
Household Responses to Cash Transfers

Denni Tommasi*¹

¹European Center for Advanced Research in Economics and Statistics (ECARES) – Belgium

Abstract

This paper estimates a collective model of the household and investigates how parents reach decisions to allocate household resources. Using data from the Mexican PROGRESA, we test the restrictions of collective rationality on a large variety of specifications and show that this modelling approach cannot rationalize the decision process. We provide some evidence that the observed inefficiency is driven by the group receiving the cash transfers. These results are consistent with the idea that a possible (negative) indirect effect of CCT programs may be to enhance disagreements between the spouses which trigger an inefficient allocation of their resources.

Keywords: Empirics

*Speaker