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Maia Güell

Dear Omer:

I am writing about the paper “Why Not Borrow, Invest, and Escape Poverty?” that you submitted for publication in the *Journal of the European Economic Association*. I have now heard back from two referees, who are experts in the field. The referees are sympathetic to your research agenda and they wrote excellent reports. However, the referees question whether the contribution reaches the general-interest threshold required for JEEA, rather than being more suitable for a field journal. At JEEA we are looking for contributions that either are of interest across a larger number of fields or that break major new methodological ground. On these grounds neither referee finds your paper to provide the nature of advance needed. Having carefully read the paper myself, I agree with their conclusion, and therefore I have to decline to publish the paper.

There are a few common themes that appear in both reports. One is the question whether the need for a new theory of investment behaviour is clearly established; R2, for example, discusses a few recent papers that do find support for nonconvexities, i.e., a technological explanation for observed behaviour. A second concern voiced in both reports is that the experimental setting in a middle/high income country may not be sufficiently informative for microcredit in countries with much lower income. Moreover, R2 points out that the stakes in the experimental games are low relative to monthly income, which makes risk aversion less likely to be relevant, especially relative to microcredit investments which at least potentially could have substantial returns relative to existing income. In addition to concerns about the overall contribution, R1 also writes that the exposition of the paper could be improved in many places.

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Given this feedback, I agree with the referees that the paper would be a better fit for a field journal. I do think that the basic point you are making is interesting and indeed presents a quite natural explanation for bi-modal investment behaviour that deserves attention. But I am also convinced by the referees that it would take more to make the contribution appropriate for a general interest journal, namely at least

suggestive evidence that the explanation is relevant for explaining real-world data on microcredit takeup. For alternative outlets, given the topic a development journal would be a possibility, although this might again run into the issue that the experiment is a key part of the contribution, and this is not carried out in a developing-country setting. For this reason, a journal focused on experimental economics (e.g., Games and Economic Behavior as suggested by R2) may be a good choice.

Although I understand you will be disappointed with this decision, I hope this particular negative outcome does not discourage you from submitting your work to JEEA in the future. Our rejection rate is over 90 percent, which implies that the selection process is very strict.

I appreciate having had the opportunity to consider your work.

Best Wishes,

A handwritten signature in black ink, appearing to read 'Matthias Doepke', with a stylized flourish at the end.

Matthias Doepke

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