Authors
Dennis Egger
University of Oxford

Johannes Haushofer
Stockholm University

Edward Miguel
University of California, Berkeley
Center for Effective Global Action (CEGA)

Paul Niehaus
University of California, San Diego

Michael Walker
University of California, Berkeley

General equilibrium effects of cash transfers: experimental evidence from Kenya

Dennis Egger Johannes Haushofer Edward Miguel Paul Niehaus Michael Walker*

December 18, 2019

Abstract

How large economic stimuli generate individual and aggregate responses is a central question in economics, but has not been studied experimentally. We provided one-time cash transfers of about USD 1000 to over 10,500 poor households across 653 randomized villages in rural Kenya. The implied fiscal shock was over 15 percent of local GDP. We find large impacts on consumption and assets for recipients. Importantly, we document large positive spillovers on non-recipient households and firms, and minimal price inflation. We estimate a local fiscal multiplier of 2.7. We interpret welfare implications through the lens of a simple household optimization framework.

*Egger: University of California, Berkeley; Haushofer: Princeton University, NBER, Busara Center for Behavioral Economics, and Max Planck Institute for Collective Goods; Miguel: University of California, Berkeley, NBER, and CEGA; Niehaus: University of California, San Diego, NBER, and CEGA; Walker: University of California, Berkeley, and CEGA. Niehaus is a co-founder, former president (2012 - 2017) and chairman of the board of *GiveDirectly*. Acknowledgements: We thank the study participants for generously giving their time; Justin Abraham, Aakash Bhalothia, Christina Brown, Genevieve Denoeux, Tilman Graff, Max Lauletta, Michelle Layvant, Layna Lowe, Anya Marchenko, Max Mueller, Priscilla de Oliviera, Robert On, Rachel Pizatella-Haswell, Emaan Siddique, Zenan Wang, Francis Wong and Kejian Zhao for excellent research assistance; Innovations for Poverty Action for fieldwork; the Busara Center for Behavioral Economics for piloting work; GiveDirectly for fruitful collaboration; and Vittorio Bassi, Abhijit Banerjee, Chris Blattman, Giacomo DiGiorgi, Esther Duflo, Yuriy Gorodnichenko, Seema Jayachandran, Adriana Lleras-Muney, Atif Mian, Emi Nakamura, Ben Olken, Jon Steinsson, and numerous conference and seminar participants at Barcelona GSE, Geneva, Harvard Business School, Harvard Kennedy School of Government, the Harvard/MIT Development seminar, Maastricht, Stanford, the World Bank, University of British Columbia, UC Berkeley, UC Santa Cruz, UC San Diego, University of Chicago, University of Southern California, University of Washington, Zurich, the 2019 BREAD/NBER meeting, the 2019 Korean Economic Review international conference, the 2019 American Economic Association annual meetings, and the 2018 Y-Rise meetings for comments and discussion. This research was supported by grants from the International Growth Centre, CEPR/Private Enterprise Development in Low-Income Countries (PEDL), the Weiss Family Foundation, and an anonymous donor. Walker gratefully acknowledges financial support from the National Science Foundation Graduate Research Fellowship (Grant No. DGE 1106400). The study received IRB approval from Maseno University and the University of California, Berkeley. AEA Trial Registry RCT ID: AEARCTR-0000505.

1

General equilibrium effects of cash transfers: experimental evidence from Kenya

How large economic stimuli generate individual and aggregate responses is a central question in economics, but has not been studied experimentally. We provided one-time cash

transfers of about USD 1000 to over 10,500 poor households across 653 randomized villages in rural Kenya. The implied fiscal shock was over 15 percent of local GDP. We find large impacts on consumption and assets for recipients. Importantly, we document large positive spillovers on non-recipient households and firms, and minimal price inflation. We estimate a local fiscal multiplier of 2.7. We interpret welfare implications through the lens of a simple household optimization framework.

December 19, 2019