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The Rockefeller Effect

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Many argue that organizations of the disadvantaged create positive externalities, and in particular strengthen the position of these groups in society. A natural inference is that these organizations should be subsidized. We argue that the benefits of expanding the operations of these groups must be set against the potential costs of weakening the role of the disadvantaged in these organizations. A prospective, randomized evaluation of a development program targeted at strengthening rural women's groups in western Kenya suggests that the program did not improve group strength or functioning as measured by participation rates, assistance to members, and assistance to other community projects. The funding did, however, change the very characteristics of the groups that made them attractive to funders in the first place. Younger, more educated women and women employed in the formal sector joined the groups, and men and better-educated and wealthier women moved into key leadership positions.

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