

## The Macroeconomic Effects of Cash Transfers: Evidence from Brazil

### Abstract

This paper provides new evidence on the aggregate economic impact of cash transfers in developing countries. Using a Bartik-style identification strategy, we exploit the variation across states of the Bolsa Familia program in Brazil from 2004–19 and document large and significant effects of cash transfers on both local GDP and employment. States whose poor households receive an extra transfer of R\$1 increase their GDP by about R\$2 relative to other states, and these effects persist for several years. Employment increases substantially, with a much larger increase in informal employment than that of formal employment. Consistent with a demand-side mechanism, effects are concentrated in non-tradable sectors. An open-economy New Keynesian model produces multipliers that are smaller at all horizons, but not statistically different.