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Nudges for Development

Sadly there was no randomized evaluation, so we can't be sure. But there are good reasons to believe that Malawi's national fertilizer subsidy scheme has been successful in increasing agricultural production.

One of the main concerns of critics is the sheer cost of the scheme. In Malawi around 9% of all government spending is going on the subsidy.

What if we could get similar results for next to nothing?

That is pretty much what Esther Duflo, Michael Kremer, and Jonathan Robinson found in Kenya. They thought that farmers might be under-investing in fertilizer due to procrastination and impatience rather than the cost. They offered farmers the chance to buy a fertilizer voucher at harvest time when they were flush with cash, for use later on during the next planting season.

The program was popular and significantly increased fertilizer usage. The effect was actually larger than a 50% fertilizer subsidy.

Can low-cost nudges replace high-cost subsidies?

December 22, 2010