
**Pro-Poor Transfers and Economic Preferences of the Rich and Poor:
Evidence from a Four Year Partial Population Experiment**

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March 2021

Psychology and Economics of Poverty (PEP) Convening

Motivation

- huge reduction in the number of global poor in the last 30 years
 - since the mid-1990s, poverty alleviation programs increasingly rely on direct transfers to the poor
 - AER Registry lists 4225 studies in 154 countries
 - **this paper:** whether and how economic preferences are impacted by pro-poor economic policies
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Economic Preferences

- pro-poor transfers can impact economic preferences along multiple margins:
 - redistributive preferences
 - perceptions of and concerns over inequality
 - pro-market beliefs (meritocracy...)
 - social capital (common good...)
 - these preferences are interlinked
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Context and Pro-Poor Policy Treatments

- study context: 103 villages in Southern Punjab, Pakistan
 - village level randomization of pro-poor policy treatments:
 - T1: asset transfers [\$620 per eligible]
 - T2: equivalent high-valued cash transfers
 - 400 households per village on average
 - 20-25% of all households are eligible poor
 - within treated villages randomly assign treatment to half the poor:
 - treated poor vs not treated poor
 - sample all treated and not treated poor [$N = 7970$]
 - random sample of non-poor [$N = 11,063$]
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Existing Evidence Base on Pro-poor Transfers

- both these **big push** policies known to have large impacts on economic well-being of the poor
 - separate paper evaluates economic impacts of each treatment
[Bandiera *et al.* 2021]
 - in our context, asset transfers and cash transfers found to have similar impacts on outcomes: combine treatments
 - impact of pro-poor transfers on economic preferences in a village economy setting:
 - less asymmetric information than economy-wide studies
 - economic gains observable to others, more noticeable to self
 - [Table 3: Consumption Impacts]
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Table 3: Consumption

	Food Expenditure (AE)	Non Food Expenditure (pc)	Village Inequality, Food Consumption
	Within Villages		SD (Log Food Expenditure)
	Treated Poor vs Not Treated Poor		
<i>B. Pooled Treatments</i>			
Treatment, Two Year Impact	.036*** (.012)	.021 (.026)	-.032*** (.009)
Treatment, Four Year Impact	.041*** (.013)	.047** (.021)	-.017* (.009)
Mean (control, 2-years)	74.2	20.7	.333
Strata Fixed Effects	Yes	Yes	Yes
Number of observations	12156	12176	191

Measurable impacts on other **easy to observe** dimensions of economic well-being:

Housing quality: cement walls, iron roofs

Livestock ownership (4-year impact, 16pp, 28%)

Value of livestock owned (4-year impact, 14%)

Engagement in markets by the treated poor: milk sales, entering supply chains...

Treated poor entering economic activities that non poor traditionally engage in

Redistributive Preferences

- redistribution: *should the rich give part of their income to the poor?*
 - windfall: *one year ago, a person's monthly income increased to PKR 250,000 as a result of luck. Should (s)he be taxed by the government to raise funds for the poor?*
 - windfall: *five years ago,...*
 - [Table 5: Redistributive Preferences]
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Table 5: Redistributive Preferences

OLS estimates, standard errors clustered by village-survey wave

TREATED POOR

One year ago, a person's monthly income increased to PKR 250'000 as a result of luck

Five years ago, a person's monthly income increased to PKR 250'000 as a result of luck

Should the rich give part of their income to the poor?

Should (s)he be taxed by the government to raise funds for the poor?

Treatment, Two Year Impact	.017* (.009)	.041* (.023)	.050** (.023)
Treatment, Four Year Impact	.015* (.015)	.009 (.023)	.013 (.025)
Mean Outcome, Control [Two Year]	95.5%	67.3%	69.0%
Two Year = Four Year [p-value]	[.865]	[.319]	[.279]
Observations	9170	8844	8831

Table 5: Redistributive Preferences

OLS estimates, standard errors clustered by village-survey wave

	TREATED POOR			NOT TREATED POOR			NON-POOR		
		One year ago, a person's monthly income increased to PKR 250'000 as a <u>result of luck</u>	Five years ago, a person's monthly income increased to PKR 250'000 as a <u>result of luck</u>		One year ago, a person's monthly income increased to PKR 250'000 as a <u>result of luck</u>	Five years ago, a person's monthly income increased to PKR 250'000 as a <u>result of luck</u>		One year ago, a person's monthly income increased to PKR 250'000 as a <u>result of luck</u>	Five years ago, a person's monthly income increased to PKR 250'000 as a <u>result of luck</u>
	Should the rich give part of their income to the poor?	Should (s)he be taxed by the government to raise funds for the poor?		Should the rich give part of their income to the poor?	Should (s)he be taxed by the government to raise funds for the poor?		Should the rich give part of their income to the poor?	Should (s)he be taxed by the government to raise funds for the poor?	
Treatment, Two Year Impact	.017* (.009)	.041* (.023)	.050** (.023)	.023*** (.008)	.020 (.025)	.029 (.024)	.031*** (.010)	.046** (.023)	.071*** (.024)
Treatment, Four Year Impact	.015* (.015)	.009 (.023)	.013 (.025)	.015* (.008)	.005 (.025)	.008 (.028)	.004 (.008)	.002 (.026)	.001 (.029)
Mean Outcome, Control [Two Year]	95.5%	67.3%	69.0%	95.6%	67.3%	69.1%	94.2%	68.4%	68.4%
Two Year = Four Year [p-value]	[.865]	[.319]	[.279]	[.672]	[.819]	[.555]	[.034]	[.208]	[.060]
Observations	9170	8844	8831	10426	10032	10010	18448	17723	17693

Factors Related to Redistributive Preferences

- whether luck or effort are responsible for individual success [Alesina and Angeletos 2005]
 - perception of inequality [Norton and Ariely 2011]
 - perception of own relative standing [Benabou and Ok 2001, Hvidberg *et al.* 2020]
 - social mobility (aspirations)
 - ideal income distribution
 - belief in effectiveness of government [Sapienza and Zingales 2013, Kuziemko *et al.* 2015, Alesina *et al.* 2018]
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Pro-market Beliefs

- pro-poor policies enable households to engage in market exchange
 - measure using same components as WVS/Di Tella *et al.* [2007]:
 - is it possible to be successful on your own (vs with a group)? (individualism)
 - is effort important for a successful life? (role of merit)
 - is money important for happiness? (materialism)
 - do you trust other people in Pakistan? (generalized trust)
 - [Table 8: Pro-Market Beliefs]
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Table 8: Pro-Market Beliefs

OLS estimates, standard errors clustered by village-survey wave

	Is it possible to be successful on your own (vs with a group)?	Is effort important for a successful life?	Is money important for happiness?	Do you trust other people in Pakistan?	Pro-Market Beliefs (Di Tella et al., 2007)
	(1)	(2)	(3)	(4)	(5)
A. TREATED POOR					
Treatment, Two Year Impact	.011 (.028)	.039** (.018)	.051*** (.018)	.067*** (.025)	.164*** (.061)
Treatment, Four Year Impact	-.014 (.029)	-.000 (.021)	.016 (.021)	-.042 (.032)	-.049 (.068)
Mean Outcome, Control [Two Year]	52.2%	67.6%	79.2%	42.9%	2.42
Two Year = Four Year [p-value]	[.544]	[.155]	[.220]	[.008]	[.022]
Observations	9170	9170	9170	9170	9170

Table 8: Pro-Market Beliefs of the Rich and Poor

OLS estimates, standard errors clustered by village-survey wave

	<i>TREATED POOR</i>	<i>NOT TREATED POOR</i>	<i>NON-POOR</i>
	Pro-Market Beliefs (Di Tella et al., 2007)	Pro-Market Beliefs (Di Tella et al., 2007)	Pro-Market Beliefs (Di Tella et al., 2007)
Treatment, Two Year Impact	.164*** (.061)	.144** (.069)	.189*** (.041)
Treatment, Four Year Impact	-.049 (.068)	-.035 (.067)	.045 (.041)
Mean Outcome, Control [Two Year]	2.42	2.41	2.41
Two Year = Four Year [p-value]	[.022]	[.064]	[.013]
Observations	9170	10426	18448

Social Capital

- long standing concern that engagement in markets might erode social capital
 - free markets crowd out informal institutions?
[Platteau, Udry, Attanasio-Rios Rull...]
 - free market based meritocracy eroding the common good? [Sandel 2020]
 - [Table 9: Social Capital]
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Table 9: Social Capital

OLS estimates, standard errors clustered by village-survey wave

	If you lose your wallet, will someone return it?	Are individual property rights secure from takeover?	Do you feel the rule of law is operative?	Do you feel safe in your village?	Crime is Down Relative to Three Years Ago	Social Capital Index
	(1)	(2)	(3)	(4)	(5)	(6)
A. TREATED POOR						
Treatment, Two Year Impact	.036*	.314***	.041**	.027***	.093***	.491***
	(.021)	(.026)	(.016)	(.009)	(.025)	(.071)
Treatment, Four Year Impact	.006	-.004	-.010	.023**	.031	.071
	(.025)	(.028)	(.019)	(.011)	(.022)	(.088)
Mean Outcome, Control [Two Year]	37.6%	40.0%	86.6%	92.2%	75.6%	3.34
Two Year = Four Year [p-value]	[.350]	[.000]	[.046]	[.802]	[.063]	[.000]
Observations	9174	9179	9174	9174	7097	7097

Table 9: Social Capital of the Rich and Poor

OLS estimates, standard errors clustered by village-survey wave

	<i>TREATED POOR</i> Social Capital Index	<i>NOT TREATED POOR</i> Social Capital Index	<i>NON-POOR</i> Social Capital Index
Treatment, Two Year Impact	.491*** (.071)	.437*** (.074)	1.02*** (.058)
Treatment, Four Year Impact	.071 (.088)	-.029 (.089)	.062 (.061)
Mean Outcome, Control [Two Year]	3.34	3.34	2.81
Two Year = Four Year [p-value]	[.000]	[.000]	[.000]
Observations	7097	7943	14169

What Have We Learned?

- do pro-poor transfers generate (voter) demands for further redistribution?
 - no, except among those who believe government is effective
 - but do not generate polarization either
 - persistent gap between measured and perceived changes in inequality
 - but pro-poor transfers do build pro-market views and social capital
 - engagement in markets and communities not zero sum [Himanshu, Stern and Lanjouw 2019]
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Implications

- dynamics matter: in long run, economic preferences are inelastic even to big push pro-poor policies
 - 10% of village economy treated
 - effective poverty alleviation policies ($IRR > 10\%$)
 - large distributional effects
- hard to think of economy-wide social policies with such large redistributive impacts
- given fiscal capacity, politically feasible policy responses to COVID-19 depend on elasticity of economic preferences [Duffy *et al.* 2021]
- how will voter demands change in face of pandemic threatening to push 100mn people back into extreme poverty? [World Bank 2020]