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?
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- 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 Atencín Nacional a la Emergencia Social)
  - 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
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%)
Figure 1: PANES program and data collection timeline

- **Baseline survey (4/2005)**
- **First follow-up survey (3/2007)**
- **Second follow-up survey (3/2008)**

**Timeline events:**
- **12/2001:** Economic crisis starts
- **11/2004:** Frente Amplio elected
- **4/2005:** PANES program launched
- **12/2007:** PANES program ends; replaced with Plan de Equidad program
Figure 2: P4NES program eligibility and participation
Manacorda, Miguel, Vigorito 2010

Political support for government 2007

Predicted income

The graph shows the relationship between predicted income and political support for government. The data points are scattered, with a downward trend indicated by the regression line. The x-axis represents predicted income, ranging from -0.02 to 0.02, while the y-axis ranges from 0.6 to 1.0.
Manacorda, Miguel, Vigorito 2010

Political support for government 2008

Predicted income vs. Political support for government 2008.
Manacorda, Miguel, Vigorito 2010
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)
Table 1: PANES program eligibility, participation, and political support for the government

<table>
<thead>
<tr>
<th>Panel A:</th>
<th>Mean non-eligibles</th>
<th>Dep. var: Ever received PANES, 2005-2007 (administrative data)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Program eligibility</td>
<td>0.002 **</td>
<td>0.997***</td>
</tr>
<tr>
<td></td>
<td>(0.002)</td>
<td>(0.004)</td>
</tr>
</tbody>
</table>

<table>
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<tr>
<th>Panel B:</th>
<th>Dep. var: Government support, 2007</th>
</tr>
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<tbody>
<tr>
<td>Program eligibility</td>
<td>0.770***</td>
</tr>
<tr>
<td></td>
<td>(0.014)</td>
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</tbody>
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<th>Panel C:</th>
<th>Dep. var: Government support, 2008 (post-program)</th>
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<tr>
<td>Program eligibility</td>
<td>0.729**</td>
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Score controls | None | Linear | Quadratic | None | Linear | Quadratic |
Other controls  | No    | No     | No        | Yes  | Yes    | Yes       |

*Note:*** denotes statistical significance at the 1% level.

**Note:** The table above presents the results of a regression analysis examining the relationship between PANES program eligibility and political support for the government. The dependent variables include ever receiving PANES, government support in 2007, and government support in 2008, both before and after the program's implementation. The table shows the mean non-eligibles for each category and the coefficients associated with PANES eligibility, along with their standard errors in parentheses. The significance levels are indicated by asterisks: ** indicates significance at the 5% level, *** at the 1% level.
Issues:

- Outcome measure: “In relation to the previous government, do you believe that the current government is worse (0), the same (1/2), better(1)”
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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?
  - Does this support pocketbook voting?

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Manacorda, Miguel, Vigorito 2010

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