

Abstract

The paper examines local economy effects of social transfers, by focusing on food consumption and asset holdings of non-eligible households in rural Mexico following the introduction of PROGRESA in 1997. The quasi-experimental nature of the evaluation data collected for the purposes of evaluating the impact of PROGRESA enables the quantification of this impact. In the paper we compare welfare indicators among non-eligible households in treatment areas and control areas. The analysis finds that non-eligible households in treatment areas show significantly higher levels of food consumption and asset holdings following the introduction of PROGRESA, compared to non-eligible households in control areas. These results are interpreted to suggest that transfers in poor rural areas in Mexico enable agents to interact more strategically such that non-beneficiaries, as well as beneficiaries, reap consumption and production advantages.

Keywords: Mexico, PROGRESA, social transfers, poverty, assets, food consumption

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