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Kerry A. Dolan, Forbes Staff

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Giving Cash Directly To The Poor Gets Thumbs Up From New Study

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Back in March, I wrote about a [new nonprofit](#) that was giving cash to poor people in Kenya. Many supporters called it a “stupid idea,” “misguided,” and “nonviable.” GiveDirectly, however, had some important backers, having won financial support from [Google](#) [GOOG-0.46%](#)’s philanthropy arm and from [Facebook](#) [FB-1.09%](#) cofounder and The New Republic’s Chris Hughes.



Now, with the publication of a [new academic study](#) on Oct. 25, GiveDirectly’s work gets additional support. The study, led by Johannes Haushofer, a PhD affiliated with MIT’s Abdul Latif Jameel Poverty Action Lab, and Jeremy Shapiro, who has a PhD in development economics from MIT and was a cofounder of GiveDirectly, and conducted in collaboration with the nonprofit Innovations for Poverty Action, was a randomized controlled trial that looked at cash grants made to poor households in Western Kenya from 2011 to 2012. The research was funded by a grant from the National Institute of Health’s Common Fund.

One interesting thing to note: Recipients of the cash – who were typically chosen because they had a thatched roof hut (as opposed to a sturdier tin roof) – were free to spend the cash as they wished. There were no strings attached. The money was transferred to cellphones using a service called M-Pesa.

The results were positive. Households that received cash increased the assets

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Kerry A. Dolan

Forbes Staff

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I’m a San Francisco-based Senior Editor and one of the leaders of Forbes’ wealth team. I write about how the richest get wealthy and how they spend their time and their money. My colleague Luisa Kroll at Forbes in New York and I oversee

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Why Facebook Cofounder Chris Hughes And Google Are Giving Cash Directly To The Poorest

Kerry A. Dolan
Forbes Staff



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they owned by nearly 40% more than the amount received, typically by improving their homes and buying livestock. They spent more on food, healthcare and education. The cash reduced the number of days children went without food by 42% and helped increase food consumption 20%. Revenue from animal husbandry increased, as well as revenue from small businesses. The cash helped increase the psychological well being of people and the families who received it. The researchers also concluded that the cash did not increase spending on alcohol, tobacco or gambling.

“These results suggest unconditional cash transfers do a lot of good things,” Shapiro told me. What is still not clear, he said, are the longer term impacts. The study measured results over just one year. In five or 10 years, will those who received cash still be eating better and still own more livestock than they did before?

That’s for another study to ask.

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