



Photo: Chris Watt

## AN INTERESTING EXPERIMENT

## If you gave 7,000 kuna to the poor, what would happen? They found out

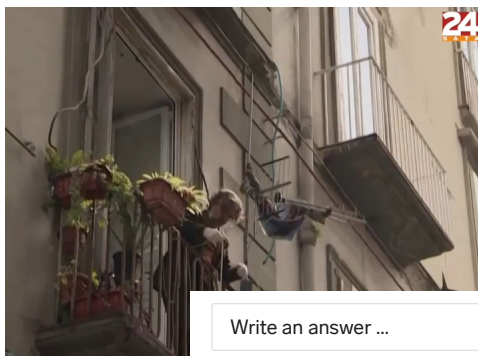
Writes [Martina Japec Martinko](#), Sunday, 28.6.2020 at 13:13

**Would such an amount change the lives of families living in the poorest parts of the world, or would they quickly spend it on nonsense because they are not used to having larger sums, scientists found in the experiment**

What will happen to one of the poorest places in the world if you randomly select more than 10,000 of the poorest families and donate \$ 1,000 to each of them, or close to \$ 7,000, without any conditions?

It sounds like some crazy scientist experiment, but it's a real project by researchers from the University of California, Berkley, Princeton and San Diego. They presented to the world the results of the first such study that should shed light on some of the enduring myths about the effects of direct cash giving to the poor in Africa.

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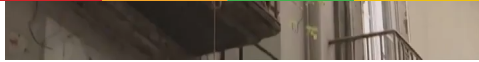
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Video: 24sata Video

Dozens of previous studies have found that giving extremely poor people money that represents a significant amount for them can permanently change their lives. That doesn't sound too surprising, but this study asked a different question - what about these people's neighbors?

Let's say you live in the deep poverty of rural Kenya, and people from the house next to yours get big money quite by accident - until you get it. Does it do you a common good, or is your neighbor's happiness your misfortune if, for example, there is an increase in local prices? Leaving aside direct recipients of money, what do such money transfers do to local economies?



Photo: Mary's Meals

Working in Siaya County, in rural western Kenya, researchers Dennis Egger, Johannes Haushofer, Edward Miguel, Paul Niehaus and Michael Walker spent five years and spent more than \$ 10 million to come up with answers to these questions. published by the [Washington Post](#) ..

### Good for everyone

In collaboration with the charity GiveDirect, they conducted surveys of thousands of people in villages that were randomly selected to receive money, as well as in villages that did not receive money. This allowed them to do something that no researcher had tried before - to use a randomized controlled trial to identify and measure the impact of cash distribution on the whole area.

LEGENDARY PEDJA

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Their findings are significant: money transfers have benefited the entire local economy, not just direct recipients. those families who did not receive a



Photo: Reuters

Equally important, there were almost no negative effects - there was no increased spending on luxuries like cigarettes, alcohol and gambling. People did not work less, domestic violence rates did not change, nor did more children drop out of school. Levels of inequality in local income have not changed. Contrary to common fear, the program had a minimal effect on prices: inflation rose by less than 1 percent.

However, what made the study truly groundbreaking was the fact that it was huge - the money distributed was more than 15 percent of GDP in the area of operation, reaching 10,500 households out of 60,000. Throwing so much money into the local economy creates an expectation of community prosperity. But how much?

This, it turned out, was a moot point. The study had a huge impact, for every \$ 100 given to the poorest households it generated an additional \$ 250 to \$ 270 of GDP. That is a huge number, not only by African, but global standards.

How's that? Because the very poor spend their money locally, and the stores in which they spend it, in turn spend it locally again, a chain effect that boosts demand and increases revenue for small businesses throughout the area. The survey found some evidence - though not convincing - that local wages have risen, perhaps more strongly in villages that received money directly than in neighboring ones.





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This is, of course, just one study in one area of one country, and generalizations are always dangerous. Research of this type is expensive to conduct and takes years to analyze, which is a key reason why similar attempts have not been made before.

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But these results suggest that this could change, as there is now empirical evidence of the positive effects of donating money directly to the poor, breaking down prejudices that the poor with money would not even know what to do, but would only get into trouble.

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Vlad

06/28/2020

If you gave a poor HDZ member \$ 1,000, he would buy a diploma and become a civil servant.

26

2 Reply

AND

Andelka-

06/28/2020

Give the man a fish, you fed him in one day. Teach him to fish, you fed him for life. This is only temporary. Secondly, there is another study, whi [Show more ↓](#)

12

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hd

hdzuguz

06/28/2020

it would be best if Gates and the team, those so-called "philanthropists" prove their philanthropy on people like this

13

3 Reply

Se