning constraints, incentives, and heterogeneity across contexts. [51]

Conditional cash transfers and human-capital investment. CCTs are designed to relax current constraints while incentivizing investments in children's schooling and preventive health—mechanisms directly tied to human-capital traps. Evidence from Mexico and Indonesia illustrates that such programs can raise service utilization and

schooling outcomes, with some studies tracking longer-run mobility and human-capital impacts. [52]

Graduation / "asset + support" interventions. Graduation programs explicitly target ultra-poor households near asset thresholds by combining: - a temporary safety net (consumption support), - a productive asset transfer, - coaching/training, - savings and financial inclusion components, - and health-related support.

Global evidence indicates that these packages can generate persistent gains in multiple settings, suggesting that multi-constraint interventions can be more effective than single-instrument programs when poverty is multi-dimensional and nonlinear. [53]

Institutional reforms and state capacity. Where institutional traps bind, direct transfers alone may not sustain escapes. Institutional reform is broad, but policy-relevant channels include: improving contract enforcement, strengthening property rights, reducing corruption rents, and upgrading public service delivery systems. The institutional-development literature emphasizes that durable poverty reduction depends on incentive-compatible reforms, which are often politically constrained and path dependent. [13]

Digital economy and financial inclusion. Financial inclusion can relax savings and credit constraints and improve resilience to shocks—especially when paired with consumer protection and financial literacy. Digital payments and regulated nonbank financial services can reduce transaction costs and expand access, but inclusion can remain uneven without rural connectivity and trust. These points are salient for many developing countries and are particularly relevant for Uzbekistan's ongoing reforms. [54]

Welfare design to avoid "poverty traps" in incentives. In contexts where benefit withdrawal creates very high marginal effective tax rates, policy design can reduce

disincentives through smoother tapering, integrated benefit systems, and careful tax-benefit coordination. OECD-style analyses emphasize that trade-offs exist, but that "cliff edges" and overlapping withdrawal schedules can be mitigated. [55]

Uzbekistan implications and critical conclusion

Application to Uzbekistan: does the country face poverty-trap risks? Uzbekistan has achieved notable poverty reduction in recent years, but poverty-trap risk is best assessed not by the headline rate alone, but by whether self-reinforcing mechanisms persist in specific regions and groups.

Recent poverty and inequality dynamics. Based on national poverty lines, recent reporting indicates a decline in the poverty headcount from 17.0% (2021) to 14.1% (2022) and 11.0% (2023), with real wage growth as a major driver. [56] At the same time, distributional evidence shows rising inequality: the Gini coefficient rose from about 0.31 (2022) to about 0.35 (2023), with income growth much faster for top deciles than for the bottom decile—an inequality trend that can slow further poverty reduction and increase the risk of persistent disadvantage for groups left behind. [57]

Regional inequality and spatial-trap signals. Multidimensional poverty evidence provides a more granular view of deprivation. The Uzbekistan Pilot Multidimensional Poverty Index reports substantial regional variation, with the highest MPI values and shares of multidimensionally poor adults observed in the Republic of Karakalpakstan and several regions (e.g., Namangan and Tashkent region), while Tashkent city shows much lower incidence. The same report identifies education attainment, food security, and informal employment as leading contributors to multidimensional poverty, and shows a clear rural–urban gap in incidence. [58] From a poverty-trap lens, such spatial clustering of deprivation is consistent with *spatial trap* risks: low local returns to private investment and weaker service access can sustain

persistent pockets of poverty even as national averages improve. [59]

Labor market structure and informality. A major mechanism for household-level persistence is labor-market segmentation. Evidence indicates very high informality in Uzbekistan's labor market: estimates report that roughly 58–60% of the labor force worked informally in 2018–2019 (around 7.8–8 million people), alongside large-scale labor migration abroad. [60]
High informality can amplify poverty-trap risks through multiple channels: unstable earnings, limited access to social insurance, lower incentives for skill investment, and weak links to formal finance—each potentially reinforcing low productivity and human-capital deficits. [61]

Remittances: buffer and potential vulnerability. Remittances are a major buffer against poverty and shocks but can also generate vulnerability to external labor-market conditions and destination-country shocks. Recent macro data indicate that personal remittances received were around 14.4% of GDP in 2024. [62]
The Central Bank reported remittance inflows of about USD 18.9 billion in 2025, up by roughly USD 4.1 billion from 2024, underscoring the macro relevance of migration income. [63]
From a trap perspective, remittances can help households remain above critical thresholds (preventing descent), but heavy reliance on remittances can also reduce resilience if external shocks reduce flows; it can also interact with local labor-market incentives in complex ways, which is why complementary domestic job creation and skills policies are important. [64]

Education quality and human-capital risks. Human capital traps depend not only on enrollment but on learning quality. PISA 2022 evidence shows that a low share of students attained minimum proficiency (Level 2) in mathematics, reading, and science in Uzbekistan, and that top performers were nearly absent—signals of a serious learning

challenge that can translate into long-run productivity constraints and inequality in opportunity if not addressed. [65]

In poverty-trap terms, low learning quality can be a slow-moving mechanism: it may not raise current poverty immediately, but it can create persistent earnings penalties that reproduce poverty across generations, particularly in disadvantaged regions. [66]

Social protection architecture: progress and remaining gaps. Uzbekistan has been modernizing targeting and expanding coverage. UNICEF reports that coverage of children by cash transfers tripled compared to 2021 and reached about 40% of children in 2023, linked to implementation of the Single Registry of Social Protection. [67] Project-level evidence also documents the government's creation of a unified registry and efforts to strengthen social assistance and employment measures amid economic reforms. [68]

From a poverty-trap lens, effective social protection can function as a "protective" policy that prevents households from falling below thresholds after shocks, but to enable sustained exits it must connect to productivity-enhancing channels (skills, jobs, finance). [69]

Practical, implementable policy recommendations for Uzbekistan. The following recommendations are framed explicitly as "trap-breaking" levers—aiming to weaken self-reinforcing loops and raise the probability that disadvantaged households and regions converge to higher-welfare trajectories:

Strengthen the productivity channel of poverty reduction (beyond wage growth). Recent poverty reduction was driven heavily by wage income growth, while inequality rose, implying that sustaining progress requires raising the productive capacity of poorer households (employment, education, dependency burdens). Programs should therefore prioritize scalable pathways into higher-productivity employment, not only transfers. [70]

Modernize active labor market policies and skills systems to reduce informality persistence. Evidence points to outdated training curricula and weak labor-market information systems in the recent reform period. Scaling labor-market intermediation, employer-linked training, and modern TVET (with regional targeting) can reduce the equilibrium persistence of informal, low-productivity work—especially if linked to formalization incentives and demand from growing sectors. [71]

Target spatial disadvantages with a "connectivity + services" package in high-MPI regions. The MPI evidence identifies Karakalpakstan and several regions with high multidimensional poverty incidence and highlights sanitation, education, food security, and informality as key contributors. Spatial trap theory implies that piecemeal interventions may fail if infrastructure and service constraints remain binding together. A practical implication is prioritizing integrated regional packages: transport/logistics connectivity, reliable utilities and WASH investments, and quality improvement in schools and primary healthcare—co-designed for high-deprivation districts. [72]

Use education quality reform as a long-run anti-trap strategy. PISA results suggest that learning outcomes are far below OECD averages; improving learning quality is therefore a core "anti-trap" policy. A practical approach includes: teacher professional development aligned with foundational skills, remedial tutoring for low-performing students, and accountability systems that monitor learning gains—not only inputs. Because human-capital traps are intergenerational, prioritizing early learning and foundational literacy/numeracy is especially high leverage. [73]

Consolidate and de-burden social protection delivery while linking recipients to opportunity. The Single Registry progress can be leveraged to reduce administrative burdens (a behavioral-economics insight) and improve take-up among eligible households. At the same time, to avoid a "transfer-only equilibrium," cash benefits should be paired with light-touch pathways to jobs and skills—e.g., referrals to training,

childcare support for women's labor participation, and predictable benefit design that reduces volatility and cognitive load. [74]

Deepen inclusive financial access and digital payments—especially outside major cities. Uzbekistan's financial inclusion strategy emphasizes digital payments, licensing/payment infrastructure, and formal saving. These reforms can weaken investment constraints and increase resilience to shocks, but the distribution of access points remains uneven—implying that rural connectivity, consumer protection, and financial literacy should be treated as core components, not add-ons. [75]

Treat remittances as a development tool, not only an income stream. Given the scale of remittances (and their macro importance), policies can focus on converting remittance income into productive investment and resilience: lower remittance costs, promote savings and insurance products for migrant households, support returnee entrepreneurship with transparent credit and business services, and diversify destination risk through skills portability. These steps can reduce vulnerability to external shocks and help households cross productive thresholds domestically. [76]

Critical discussion: limitations and opposing views. Poverty-trap theory is powerful because it provides a rationale for decisive interventions with potentially permanent effects: if poverty is a low equilibrium, a one-time push may yield lasting change. [77]

Yet the theory faces several limitations:

- **Empirical non-robustness of broad macro traps.** The claim that poor countries generally cannot grow because they are poor is not well supported; many countries grow, and stagnation is uncommon, suggesting that "poverty trap" is not a universal explanation for underdevelopment. [18]

- **Mechanism heterogeneity.** Different traps imply different policies (credit vs. health vs. institutions vs. geography). Without diagnosis, "poverty trap" can become a slogan rather than an actionable analytic concept. [15]

- **Big Push debate.** Big Push advocates argue that large, coordinated aid and investment packages can induce takeoff, while critics emphasize information and incentive problems in large-scale planning and argue that evidence for takeoffs driven by such packages is limited. This debate remains a key fault line in development policy discourse. [78]

- **Behavioral explanations require caution.** Behavioral poverty research highlights real cognitive burdens of scarcity, but it can be misinterpreted as blaming the poor. The strongest interpretation is structural: poverty changes the decision environment and cognitive load, so policy should reduce complexity and volatility. [79]

Conclusion. Poverty traps are best understood not as a single universal mechanism but as a family of models describing how self-reinforcing feedbacks can lock individuals, households, or regions into persistent low welfare. The strongest contemporary position is that classic macro stagnation traps are relatively rare, while localized traps—especially spatial/geographic traps, some household asset thresholds, and human-capital and institutional feedback loops—can be empirically relevant and policy-actionable. [80]

For Uzbekistan, recent poverty reduction is substantial, but rising inequality, high informality, uneven multidimensional deprivation across regions, and weak learning outcomes signal risks of localized poverty traps if reforms do not systematically raise the productivity and opportunity set of disadvantaged households and regions. A trap-oriented policy agenda therefore prioritizes: (i) regional packages that combine connectivity and service quality, (ii) education quality as a long-run equalizer, (iii)

labor-market and formalization pathways, (iv) modernized social protection linked to opportunity, and (v) inclusive finance and digital infrastructure that reaches rural and high-deprivation areas. [81]

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