

# Economics 174/274

## Global Poverty and Impact Evaluation

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Lecture 19

# Targeted Transfers and Governmental Support

- ▶ Voter vote out corrupt politicians
  - ▶ Dislike dishonest candidates
  - ▶ More corruption leads to less public goods
- ▶ Implies a very simplistic view of politics: Politicians provide public goods (or refrain from corruption) to get re-elected

# Targeted Transfers and Governmental Support

- ▶ In reality, politics is much more complicated. Politicians tend to enact policies that are targeted and redistributive → benefitting some groups but not others
- ▶ To understand the politics behind targeted transfers, we have to introduce voter heterogeneity into the model → much more interesting but much more complicated empirically
  - ▶ Voters are not only learning about effort/type but also about a politician's preferences over particular groups
  - ▶ Transfers become strategic decision: which groups should we target “swing voters” or core supporters, larger groups, poorer groups?

Consequently, understanding how government transfers affect political support has been a challenge empirically

- ▶ Example: Headline in *Washington Post* on October 29, 2006: “Cash Aid Program Bolsters Lula’s Reelection Prospects”
- ▶ Strong positive relationship in a plot of Lula’s vote share on the share of families receiving Bolsa Familia
- ▶ Is this causal relationship?

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- ▶ Example: Headline in *Washington Post* on October 29, 2006: “Cash Aid Program Bolsters Lula’s Reelection Prospects”
- ▶ Strong positive relationship in a plot of Lula’s vote share on the share of families receiving Bolsa Familia
- ▶ Is this causal relationship?
  - ▶ Lula’s a leader of the labor union
  - ▶ Never finished high school
  - ▶ Families that received Bolsa Familia would have likely voted for him in the absence of the program

## Manacorda, Miguel, Vigorito 2010

- ▶ Manacorda, Miguel, Vigorito (2010) is able to resolve these main econometric issues by examining the impact of a large anti-poverty cash transfer program in Uruguay *PANES*
  - ▶ provide nice insights into which voting models are consistent with these findings
- ▶ In 2001-2004, Uruguay experienced a major economic crisis → 11 percent fall in real income
  - ▶ left-wing *Frente Amplio* coalition won in 11/2004 promising to help the poor
- ▶ PANES (Plan de Atención Nacional a la Emergencia Social)
  - ▶ temporary by design, 4/2005- 12/2007
  - ▶ Conditional on education and health behaviors (but not enforced); income-tested
  - ▶ Program components:
    - ▶ Annual cash transfer = \$1,360 (US\$70), roughly 50% of income
    - ▶ Food card for HHs with children = \$300-800 per year
    - ▶ Other aspects: public works jobs, training, health care

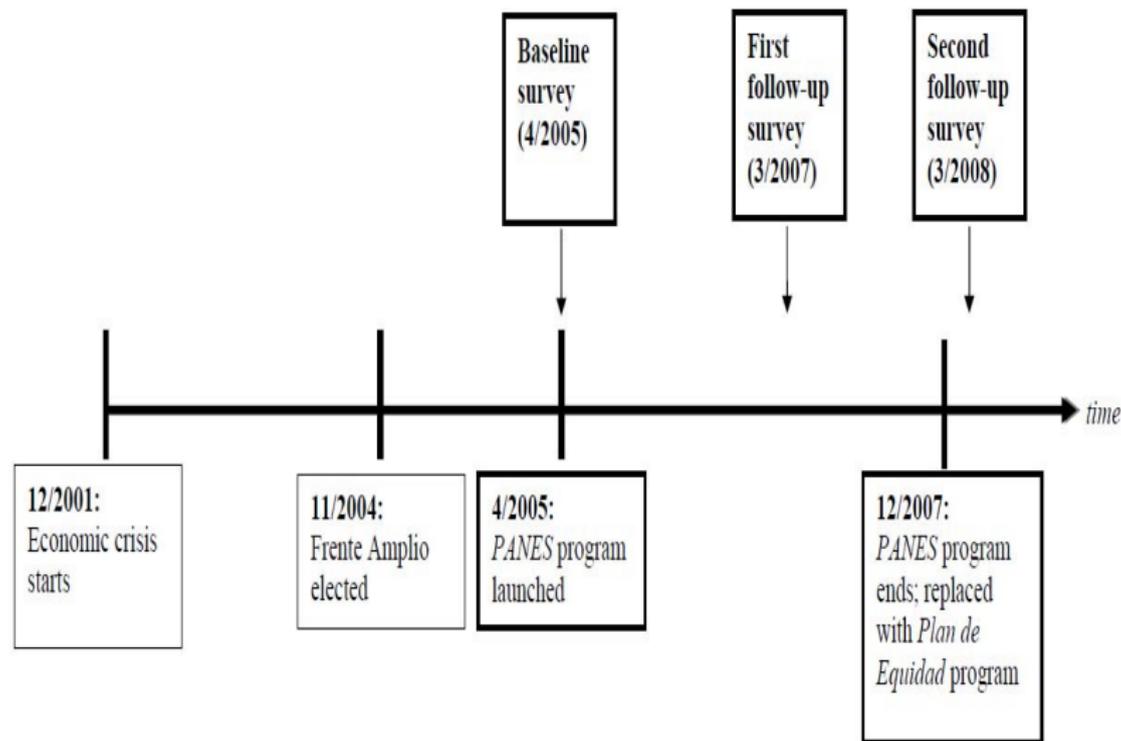
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## The Uruguay PANES program

- ▶ 188,671 applicant households and 102,353 beneficiaries (10% of all households in Uruguay or 0.41% of GDP)
- ▶ PANES assignment based on a strict threshold of a predicted poverty score, based on baseline survey data (created by researchers); households, officials not given the formula
- ▶ PANES ended in 12/2007, and replaced with much less generous Plan de Equidad (PE). No difference in receipt of PE transfers between PANES, non-PANES households ( 55%)

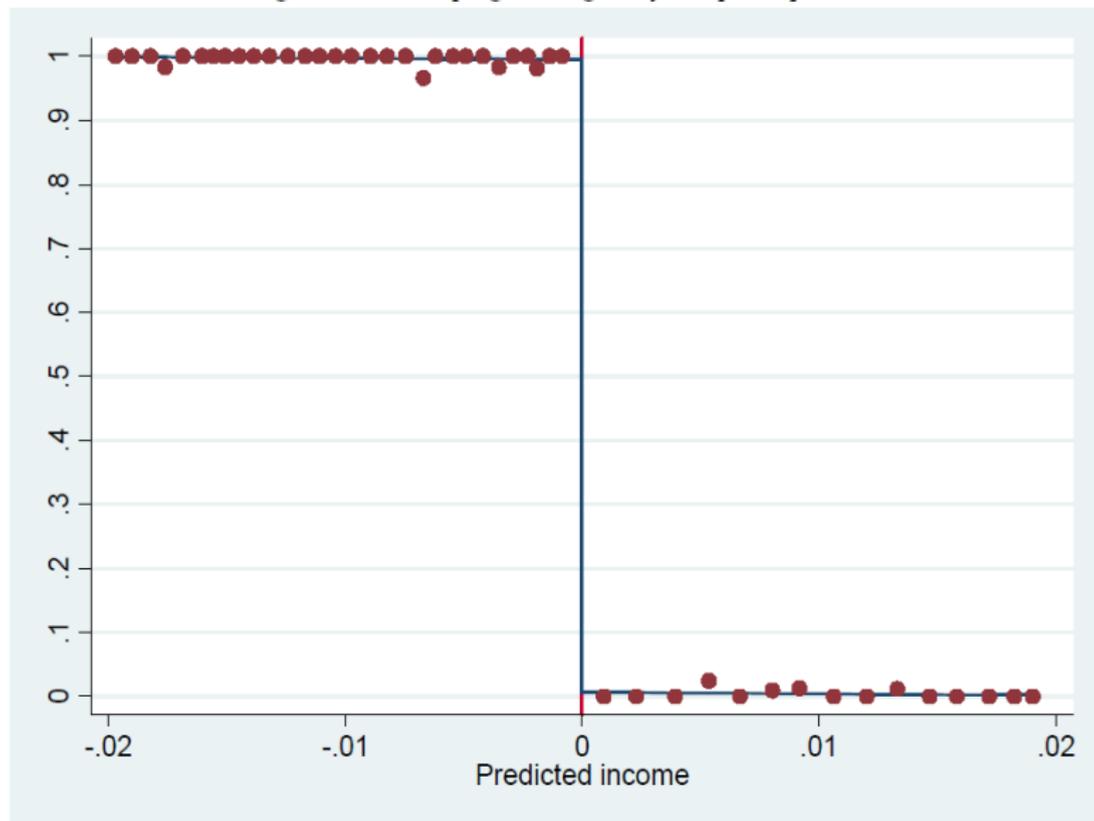
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Figure 1: *PANES* program and data collection timeline

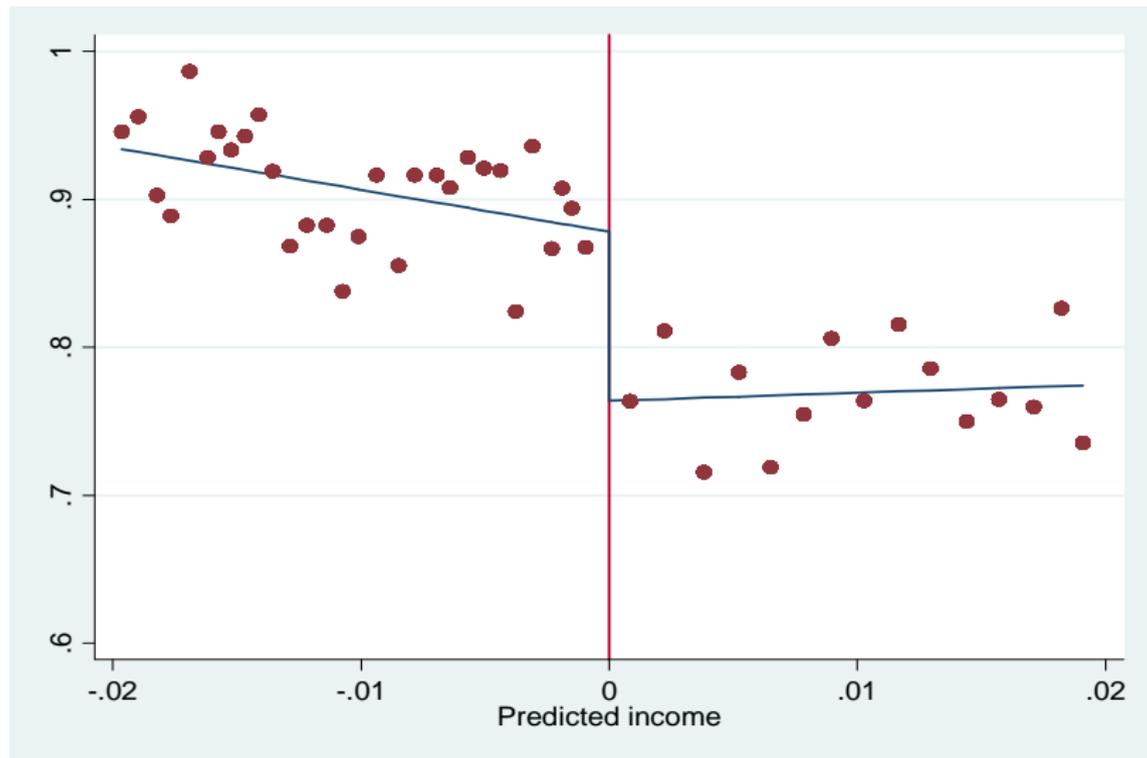


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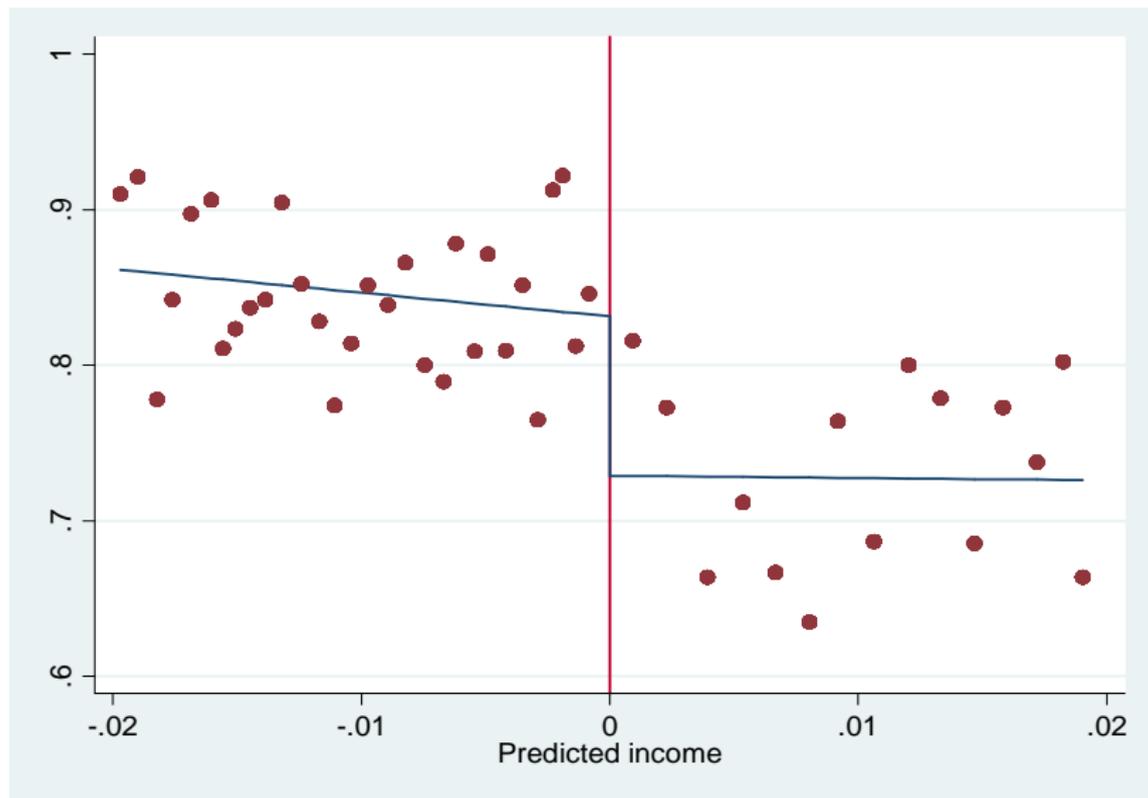
Figure 2: *PANES* program eligibility and participation



Political support for government 2007



Political support for government 2008



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## Regression discontinuity analysis

$$y_i = \alpha + \beta T_i + f(X_i) + \epsilon_i$$

### Assumptions:

- ▶ Treatment is discontinuous at the eligibility cutoff (testable)
- ▶ Function  $f(\cdot)$  is properly specified and locally continuous
  - ▶ Show results using various specifications (see Table 1)
- ▶ Other determinants are continuous at the cutoff points
  - ▶ Show that other determinants are not discontinuous at the cutoffs (similar to showing that covariates are balanced in RTC) (See Table 2)
- ▶ Eligibility rule has not been manipulated
  - ▶ Plot the density of running variable  $\rightarrow$  no mass points near the threshold (McCrary 2008) (see Appendix Figure A2)

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Table 1: *PANES* program eligibility, participation, and political support for the government

		(1)	(2)	(3)	(4)	(5)	(6)
Panel A:	Mean						
	non-eligibles	Dep. var: Ever received <i>PANES</i> , 2005-2007 (administrative data)					
Program eligibility	0.002	0.997 <sup>***</sup> (0.002)	0.993 <sup>***</sup> (0.004)	0.996 <sup>***</sup> (0.005)	0.997 <sup>***</sup> (0.002)	0.993 <sup>***</sup> (0.004)	0.997 <sup>***</sup> (0.005)
Panel B:		Dep. var: Government support, 2007					
Program eligibility	0.770	0.137 <sup>***</sup> (0.014)	0.118 <sup>***</sup> (0.028)	0.138 <sup>***</sup> (0.043)	0.135 <sup>***</sup> (0.015)	0.112 <sup>***</sup> (0.029)	0.136 <sup>***</sup> (0.045)
Panel C:		Dep. var: Government support, 2008 (post-program)					
Program eligibility	0.729	0.116 <sup>***</sup> (0.015)	0.095 <sup>***</sup> (0.030)	0.092 <sup>**</sup> (0.043)	0.117 <sup>***</sup> (0.016)	0.091 <sup>***</sup> (0.032)	0.081 <sup>*</sup> (0.045)
Score controls		None	Linear	Quadratic	None	Linear	Quadratic
Other controls		No	No	No	Yes	Yes	Yes

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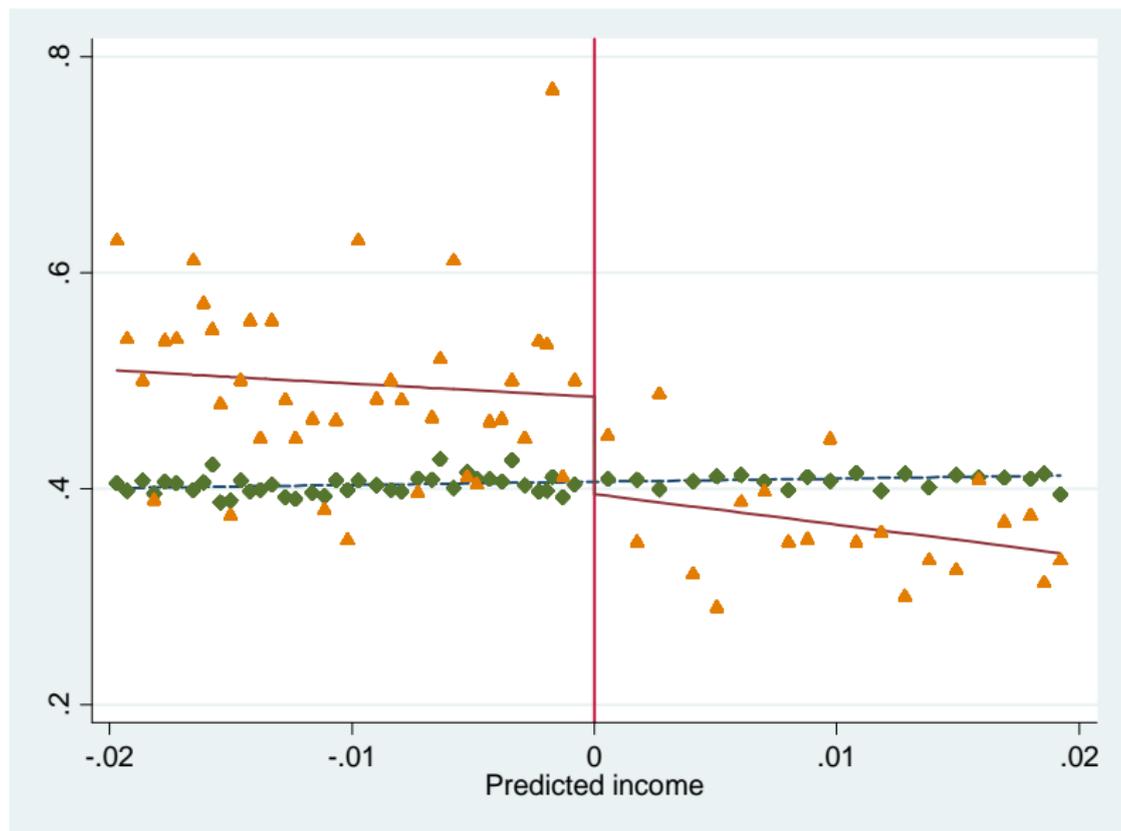
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- ▶ Fear of losing program?
- ▶ Embitterment effect?

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- ▶ Effects on political support (but not income and other measures of well-being) persist after the end of the temporary program
- ▶ How do we interpret these results in terms of theory?
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    - ▶ Other political and social attitudes change, including interest in politics, national pride, optimism for the future
  - ▶ Reciprocity?