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## The Benefits of Cash Without Conditions

By **TINA ROSENBERG**

The poor are different from you and me, as F. Scott Fitzgerald might have said. They have less money.

Yet it makes news when a charity simply gives the poor cash. [GiveDirectly](#), which two years ago began to give cash to very poor families in Kenya that they could spend however they wanted, is getting a lot of attention — most recently an [article](#) in the New York Times Magazine and a more in-depth [piece](#) on This American Life.

[GiveWell](#), an organization that attempts to measure the effectiveness of charities — it doesn't look at overhead costs, but at how much good each dollar buys — ranks GiveDirectly second of the organizations it has examined, behind a more traditional group that provides anti-malaria bed nets.

But several things make people uneasy with GiveDirectly's approach. One is the widespread belief that the poor are not simply different because they have less money. They have less money because they are different.

Those on the left tend to believe that the differences come from giant structural problems: bad or no education, health, transport, housing, few jobs. Giving cash to the poor, while helpful, solves one of these problems: credit constraints. It's a big problem. But once it's solved, another problem is likely to get in the way.

The right-wing argument is that the poor are poor because of the culture of poverty: people make bad choices, lack discipline, look for short-term gratification. This argument holds that giving cash to the poor doesn't help much — and many people will misspend it in ways that make things worse.

While this debate is familiar to Americans in a domestic context (see: welfare) it also applies — somewhat differently — to people in poor countries. The structural barriers are far, far, larger — barriers toppled for most people in America decades ago still keep people in poverty in poor countries. Chris Blattman, who teaches political science at Columbia University and has carried out several studies of programs that give cash to the poor, notes that access to money isn't a necessary condition for raising people's incomes in the United States — they can get a job with a company that has that access. But it is

crucial in poor countries, since a dearth of formal jobs obliges people to start their own businesses to get ahead.

Yet it is also the case that these barriers create ways of living that perpetuate poverty. For example, poor families need children's labor in the fields, so they keep them home from school. The phrase "culture of poverty," now the property of conservatives, was invented by the anthropologist Oscar Lewis 50 years ago to apply to the poor Mexican families he studied (and made famous in "The Children of Sánchez"). Lewis would be appalled at how the phrase is used today. He was a Marxist, although not a doctrinaire one, and he intended it to refer to habits of the poor that were a response to the vast inequities of the capitalist system.

A related problem is how to measure the success of cash gift programs. One common test of anti-poverty interventions is whether they make people richer. So giving money will always succeed — by definition.

But as parents everywhere remind their children, there is money and there is money. Some people run small businesses. Others win the lottery. We know that one of these ways is much more effective than the other at increasing well-being over the long term.

Getting a grant is something that many would compare to winning the lottery. But there is some evidence that such handouts do help people get started on a better life. No one is suggesting that they become a substitute for programs that help break down structural barriers. But if the evidence holds up, this kind of handout — formally known as an unconditional cash transfer — could become an important method to help the world's poorest become less so.

Unconditional cash transfers are a variation on what has become the planet's most important social welfare program — conditional cash transfers. C.C.T.'s were invented simultaneously in Mexico and Brazil in the mid-1990s. (You can find Fixes columns on them [here](#) and [here](#).) In Mexico, the idea was the brainchild of Santiago Levy, an under secretary in the Treasury Department. Mexico had just suffered a crash of the peso, and poverty was soaring. As in many countries, Mexico's safety net for the poor helped very little, consisting mainly of subsidies on tortillas, milk and bread. The program was inefficient, politicized, corrupt and badly targeted. (The poor don't eat bread; they eat tortillas.)

"Once you realize all you are transferring is income, the obvious question is why don't you just give them income directly?" said Levy.

He took the idea to the Mexican cabinet. The other ministers told him the idea was nuts.

But that "nuts" idea is now sweeping the world — helping large percentages of the poor in more than two dozen countries. C.C.T.'s give families small monthly payments as long as

they meet certain responsibilities, like keeping their children in school and getting health checkups. It's an elegant idea — cut poverty for this generation while breaking the transmission of poverty to the next one.

In Mexico and Brazil alone, C.C.T.'s provide a safety net for more than 80 million people. The program has greatly reduced poverty and inequality and improved education and health. In general, people spend the money well — on meat and fruit and vegetables, shoes for the children, school supplies.

One thing that makes C.C.T.'s successful is that they are more likely than other kinds of programs to actually reach the poor. They are usually run by national governments, which means that local politicians cannot direct money to their supporters. There is nothing physical to build or move — cash is distributed by local banks or, increasingly, electronically. There are few opportunities for corruption. Overhead is low.

Levy's assumption — everyone's assumption — was that the conditions were key. They solved a political problem by ensuring that money was going to the “deserving” poor. They were a filter, ensuring recipients met some minimum standards of responsibility. Most important, the conditions were the way to buy good behavior — the way to keep kids in school.

But the new evidence suggests that in some circumstances, conditions might not be needed.

GiveDirectly sends a large cash transfer to people in some of the poorest villages in Kenya. The group chooses people who have thatched-roof houses (anyone not abjectly poor has a tin roof) and sends them a one-time windfall: two payments of \$500 each.

[Innovations for Poverty Action](#), which carries out randomized controlled trials of social programs, is studying GiveDirectly, and [preliminary results](#) are promising.

In the past few months, three new studies have shown good results from similar programs. None are quite as unconditional as GiveDirectly. Instead, they are what researchers call labeled cash transfers. The government provides the money for a specific use, but there are no conditions — recipients are in practice free to use it however they wish.

Two of the programs are from Northern Uganda. With the government-run [Youth Opportunities Program](#), young people got an average of \$374 — about equivalent to their annual income. They had to submit proposals to use the money for either vocational training or materials for a skilled job, but once they got the grant, there were no requirements on how to spend it.

Another, called [Women's Income Generation Support \(Wings\)](#), run by the

nongovernmental group AVSI, gave \$150 cash grants to impoverished villagers (mostly women) along with 5 days of business training, and follow-up business advice from a trained community worker.

The recipients in both programs largely spent the money as they had promised. In the first program, recipients used the money for training and materials to start skilled trades such as tailoring or metalworking. With Wings, the recipients started selling goods.

Both raised income. Four years after the Youth Opportunities Program began, recipients [were earning](#) 41 percent more than the control group. For women, the difference was a whopping 84 percent.

In the Wings program, 18 months after getting the grant recipients were [earning](#) double the income of the control group. They had large increases in savings as well.

A study in Morocco provided further evidence. Tayssir, a government program designed to increase school attendance, works in 600 of the country's poorest rural communities. It gives families a small amount of money. It is pitched as a school program, the fliers announcing it show children studying, and it's administered at schools. But like its sister programs, recipients can theoretically use the money as they wish.

To compare effects, the government also set up a parallel conditional cash transfer program that paid only if students did enroll in school.

Both programs increased school enrollment by a large amount. But surprisingly, Tayssir was more effective (see the paper [here \(pdf\)](#) and an Innovations for Poverty Action summary [here](#)).

This is particularly remarkable because Tayssir was much cheaper. It did away with the two most costly parts of conditional cash transfers; there were no conditions to verify, and, because the entire community was eligible for the grants, there was no need to choose recipients and check that they qualified. The program could afford to enroll everyone because the grant was much smaller than the usual C.C.T. grant. GiveDirectly is now experimenting with going into a village and giving money to every family.

Caution is required. Other studies (for example, [this one](#)) have shown that conditions do matter. Blattman is currently studying a program for street youths from Liberia; preliminary results don't look good for giving money alone, he said.

But the evidence that unconditional cash transfers might do as well as conditional ones is tantalizing. These are enormous programs — with the exception of GiveDirectly, these are usually government welfare programs affecting millions of people. A lower cost might allow a government to help many more people for the same price. “Is all of the cost put into ensuring conditions are met worth it?” asked Niall Keleher, director of research

methods at I.P.A. “Can we find models of unconditional cash transfers that perhaps don’t achieve all the glory of conditional cash transfers, but may be a heck of a lot cheaper?”

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*This post has been revised to reflect the following correction:*

**Correction: August 28, 2013**

*An earlier version of this column incorrectly stated that the Youth Opportunities Program and the Women's Income Generation Support (WINGS) program were run by the government of Uganda. Wings was run by a nongovernmental group, AVSI.*