Unconditional Cash Transfers: The Future of Aid

Unconditional cash transfers allow low-income households the choice and flexibility of allocating resources to meet the needs they find most pressing. Throughout the readings in this course, I have noticed a reoccurring development theme. This theme or tactic they use to administer development processes always revolves around implementing billions of dollars of aid into what they (the aid company) thinks is the best route; whether it be education, healthcare, government, or resource sustenance, the donors always choose where the money is allocated. After reading about failure after failure it was rather uplifting to read this week’s readings. Who knew that such a simple idea could possibly be the solution for many underdeveloped countries? Also, why were the citizens in these said countries looked over as lesser opinionated human beings when other aid companies came in with their own plans? This aggravates me as it seems like they are disregarding the fact that they are both humans and therefore have the same logical instincts for survival. This idea is backed up by concept of the reading, which is unconditional cash transfers. I believe that unconditional cash transfers reduce local barriers to development.

First and foremost, cash transfers allow poor households to build assets. These assets include such things as replacing thatch roofs with steel ones, building houses, improving job efficiency and helping build onto/ creating their small businesses. When presented with the idea of GiveDirectly, most corporate bosses and politicians scoffed at the idea and brushed it off as, “You must be smoking crack” (Matthews). The underlying problem holding this form of
development aid back according to the Matthews reading was that voters and politicians alike just did not trust poor people. The problem with that stigmatization is that not one single person listed in the studies in these articles used their money for anything but self-growth and community growth, and, “a review of 19 different cash transfer studies found evidence that giving cash decreases spending on tobacco and alcohol” (Matthews). In fact, even criminals and former combatants were spending less than four percent on drugs, alcohol, and tobacco, and, “Income rose, and crime fell in the short fun after receipt of cash” (Matthews). Also, let’s debunk the next myth, which is; giving them free money will leave them lazy and stagnate their economic growth. The result was quite the contrary in fact. Most of the people interviewed were expanding their businesses by utilizing some of the extra cash to hire on more people or improve the overall efficiency of their work.

Cash transfers also increase consumption. The citizens spend their monthly transfers on a variety of goods and services, such as education, food, and healthcare. According to the Blattman and Neihaus reading, “When people have cash in hand, they tend to buy a wider variety of goods and services. Not everyone, after all, wants a cow” (Blattman/Niehaus). The idea of cash transfers instead of donating livestock seems to make much more sense to me, and it would be much more cost efficient as well. These livestock programs spend anywhere from $331 to $3,000 on just donating livestock. Imagine what the citizens could do with all that money; most likely buy more than one cow. Cash transfers really let the recipients focus on their specific needs in order of personal importance, which helps them develop and flourish faster than mediocre and expensive government aid programs. Although there is no governmental development aid, the Kenyan village seems to be getting the right idea without foreign interference. Their town mayor meets regularly with other village leaders in the region, and he also encouraged his villagers to
set aside a small bit of their GiveDirectly money each month for, “improving roads, building an electrical link to nearby towns, setting up a pipeline for water, etc.” (Matthews).

In the reality of it all, most of the world’s poor do not get access to any anti-poverty interventions, either from government or a nonprofit, so their choice is, “Cash or nothing” (Matthews). Therefore, the question looms overhead of whether this successful concept will be able to turn to a universal positive, or just another “we tried it”. I believe that humans that want to thrive and procure a better life for themselves will always use the money to better themselves and their community regardless of their geographic location. Unfortunately, there will always most likely be a few people straying from the path, but that’s just part of natural selection. The unconditional cash transfers by GiveDirectly seem to be one of the most trustable charitable organizations to date. This is true because there are no hidden wasteful costs. The concept of cash transfers has not just been successful in Kenya but has also helped, “Mexican families, Ghanaian farmers, Kenyan villagers, Malawian schoolgirls, and war-affected Ugandans” (Blattman/Niehaus). Overall, I think this idea of unconditional cash transfers has a extremely bright future, and I hope that the research into it will yield just that