

URBANOMICS

WEDNESDAY, JANUARY 28, 2009

CCTs and winning elections


Here comes fairly compelling evidence to show that Conditional Cash Transfer (CCT) schemes are not only efficient means of transferring development assistance but are also vote-winners! Chris Blattman points to a fascinating study of CCT schemes by Marco Manacorda, Edward Miguel, and Andrea Vigorito, which finds evidence that such programs generate greater political support than other welfare spending programs.

They studied the impact of the Uruguayan PANES CCT program, consisting mainly of a monthly cash transfer for a period of roughly two and half years, on political support for the government that implemented it. Their findings include

1. Beneficiary households are 21 to 28 percentage points more likely to favor the current government (relative to the previous government).
2. The impact of the same nominal cash transfer is "larger among poorer households and for those near the center of the political spectrum", consistent with the "probabilistic voting model in political economy" and the fact that "the marginal utility of consumption is highest for this group".
3. The "effects persist after the cash transfer program ends".
4. They estimated that the "annual cost of increasing government political support by 1 percentage point is roughly 0.9% of annual government social expenditures".

Intuitively too, cash transfers, being more direct and salient, are more likely to catch the immediate imagination of its beneficiaries than the more indirect methods like subsidies or in kind assistance. Surely, it provides more direct exposure for the politician to deliver the subsidy for fertilizers or crop price support or health insurance as direct cash transfers instead of the regular method providing poor quality seeds or fertilizers or health care.

TRANSLATE

Select Language 

Powered by 

SEARCH THIS BLOG

FOLLOW BY EMAIL

SUBSCRIBE TO

 Posts 

 Comments 

LABELS

Administration (35)

Adoptions (2)

Africa (17)

Agency problems (1)

Agriculture (33)

Aid (7)

Airline industry (6)

Andhra Pradesh (10)

Animal Spirits (2)

Arab-Israel conflict (4)

Arbitrage (6)
Art (2)
Asia (1)
Auctions (6)
Awards (4)
Bailouts (37)
Bank tax (3)
Banking (66)
Behavioural Economics (87)
Big Push (3)
Bond markets (28)
Brain (1)
Brands (1)
Bubbles (18)
Budget deficits (6)
Bureaucracy (10)
Business (25)
Business Cycle (22)
Cap-and-trade (11)
Capital controls (4)
capitalism (7)
Carbon taxes (11)
cash transfers (3)
CDS (14)
Central Banking (101)
Charles Darwin (1)
Charter Cities (3)
China (97)
Civil Wars (6)
Climate Change (18)
Coaching (1)
Colonialism (1)
Commodities (45)
Competition (2)
Competitiveness (3)
Complexity Economics (3)
Conditional Cash Transfer (18)
Consumption (8)
Corporate Governance (4)

In fact, one of the greatest attractions for politicians (and Governments) in promoting Self Help Groups (SHGs) and micro-finance in states like Andhra Pradesh, has been the symbolic political value attached to the regularly held loan disbursement melas. The flagship poverty alleviation programs of both the previous (Velugu program) and present (Indira Kranti Pathakam and Pavalu Vaddi loans) governments in Andhra Pradesh have revolved around direct cash transfers in the form of micro loans to SHG members.

Many shrewd politicians have realized that they derive more political mileage from these direct cash disbursements than the old IRDP-style asset distribution! CCTs are only a small step ahead from the SHG loan disbursements. Now, atleast this should spur some of our own politicians to embrace them!

POSTED BY GULZAR AT 7:37 PM

LABELS: CONDITIONAL CASH TRANSFER, ELECTORAL REFORM, MICRO-FINANCE, POVERTY
