Old-Age Government Transfers and the Crowding Out of Private Gifts: The *70 Plus* Program for the Rural Elderly in Mexico

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Abstract

We estimate the crowding out of private transfers caused by *70 y Más*, a public assistance program for the rural elderly in Mexico for whom private support is an important source of income. Using data from the MexicanIncome and Expenditure Survey and atriple differences approach, we find that the program partially crowds out private giftsby reducing the probability of receiving domestic remittances. As a result, the non-labor income of the program beneficiaries increases by 30 percent less thanthe expected increase in government transfers resulting from the program. Therefore, reduced domestic transfers dampen the effect of the program and, thus, the public transfer originally targeted to the elderly ends up partially benefiting their donors within Mexico, but not those abroad.

Keywords: Old-age government transfers, crowding-out, remittances, Mexico.
JEL categories:H2, H3, H5, I3

1.   Introduction

In 2007, the Mexican government started *70 y Más* (which stands for 70 and above)–a non-contributory pension program that paid 500 pesos per month to individuals age 70 and older residing in localities with up to 2,500 inhabitants, the smallest rural communities in the country. The program, which quickly expanded to larger localities,[1] intends to increase the income of beneficiaries, many of which might not qualify for social security benefits due to the low coverage of contribution-based pension systems in rural areas. Yet, the attainability of its goal partially depends on whether this government transfer crowds out the transfers that the elderly receive from their families.

In this paper, we estimate the crowding out effect of *70 y Más* on the private transfers received by the rural elderly from both domestic and international donors, which are an important source of income for these individuals. For instance, the year before the program started, about 32 percent of individuals aged 70 and above reported receiving remittances on a monthly basis. On average, these inflows represented about half of their per capita household income.[2]Thus, gauging the extent of crowding out, if any, is relevant to determine whether the public resources transferred to the elderly through the program, which are substantial by now,[3] are fully kept by the intended beneficiaries or are partially benefiting other age groups.

Whereas the empirical literature on crowding out is large, few previous studies have focused on the crowding out of private transfers caused by similar cash transfer programs for the elderly. For instance, Jensen (2004) finds that a similar age-conditioned pension in South Africa reduces private transfers by about 30 percent. For Mexico, Juarez (2009) estimates the

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[1]In 2012, the program was expanded to urban communities and it has reached 3.5 million beneficiaries up from just over 2 million in 2011 (Guthrie 2012).
[2]In our data, the mean total amount of private transfers received by these individuals in localities with less than 2,500 inhabitants is 769 pesos and their average per capita household income is 1465 pesos, as shown in Table A in the appendix.
[3]The program has a budget of 18 billion Mexican pesos ($1.3 billion) for 2012, up from 6 billion Mexican pesos in 2007, when it was launched (Guthrie 2012).

effect of an earlier state cash transfer program for individuals age 70 and older in the Federal District (DF) on private transfers and estimates a crowding out of 86 percent. Our paper contributes to this literature by providing evidence for the Mexican rural elderly, who differ from the potential beneficiaries of the DF program in various regards: (a) they have lower incomes, (b) they have lower participation rates in social security, and (c) they display a greater dependence on private transfers than their urban counterparts.

Despite the size of the program, the current evidence on *70 y Más* is scarce and shows no crowding out. As part of the early impact evaluation of the program, Galiani and Gertler (2009) compare the economic outcomes of households with at least one individual age 70 and older in localities with less than 2,500 inhabitants in which the program was originally operating, to those of similar households in localities with 2,500-3,300 inhabitants, which were not initially participating in the program. They find that private transfers received by qualifying households *increase* by 17.5 pesos per month after the program started. However, their pilot sample, designed specifically for the initial evaluation of the program, is not nationally representative. Additionally, the rapid expansion of the program potentially compromises their estimation strategybecause localities just above the 2,500 inhabitants threshold were incorporated to the program in 2008, as their second round of data was being collected.

Our analysis relies on a sample of individuals age 55 and older from the *Mexican Income and Expenditure Survey* (ENIGH) –a nationally representative cross section dataset collected every two years by the Mexican Institute of Statistics (INEGI). We use data from the 2006 and 2008 rounds, before and after the implementation of *70 y Más*. Our empirical strategy compares the private transfers received by individuals age 70 and older in localities with less than 2,500 inhabitants, our treatment group, with those received by same-age individuals in localities with more than 100,000 inhabitants, where the program was not

operating in 2008. To account for any other changes affecting older adults in treated localities that cannot be attributed to the program, we also include individuals 55-69 years old, because they do not qualify for *70 y Mas,* regardless of the locality they live in.

We find that the program lowers the probability of receiving private transfers by 6.6 percentage points or 21 percent. This effect is mostly driven by a reduction in the likelihood of receiving domestic transfers of approximately 7.8 percentage points or 31 percent. The program has no statistically significant effect on either the probability of receiving international remittances, or on the amount received from either domestic or international donors for those individuals receiving any private transfers. These results suggest that the motives behind domestic remittances may differ from those driving international remittance flows, and/or that domestic donors are better informed about the program than donors living abroad. We also estimate the program effects by gender, and find that the extent of crowding-out is greater for women than men. As a robustness check, we look at the crowding out effect at the household level, and experiment with different definitions of treated and control localities. Our findings remain robust to these alternative specifications.

Finally, we estimate the increase in government transfers following the implementation of the program and compare it to the increase in non-labor incomeexperienced by age-qualifying individuals in treated localities between 2006 and 2008. Our estimates reveal that the non-labor income of program beneficiariesincreased by 30 percent less than their public transfersfollowing the implementation of the *70 y Más*program. This implies that domestic donors are mitigating the income redistribution intended by the program, but not completely neutralizing it.

The magnitude of the crowding out effect we find is roughly comparable the estimate in Jensen (2004), but smaller than the one in Juarez (2009). Our smaller estimates may be due to the fact that the rural elderly in Mexico receive a higher fraction of their private

transfers from abroad, compared to their urban counterparts in DF, and international remittances are precisely the least responsive transfers to the program. Inthat regard, our estimates provide a lower bound for the crowding out effect that the program could have nationwide as it expands to larger, more urban localities, in which the elderly receive most of their private transfers from domestic donors.

2.   Conceptual Framework

The theoretical literature considers two main motives for private transfers: altruism (*e.g.*Becker, 1974) and exchange (*e.g.*Bernheim*et al*., 1985). Altruistic transfers occur because the donor cares about the utility of the recipient. Therefore, a public transfer paid to the elderly may crowd out private transferssent altruistically as the recipients enjoy higher incomes.[4] Alternatively, transfers can also take place in exchange for provided services, such as the care of children or the oversight of property. Public transfers may also crowd out these transfers if the elderly reduce their supply of said services and the donor's demand is elastic (Cox, 1987). Conversely, if the donor's demand for services isinelastic, public transfers could actually result in larger private transfers paid to the elderly in exchange for provided services, which would reinforce the income redistribution goals of the government.[5]

For rural households, like the ones targeted by the *70 y Más* program, international remittances are an important fraction of thetotal private transfers they receive. Along with altruism and exchange, the literature on international remittances recognizes other motives for sending money back home, such as the wish to invest in physical or financial assets to self-insure or to earn a higher return (*e.g.*Durand *et al*., 1996), or the desire to maintain access to household resources, such as an inheritance (*e.g.* Lucas and Stark, 1985; Gubert,

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[4]As Andreoni (1989, 1990) shows, a public transfer would also crowd out private gifts, but to a lesser extent, if donors get utility from the mere act of giving.

[5]These results follow because, under exchange, the amount of private transfers paid to the elderly is $T=ps$, where $p$is the implicit price of services, and $s$isthe quantity (Cox, 1987).

2002;Amuedo-Dorantes and Pozo, 2006). In contrast to private transfers motivated by altruistic or exchange motives, private transfers motivated by these other purposes may not necessarily be crowded out by public transfers.

In what follows, we estimate the extent to which a public cash transfer crowds out the private transfers received by the rural elderly from both domestic and international donors. Because of the potentially distinct motives driving both types of monetary inflows and their donors' awareness of the public cash transfer program, domestic and international remittances may be crowded out to different degrees. In particular, a public cash transfer may not crowd out international remittances as much as domestic remittances if the former are more likely to be sent to earn a higher return than the latter, or if international donors are less aware about the existence of the program or the amount of the public transfer received by their elderly than domestic donors.

3. The *70 y Más* Program

The *70 y Más* program is a federal program for the rural elderly that pays a cash transfer of 1000 pesos (about 79 USD) every two months to individuals age 70 and older in qualifying localities. Until 2011, the transfer was exclusively conditioned on age and locality of residence, so it was not means-tested, not taxable and did not depend on previous contributions to the Mexican social security system. As a result, in the first four years of the program, eligibility was not correlated with past or current labor and saving decisions, or with unobservable factors associated to individual income or the receipt of private transfers.

The program started in 2007, covering all age-eligible individuals living in localities with up to 2,500 inhabitants, and has expanded rapidly since then. About a million individuals were covered by the end of that year. On December 31, 2007, the program was extended to localities up to 20,000 inhabitants, and the number of beneficiaries grew to 1.9 million. In 2009, localities with up to 30,000 inhabitants were included in the program, and

finally, in January 2012, localities with more than 30,000 inhabitants were also incorporated.[6]The rollout of the program responds to the low participation in the social security system observed in small, rural localities, which results in low pension receipt for the elderly living there. The program also promotes the use of health care services provided by *Seguro Popular* (Popular Insurance) among its beneficiaries.[7]

To enroll in *70 y Más*, an individual must present an official ID, proof of age (her birth certificate or unique population id number, CURP), and a utility bill to verify her address. In addition, the applicant must not be an *Oportunidades* beneficiary and, if she is, she must drop participation in that program to receive benefits from *70 y Más*.[8]

As part of an early impact evaluation of the program, Galiani and Gertler (2009) examine the effect of the program on the income, expenditures, savings and time use of its beneficiaries.[9]Specifically, they compare the private transfers received in 2009 by households with at least one individual age 70 and older in localities with less than 2,500 inhabitants, in which the program was operating, to those received by similar households in localities with 2,500-3,300 inhabitants. They find that private transfers actually*increased*by 17.5 pesos per month after the program started. However, their sample was expressly*designed for an initial

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[6] According to the program rules for this last expansion in 2012, age-eligible individuals in localities with more than 30,000 inhabitants must have no other pension income in order to participate in *70 y Más*. This additional requirement, which applies only to new 2012 program applicants, does not affect our empirical strategy, because we focus on the first year of operation of the program.

[7]*Seguro Popular* is a federal program that expanded the public health care services provided to the uninsured population starting in 2004. This program does not contaminate our crowding out results because we are using data after 2004, when the program was already in place, and because eligibility for *Seguro Popular* is not conditioned on age or locality size, so any effect of this program on private transfers would also affect our control groups.

[8] The *Oportunidades* program pays cash transfers mainly to poor families with school-age children since 1998. Later, a cash transfer for elderly individuals age 70 and older who lived in participating households was added to the program benefits. However, this transfer is about 610 pesos (47 USD) every two months, which is currently less than the transfer from *70 y Más*. Also note that, until 2011,*70 y Más*was not means-tested, so it covered a broader elderly population than *Oportunidades*.

[9] Their complete evaluation report in Spanish can be found at
http://www.sedesol.gob.mx/es/SEDESOL/70_y_mas.

evaluation of the program andwas not nationally representative.[10] Additionally, the rapid expansion of the program likely tainted their estimation strategy because localities with up to 20,000 inhabitants were incorporated to the program in 2008. As described in the next section, we use a different dataset and empirical strategy to address those limitations. We also differentiate between the program's effects on remittance inflows originated nationally as opposed to internationally, as well as between the distinct impacts of *70 y Más* according to the gender of the recipient.

4.   Data and Methodology

We rely on data from the Mexican Income and Expenditure Survey (*EncuestaNacional de Ingresos y Gastos de los Hogares*, ENIGH), a nationally representative survey carried out by the Mexican Statistical Institute (*InstitutoNacional de Estadística, Geografía e Informática,* INEGI) with the purpose of providing information on the size, structure, and distribution of Mexican households' income and expenditures. The first wave of the survey was administered in 1983-1984. Subsequent survey waves were completed in 1989 and, from 1992 onwards, biennially.

We use data from the 2006 and 2008 waves of the ENIGH. The ENIGH collects thorough information on household expenditures and income. Expenditures are reported at the household level, but income from different sources during the past six months, including domestic and international private transfers, are recorded for each individual in the household. The survey does not have any information on the characteristics of donors. Likewise, it does not have locality identifiers or characteristics. Nevertheless, we observe whether individuals belong to any of the following four groups according to the size of the locality they live in: those in localities with less than 2,500 inhabitants (group 4), localities

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[10] Their evaluation sample covers only 7 states: Guerrero, Hidalgo, Michoacán, Puebla, Queretaro, San Luis Potosi and Veracruz, as described in *Informe Final de Impacto Parte 1*, available at http://www.sedesol.gob.mx/es/SEDESOL/70_y_mas

with 2,500-14,999 inhabitants (group 3), localities with 15,000-99,999 inhabitants (group 2) and localities with 100,000 or more inhabitants (group 1).

We focus on individuals at least 55 years old –both before and after the policy change. We deflate all transfer and income variables using the consumer price index, so they are all expressed as monthly average amounts in 2010 pesos. To measure the crowding out of private transfers received by the rural elderly after the program started, we estimate the following two equations by ordinary least squares (OLS):

(1) $\quad Prob\ (R_i > 0) = \alpha_1 + \gamma_1\,D70_i * T_i * D2008_i + \gamma_2\,D70_i + \gamma_3\,T_i + \gamma_4\,D2008_i + \gamma_5\,D70_i * T_i$

$\quad\quad + \gamma_6\,D70_i * D2008_i + \gamma_7\,T_i * D2008_i + X_i\beta_1 + u_{i1}$

(2) $\quad log\ (R_i) = \alpha_2 + \delta_1\,D70_i * T_i * D2008_i + \delta_2\,D70_i + \delta_3\,T_i + \delta_4\,D2008_i + \delta_5\,D70_i * T_i$

$\quad\quad + \delta_6\,D70_i * D2008_i + \delta_7\,T_i * D2008_i + X_i\beta_2 + u_{i2}$

where R_i is the amount of domestic, international or total remittances received by the individual, depending on the model specification, $D70_i$ is a dummy variable equal to 1 if the individual is at least 70 years old, T_i is another dummy variable equal to 1 if the individual lives in a locality treated by the program, and $D2008_i$ is equal to 1 for individuals interviewed in 2008, after the program was implemented.

Individuals at least 70 years old in group 4, *i.e.*, those who live in localities with less than 2,500 inhabitants, participated in the government program from 2007 onwards. Individuals at least 70 years old in group 3, as well as some in group 2, started receiving program benefits in 2008. Finally, age-eligible individuals in group 1, those residing in the largest localities, were not eligible for the government transfers in 2008. In our main analysis, age-eligible individuals in the smallest localities (group 4) constitute our treatment group ($T_i = 1$), whereas age-eligible individuals in the largest localities (group 1) are our control group ($T_i = 0$). We include individuals 55 to 69 years old in the analysis because they do not qualify for the program regardless of the locality they live in. Therefore, they allow us

to account for any changes over time at the locality level that are unrelated to the program. As such, the estimated coefficient γ_1 captures the effect of the program –that is, the impact of being age-eligible in a treated locality after the program started– on the probability of receiving private transfers. Similarly, δ_1 captures the effect of the program on the overall magnitude of private transfers received by remittance-receiving individuals.

By using older individuals in group 1 as controls, we ensure that the control group did not participate in the program. However, age-eligible individuals in the largest localities in Mexico might be different from those living in the smallest ones. To address this concern, we explicitly account for differences in the socio-demographic characteristics of individuals by including in X_i their age, educational attainment (primary or less, secondary, college and beyond), a household head identifier and information on the share of household members that are young children (6 years of age or younger) or elderly (65 years of age or older).

In all our estimations, we also include municipality dummies to account for local differences potentially impacting remittance inflows, such as migration rates. Standard errors are clustered at the municipality level to account for the serial correlation problem typically present in difference-in-differences applications (Bertrand,Duflo and Mullainathan, 2004). Ideally, we would like to cluster standard errors at the locality level since locality is the unit of treatment, but we do not have locality identifiers. Nevertheless, given the rapid expansion of the program, it is reasonable to assume that when the program was implemented in a given municipality, all qualifying localities within the municipality were incorporated at once. Finally, we perform the analysis for all individuals, as well as separately for men and women. Additionally, as a robustness check, we experiment with different definitions of treatment and control groups based on locality size.

5. Some Descriptive Statistics

Table 1 displays some descriptive statistics for the individuals age 55 and older and their households in 2006, in each of the four groups of localities described earlier. The share of individuals reporting receiving any remittances in the relatively small localities in group 3 and 4 fluctuates around 24 percent, but drops to 21 and 17 percent as the size of the locality gets larger. Approximately 16 to 19 percent of individuals report receiving domestic remittances, but only 2 to 8 percent report receiving international money transfers. The share of elderly individuals receiving international remittances is larger in smaller communitiesthan in larger ones, and international transfers also represent a larger share of the private support received. A similar pattern emerges at the household level.

Individuals and households in our sample also differ in other regards. For instance, the share of individuals 70 years of age is larger in smaller rural communities, and so is their educational attainment. About 93 percent of individuals age 55 and older in localities with less than 2,500 inhabitants have elementary education or less, relative to 65 percent in localities with more than 100,000 inhabitants. At the household level, rural households display larger shares of children and elderly members than their urban counterparts. In contrast, the latter are more likely to be female-headed and enjoy larger per capita incomes.

Of special interest to us is the impact that the receipt of public transfers might have had on their receipt of private transfers. To address that question, we first look at how the implementation of the *70 y Más* program impacted the amount of public transfers received by the targeted group and, in turn, their remittance inflows. Table 2 displays average changes in both government and private transfers received by individuals in our treatment and control groups between 2006 and 2008, before and after the program, respectively. In Panel A, the DT column shows that individuals age 70 and older in localities with less than 2,500 inhabitants, the ones targeted by the program, experienced an increase of 218 pesos per

month in government transfers between 2006 and 2008. Likewise, their total remittances decreased by 112 pesos per month –the reduction being particularly larger in the case of domestic private transfers. All those changes were statistically significant at conventional levels. In contrast, the DC column shows how the change in either government or private transfers experienced by age-qualifying individuals in control communities was not statistically different from zero. As a result, the DD column in reveals that age-qualifying individuals in treated communities did experience a significant increase in government transfers of approximately 156 pesos/month, along with a significant decline in remittance transfers of about 87 pesos/month.

We perform equivalent calculations for younger non-qualifying individuals in Panel B in order to compare the difference-in-difference estimates from the two age groups. As can be seen from the DT and DC columns in Panel B, the government transfers received by individuals age 55 to 69 in treated and control localitiesalso increased between 2006 and 2008, while their remittances decreased. However, the DD column demonstrates that those changes were small relative to those experienced by their older counterparts in Panel A. Consequently, the triple-difference estimates in the last column of Panel A confirm that the *70 y Más*program increased government transfers for the targeted group by 152 pesos/month –an increase that was accompanied by a 78 pesos/month reduction in remittance inflows. In what follows, we explore if the observed patterns still hold in a regression-based analysis.

6. Does the *70 y Más* Program Crowd Out Private Transfers?

6.1. Main Findings

Table 3 shows the results from estimating equations (1) and (2) for individuals age 55 and older using OLS. Columns 1, 3 and 5 display, correspondingly, the estimates for the probability of receiving any private transfers –domestic or international. Columns 2, 4 and 6 show the results for the log amounts of such private transfers reported by remittance-

receiving individuals. According to the figures in column 1, individuals age 70 and older residing in a treated locality in 2008 were 6.6 percentage points less likely to receive any private transfers. As shown in Panel A of Table A in the appendix, the fraction of age-eligible individuals in the treatment group who reported receiving any remittances in 2006, before the program started, was 32 percent. Therefore, the program lowered this group's likelihood of receiving any private transfers by roughly 21 percent. Column 2, in turn, shows that the program had a negative, but small and not statistically significant, impact on the magnitude of total private transfers reported by remittance-receiving individuals. Therefore, to get an estimate of the impact of the *70 y Más* program on remittance inflows in pesos, we can multiply the treatment effect in column 1 (-0.066) by the mean amount reported by treated individuals receiving positive transfers before the program (769 pesos, as shown in Panel B, appendix Table A). This yields a reduction of 51 pesos/month –approximately 33 percent of the increase in mean government transfers received by age-qualifying individuals in Table 2.

To shed some more light on these results, columns 3 through 6 distinguish private transfers according to their origin. The implementation of the *70 y Más* program appears to have crowded out domestic private transfers, but not international ones. Specifically, column 3 shows that the program lowered the probability of receiving domestic remittances by 7.8 percentage points –a 31 percent reduction with respect to the 0.25 probability of receiving domestic remittances by this group before the program was implemented (Panel A, appendix Table A). However, it had no statistically significant impact on the likelihood of receiving international remittances. Likewise, the program did not significantly alter the magnitude of domestic or international money inflows of remittance-receiving individuals.

Other explanatory variables in Table 2 have the expected signs. For instance, men were less likely to receive private transfers than women and, if they report receiving any

monetary inflows, the magnitude of such flows was smaller. Similarly, more educated individuals were less likely to receive private transfers than their less educated counterparts. Yet, when they reported receiving a positive sum, the magnitude of the inflow was generally larger. This might occur if their education was positively correlated with that of their donors and more educated donors were capable of remitting larger sums. Not surprisingly, household heads were more likely to receive private transfers, as well as larger amounts. Finally, individuals residing in households with a larger share of elderly members were more likely to receive private transfers.

Table 4 looks at whether the crowding out of private transfers caused by *70 y Más* differed by gender. According to the figures in column 3, Panel A, the program lowered the likelihood of receiving domestic remittances by 6.8 percentage points among men –a 30 percent reduction in that likelihood. Like their male counterparts, women experienced a significant reduction in their likelihood of receiving domestic transfers of 9.8 percentage points following the implementation of the *70 y Más* program (column 3, Panel B). This effectrepresented a 37 percent reduction from their initial probability of receiving such transfers in 2006. Yet, the program did not significantly alter the magnitude of the transfers reported by remittance-receiving men and women, nor their international transfers.

Just as we did for the entire sample of men and women, we can get gauge the magnitude of the reduction in remittance inflows experience by both men and women following the implementation of the *70 y Más* program. According to the figures discussed above, domestic remittances declined by 54 pesos for men and by 46 pesos for women, which amount to approximately 36 and 30 percent of the 152 pesos mean increase in government transfers reported in Table 2.[11] Therefore, at first sight, the crowding out of domestic remittances caused by the program appears to be slightly larger for men than for women.

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[11] The mean amount of domestic remittances received by age-eligible men and women, who receive any, in treated localities in 2006 is 790 and 471 pesos per month, respectively.

Nevertheless, one has to caution against that assessment given the fact that overall private transfers only seem to have significantly declined for women (column 1, Table 4).[12]If private transfers to elderly women are more likely to take place to palliate their lower pension receipt and non-labor incomes than in the case of men, then such transfers are more likely to decrease following the implementation of a public income support program as*70 y Más*.

In summary, our results suggest that the *70 y Más* program partially crowds out the private supportreceived by the elderly by reducing their probability of receiving domestic remittances, and that the overall crowding out of private transfers is actually larger for elderly women than for men. However, the program has no significant impact on either the probability of receiving international remittances, or on the amount received by individuals still receiving any kind of private transfers. In addition to potential differences in the main motives driving domestic and international remitters, it is possible that donors in Mexico are more aware of the program than those abroad. As such, they may be more likely to stop remitting than their international counterparts.

Our estimated effects are comparable to those in Jensen (2004) for rural households in South Africa, and smaller than the almost complete crowding out estimated by Juarez (2009) for DF residents age 70 and older. The composition of the private transfers received by the Mexican elderly in rural and urban areas might partly explain the differences between our results and those in Juarez (2009). As shown in Panel A of Table A, the mean remittance amount received by individuals age 70 and older in group 4 (254 pesos per month) is not extremely different from that of similar individuals in group 1 (273 pesos per month). However, for our treatment group of rural individuals (group 4), domestic remittances represent 60 percent of all private transfers, whereas for our control group of urban

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[12]The results in column 1 are probably due to the fact that we do observe a significant reduction in domestic transfers for both men and women, and that the program effects on international remittances, even though not significant, are negative for women and positive for men in columns 5 and 6.

individuals these transfers represent 87 percent.[13] If public transfers primarily reduce the likelihood of receiving domestic remittances, then those receiving a higher proportion of this type of transfers would experience a larger crowding out and, as a result, wouldgain less from government redistributive efforts.

6.2.   Robustness Checks

As a robustness check, we firstredo the analysis using alternative specifications of the control and treatment groups. As mentioned in section 3, at the end of 2007, the program was extended to localities with up to 20,000 inhabitants. Hence, individuals in group 3 were incorporated to the program during 2008, together with some individuals in group 2, though not all of them. Panel A in Table 5 displays the results when we use individuals in groups 3 and 4 as our treated group and those in group 1 as our control group. And Panel B in Table 4 shows the results when individuals in groups 3 and 4 are in the treated and those in groups 1 and 2 in the control group. As can be seen from the figures in Table 5, these alternative specifications yield very similar results. In both instances, the *70 y Más* program seems to have reduced the likelihood of receiving domestic remittances by 6 to 7 percentage points, and that of receiving any private transfers by 5 to 6 percentage points. These effects are statistically significant at 5 percent. As in our main findings, the program did not significantly impact the probability of receiving international remittances, or for the amount received by individuals still receiving positive transfers.

Second, we repeat from the analysis using the household, as opposed to the individual, as our unit of observation. In these regressions, our key independent variable is the interaction of a dummy for having at least one household member who is age 70 and older with a dummy for being in a locality with less than 2,500 inhabitants and a dummy for

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[13] Using ENIGH data for 1998-2004, Juarez (2009) also reports that a small fraction of urban individuals receive any international remittances, which is consistent with the fact that migrants to the U.S. come mostly from rural localities.

2008. The results, shown in Table 6, are broadly consistent with our individual-level findings. The *70 y Más* program crowded out domestic remittances and, as a result, the overall likelihood of receiving any private transfers dropped by 13 percentage points −a larger effect owing to the compilation of multiple individuals with a reduced likelihood of receiving remittances in the household unit. Once again, no other significant effects are found.

In sum, the *70 y Más* program appears to have partially crowded out private transfers by lowering the probability of receiving domestic ones, regardless of whether the analysis is performed at the individual or household level.

7.   How is the *70 y Más* Program Impacting IndividualNon-labor Incomes?

Our partial crowding out estimates suggest that the actual increase in non-labor income experienced by program beneficiaries might have been smaller than what the government intended. To assess whether that is indeed the case, Table 7 displays the results from estimating individual-level regressions similar toequations (1) and (2) using government transfers received and non-labor income as our dependent variables. Government transfers include any public cash transfer programs, except for *Progresa* and *Procampo*. Non-labor income includes government and private transfers, pensions, rent, capital, and other non-labor income. We look at non-labor income, as opposed to total income, because labor income is more likely to change in response of the program through a reduction in the labor supply of beneficiaries.

The figures in Table 7 confirm that the program significantly increased government transfers received by age-qualifying individuals in treated localities by raising the probability of receiving government transfers by 43 percentage points. However, as found for private transfers, the program did not significantly change the magnitude of the amounts reported by individuals who were already receiving government transfers.   The mean amount of

16

government transfers received by those who report positive amounts in 2008 was 340 pesos per month. Therefore, according to the estimate in column 1, the program increased government transfers by 147 pesos –a figure close to the average of 152 pesos per month in Table 2.

Did the non-labor income of beneficiaries increase by a similar amount, or by less due to the estimated impact of the *70 y Más* program on private transfers? According to the figures in column 3 of Table 7, the program raised the likelihood of reporting some non-labor income by 12 percentage points, but not the amount earned. The average non-labor income of age-eligible individuals in 2008 was 897 pesos per month. Therefore, our estimate suggests that the program raised the non-labor income of beneficiaries by 112 pesos per month –an amount 30 percent smaller than the 147 peso/month increase in government transfers reported above. In other words, the crowding out of private transfers caused by the *70 y Más* program dampened the beneficiaries' expected increase in non-labor income.

8.   Summary and Conclusions

Close to 50 percent of Mexican households with members 70 years of age and older in rural communities reported receiving remittances on a monthly basis in 2006. These monetary inflows were also non-negligible in magnitude, accounting for approximately 30 percent of per capita household income. In 2007, Mexico implemented *70 y Más* –a public income support program that pays a monthly transfer of 500 pesos to individuals age 70 and older residing in localities with up to 2,500 individuals.

We examine how the public income transfer impacted, if at all, the receipt of private transfers. We find that the program partially crowded out the remittances received by the rural elderly, mostly by lowering their likelihood of receiving domestic private transfers by 31 percent. Nevertheless, those still receiving domestic remittances did not experience a reduction in the magnitude of their inflows. Likewise, international private transfers

17

remained unaffected by the program implementation. Given that public transfers could crowd out private transfers that are motivated by either altruism or exchange, but not necessarily those given for self-insurance or investment purposes, the results point to distinct motives driving domestic and international private transfers and/or to differences in the senders' unawareness of the existence and details of the government assistance program.

Overall, despite crowding out of domestic private transfers –a side effect benefiting domestic donors, the public program is still achieving part of its income redistribution objective. Nevertheless, the crowding out effects could get substantially larger as the program expands to larger localities since the urban elderly receive a higher share of private transfers from domestic donors –the most responsive onesto the program.

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Table 1: Descriptive statistics before the program (2006)

Group	Group 4		Group 3		Group 2		Group 1	
Locality Size	In localities <2,500		In localitites 2,500-14,999		In localitites 15,000-99,999		In localities > 100,000	
Descriptive Statistic	Mean	SD	Mean	SD	Mean	SD	Mean	SD
Panel A: Individual Characteristics								
Received any remittances	0.24	0.43	0.25	0.43	0.21	0.41	0.17	0.38
Received any domestic remittances	0.18	0.38	0.19	0.40	0.17	0.38	0.16	0.37
Received any international remittances	0.08	0.28	0.06	0.24	0.05	0.21	0.02	0.15
Total remittances received	200.87	890.36	169.16	553.48	177.66	573.67	214.15	1117.35
Domestic remittances received	111.99	734.35	92.07	307.83	118.32	396.96	179.61	1054.32
International remittances received	88.88	510.07	77.10	468.29	59.34	420.19	34.54	360.11
Age 70 and older	0.36	0.48	0.39	0.49	0.32	0.47	0.32	0.47
Male	0.49	0.50	0.47	0.50	0.47	0.50	0.45	0.50
Age	67.22	9.45	67.53	9.45	66.47	9.18	66.05	9.22
No instruction or elementary education	0.93	0.25	0.90	0.30	0.78	0.41	0.65	0.48
Secondary or high school education	0.04	0.20	0.07	0.26	0.12	0.32	0.17	0.37
College education and beyond	0.02	0.15	0.03	0.17	0.10	0.30	0.18	0.38
Household head	0.60	0.49	0.63	0.48	0.62	0.48	0.61	0.49
Number of observations	3148		950		2049		4117	
Panel B: Household Characteristics								
Received any remittances	0.40	0.49	0.42	0.49	0.34	0.47	0.28	0.45
Received any domestic remittances	0.29	0.45	0.33	0.47	0.28	0.45	0.26	0.44
Received any international remittances	0.15	0.35	0.12	0.32	0.08	0.28	0.04	0.20
Total remittances received	532	1580	454	1082	507	1374	516	1863
Domestic remittances received	264	1203	226	558	298	831	416	1721
International remittances received	268	1051	228	954	209	1106	100	712
Household size	3.69	2.35	3.92	2.62	3.75	2.28	3.60	2.14
Female head of household	0.25	0.43	0.34	0.47	0.34	0.48	0.35	0.48
Number of members age 70+	0.53	0.68	0.56	0.68	0.45	0.63	0.45	0.63
Number of members age 16-54	1.34	1.40	1.55	1.61	1.58	1.50	1.57	1.43
Number of children age 6 and younger	0.35	0.74	0.39	0.79	0.31	0.69	0.26	0.64
Per capita income in the household	1131	2136	1086	1283	1945	2594	2826	4279
Number of observations	2129		665		1466		2920	

Sample: Individuals age 55+ from ENIGH 2006. Remittances, income and expenditures are in real pesos per month.

Table 2: Average Public and Private Transfers per Month

	Localities <2,500			Localities >100,000			DD	DDD
	2006	2008	DT	2006	2008	DC	(DT-DC)	(DD Panel A-DD Panel B)
Panel A: Individuals age 70+								
Government Transfers	28.67	246.6	217.9***	80.87	142.3	61.50	156.4***	152.4***
	4.595	5.347	7.051	5.602	41.55	41.92	0.731	0.011
Total Remittances	295.2	183.2	-112.1**	392.2	366.92	-25.36	-86.74***	-77.92***
	42.66	17.23	46.01	53.45	27.24	59.99	1.401	0.018
Domestic Remittances	136.5	74.64	-61.83**	272.8	228.1	-44.77	-17.06***	-20.77***
	28.49	9.541	30.04	39.97	18.30	43.97	0.977	0.013
International Remittances	87.47	54.34	-33.13*	24.81	30.33	5.521	-38.65***	-27.93***
	15.77	7.695	17.54	6.170	6.043	8.637	0.394	0.005
N	994	1309	2303	1194	2232	3426	5729	
Panel B: Individuals age 55-69								
Government Transfers	7.259	16.22	8.966***	1.549	6.507	4.958*	4.008***	
	1.648	2.932	3.363	0.718	2.705	2.799	0.579	
Total Remittances	247.7	162.5	-85.20***	233.1	156.7	-76.38***	-8.820***	
	23.79	14.05	23.63	24.40	9.730	26.27	0.450	
Domestic Remittances	96.04	52.16	-43.87***	140.3	92.71	-47.58***	3.710***	
	13.73	4.469	14.44	16.93	6.111	18.01	0.289	
International Remittances	91.87	62.25	-29.62**	36.55	17.63	-18.92**	-10.72***	
	11.77	8.896	14.76	7.291	3.061	7.906	0.231	
N	2018	2714	4732	2810	5323	8133	12865	

Table 3: OLS results for remittances received by individuals age 55+

	(1) Any Remittances	(2) Log (Total Remittances)	(3) Any Domestic Remittances	(4) Log (Domestic Remittances)	(5) Any International Remittances	(6) Log (International Remittances)
Treatment Effect	**-0.066****	**-0.041**	**-0.078*****	**0.010**	**0.003**	**0.141**
	(0.028)	**(0.192)**	**(0.025)**	**(0.240)**	**(0.016)**	**(0.559)**
Year 2008	-0.013	-0.197**	-0.016	-0.154	-0.001	-0.084
	(0.012)	(0.090)	(0.011)	(0.094)	(0.003)	(0.333)
Age 70+	0.009	0.153	0.004	0.171	-0.002	0.120
	(0.016)	(0.130)	(0.015)	(0.149)	(0.007)	(0.306)
Treated Locality	0.013	-0.060	-0.002	-0.006	0.013	0.282
	(0.027)	(0.181)	(0.025)	(0.192)	(0.014)	(0.580)
(Age 70+)*(Treated Locality)	-0.026	-0.276*	-0.005	-0.350**	-0.016	-0.158
	(0.021)	(0.145)	(0.019)	(0.165)	(0.012)	(0.345)
(Age 70+)*(Year 2008)	0.025	0.092	0.023	0.072	0.003	-0.162
	(0.016)	(0.122)	(0.015)	(0.137)	(0.006)	(0.484)
(Treated Locality)*(Year 2008)	-0.005	-0.097	0.001	-0.147	-0.000	-0.325
	(0.021)	(0.165)	(0.018)	(0.190)	(0.011)	(0.425)
Male	-0.171***	-0.129**	-0.149***	-0.132**	-0.034***	-0.054
	(0.007)	(0.056)	(0.007)	(0.060)	(0.004)	(0.139)
Age	0.001**	-0.008*	0.002***	-0.007	0.000	-0.010
	(0.001)	(0.004)	(0.001)	(0.005)	(0.000)	(0.011)
Secondary Education	-0.042***	0.641***	-0.035***	0.677***	-0.010**	0.528*
	(0.008)	(0.081)	(0.008)	(0.087)	(0.004)	(0.307)
Tertiary Education	-0.068***	0.696***	-0.057***	0.759***	-0.016***	0.542
	(0.009)	(0.088)	(0.009)	(0.082)	(0.004)	(0.581)
HH Head	0.129***	0.348***	0.111***	0.261***	0.028***	0.411***
	(0.007)	(0.051)	(0.007)	(0.056)	(0.004)	(0.143)
Share of Children in the HH	-0.060*	-0.249	-0.088***	-0.479	0.024	-0.444
	(0.034)	(0.319)	(0.032)	(0.382)	(0.019)	(0.453)
Share of Elderly HH Members	0.133***	0.017	0.124***	0.036	0.015***	0.090
	(0.010)	(0.077)	(0.010)	(0.082)	(0.005)	(0.211)
Community FE	YES	YES	YES	YES	YES	YES
Observations	19,298	3,615	19,298	2,917	19,298	855
Adjusted R^2	0.113	0.182	0.0953	0.202	0.121	0.160

Notes: All regressions include a constant term. Robust standard errors (in parentheses) are clustered at the municipal level. *** p<0.01, ** p<0.05, * p<0.1

Table 4: OLS results for remittances received by men and women age 55+

	(1) Any Remittances	(2) Log (Total Remittances)	(3) Any Domestic Remittances	(4) Log (Domestic Remittances)	(5) Any International Remittances	(6) Log (International Remittances)
PANEL A: MEN						
Treatment Effect	**-0.036**	**0.313**	**-0.068****	**0.121**	**0.017**	**1.104**
	(0.038)	**(0.421)**	**(0.035)**	**(0.536)**	**(0.022)**	**(1.079)**
Year 2008	-0.005	0.003	-0.003	-0.146	-0.003	1.281**
	(0.010)	(0.230)	(0.010)	(0.259)	(0.004)	(0.643)
Age 70+	0.014	0.400	0.017	0.223	-0.008	0.959
	(0.022)	(0.275)	(0.022)	(0.349)	(0.010)	(0.654)
Treated Locality	-0.026	0.027	-0.018	0.115	-0.009	-0.079
	(0.026)	(0.361)	(0.022)	(0.437)	(0.013)	(0.758)
(Age 70+)*(Treated Locality)	-0.027	-0.521	0.005	-0.355	-0.023	-1.162
	(0.030)	(0.320)	(0.028)	(0.381)	(0.016)	(0.740)
(Age 70+)*(Year 2008)	-0.015	-0.412	-0.021	-0.298	0.002	-1.205
	(0.022)	(0.283)	(0.022)	(0.334)	(0.008)	(0.941)
(Treated Locality)*(Year 2008)	0.010	-0.186	0.012	-0.073	0.001	-1.630**
	(0.022)	(0.320)	(0.018)	(0.402)	(0.014)	(0.763)
Observations	9,212	1,186	9,212	905	9,212	325
PANEL B: WOMEN						
Treatment Effect	**-0.104****	**-0.151**	**-0.098****	**0.064**	**-0.011**	**-0.342**
	(0.042)	**(0.247)**	**(0.038)**	**(0.285)**	**(0.022)**	**(0.784)**
Year 2008	-0.019	-0.136	-0.028*	-0.146	0.002	-0.411
	(0.017)	(0.108)	(0.016)	(0.105)	(0.006)	(0.425)
Age 70+	0.001	0.109	-0.009	0.156	0.004	-0.327
	(0.022)	(0.170)	(0.021)	(0.181)	(0.009)	(0.464)
Treated Locality	0.056	-0.006	0.016	0.133	0.035	0.197
	(0.048)	(0.251)	(0.045)	(0.275)	(0.025)	(0.711)
(Age 70+)*(Treated Locality)	-0.028	-0.217	-0.012	-0.400*	-0.017	0.182
	(0.030)	(0.191)	(0.027)	(0.214)	(0.018)	(0.508)
(Age 70+)*(Year 2008)	0.059**	0.261*	0.060***	0.228	0.003	0.269
	(0.023)	(0.158)	(0.022)	(0.161)	(0.008)	(0.646)
(Treated Locality)*(Year 2008)	-0.004	-0.165	0.001	-0.343	0.002	-0.067
	(0.031)	(0.212)	(0.026)	(0.250)	(0.018)	(0.593)
Observations	10,074	2,429	10,074	2,012	10,074	530

Notes: All regressions include a constant term as well as the regressors in Table 3. Robust standard errors (in parentheses) are clustered at the municipal level. *** p<0.01, ** p<0.05, * p<0.1

Table 5: Robustness Checks with Treated Localities with 14,999 Inhabitants or Less

	(1) Any Remittances	(2) Log (Total Remittances)	(3) Any Domestic Remittances	(4) Log (Domestic Remittances)	(5) Any International Remittances	(6) Log (International Remittances)
PANEL A: Control: Localities>100,000						
Treatment Effect	-0.051**	0.036	-0.067***	0.149	0.008	0.134
	(0.025)	(0.181)	(0.022)	(0.222)	(0.014)	(0.537)
Year 2008	-0.013	-0.128	-0.016	-0.159*	-0.001	-0.122
	(0.012)	(0.090)	(0.011)	(0.094)	(0.003)	(0.332)
Age 70+	0.003	0.161	-0.000	0.145	-0.003	0.196
	(0.016)	(0.128)	(0.015)	(0.147)	(0.006)	(0.298)
Treated Locality	0.004	-0.170	-0.008	-0.166	0.010	0.153
	(0.024)	(0.167)	(0.022)	(0.184)	(0.011)	(0.553)
(Age 70+)*(Treated Locality)	-0.018	-0.287**	0.001	-0.303*	-0.015	-0.172
	(0.019)	(0.140)	(0.018)	(0.160)	(0.010)	(0.321)
(Age 70+)*(Year 2008)	0.025	0.095	0.023	0.078	0.003	-0.144
	(0.016)	(0.122)	(0.015)	(0.139)	(0.006)	(0.480)
(Treated Locality)*(Year 2008)	-0.010	-0.074	-0.005	-0.115	-0.003	-0.275
	(0.019)	(0.147)	(0.016)	(0.170)	(0.010)	(0.398)
Observations	22,127	4,230	22,127	3,368	22,127	1,045
PANEL B: Control: Localities>15,000						
Treatment Effect	-0.056**	0.078	-0.062***	0.210	-0.001	0.464
	(0.024)	(0.167)	(0.021)	(0.204)	(0.014)	(0.431)
Year 2008	-0.007	-0.109	-0.007	-0.131*	-0.001	-0.217
	(0.009)	(0.072)	(0.009)	(0.078)	(0.004)	(0.237)
Age 70+	-0.005	0.177*	-0.001	0.175	-0.010	0.327
	(0.013)	(0.105)	(0.013)	(0.121)	(0.006)	(0.225)
Treated Locality	0.015	-0.132	-0.002	-0.094	0.018*	-0.354
	(0.017)	(0.113)	(0.015)	(0.129)	(0.010)	(0.361)
(Age 70+)*(Treated Locality)	-0.008	-0.274**	0.001	-0.321**	-0.004	-0.295
	(0.017)	(0.127)	(0.016)	(0.142)	(0.010)	(0.262)
(Age 70+)*(Year 2008)	0.029**	0.053	0.019	0.030	0.011*	-0.490
	(0.014)	(0.104)	(0.013)	(0.118)	(0.006)	(0.361)
(Treated Locality)*(Year 2008)	-0.014	-0.080	-0.014	-0.133	-0.000	-0.200
	(0.017)	(0.135)	(0.014)	(0.157)	(0.010)	(0.318)
Observations	26,514	5,165	26,514	4,143	26,514	1,246

Notes: All regressions include a constant term as well as the regressors in Table 3. Robust standard errors (in parentheses) are clustered at the municipal level. *** $p<0.01$, ** $p<0.05$, * $p<0.1$

24

Table 6: OLS Results for Households with at Least One Member 55 Years of Age or Older

	(1)	(2)	(3)	(4)	(5)	(6)
	Any Remittances	Log (Total Remittances)	Any Domestic Remittances	Log (Domestic Remittances)	Any International Remittances	Log (International Remittances)
Treatment Effect	-0.127***	-0.288	-0.127***	-0.081	-0.024	-0.686
	(0.040)	(0.223)	(0.040)	(0.248)	(0.031)	(0.448)
Year 2008	-0.033	-0.499***	-0.033	-0.385***	-0.003	-0.820**
	(0.021)	(0.090)	(0.021)	(0.114)	(0.009)	(0.398)
Age 70+	0.053***	-0.049	0.053***	-0.010	0.003	-0.336
	(0.016)	(0.092)	(0.017)	(0.119)	(0.008)	(0.292)
Treated Locality	0.010	-0.143	-0.013	-0.079	0.029	-0.079
	(0.031)	(0.257)	(0.018)	(0.264)	(0.033)	(0.658)
(Age 70+)*(Treated Locality)	-0.023	-0.220	-0.013	-0.318*	-0.010	0.233
	(0.023)	(0.162)	(0.025)	(0.180)	(0.016)	(0.290)
(Age 70+)*(Year 2008)	0.045**	0.410***	0.041**	0.317**	0.011	0.467
	(0.019)	(0.116)	(0.020)	(0.151)	(0.008)	(0.341)
(Treated Locality)*(Year 2008)	0.016	0.047	0.021	-0.097	0.001	0.562
	(0.027)	(0.178)	(0.032)	(0.215)	(0.018)	(0.492)
Observations	10,093	3,200	10,093	2,637	10,093	785

Notes: All regressions include a constant term as well as the regressors in Table 3. Robust standard errors (in parentheses) are clustered at the municipal level. *** $p<0.01$, ** $p<0.05$, * $p<0.1$

Table 7: OLS Results for Government Transfers and Non-labor Income of individuals 55 Years of Age or Older

	(1)	(2)	(3)	(4)
	AnyGovernmentTransfers	**Log (GovernmentTransfers)**	**Any Non-labor Income**	**Log (Non-labor Income)**
Treatment Effect	**0.433***	**-0.120**	**0.122***	**0.110**
	(0.030)	**(0.314)**	**(0.027)**	**(0.083)**
Year 2008	-0.004	-0.248	-0.005	-0.136***
	(0.007)	(0.254)	(0.012)	(0.042)
Age 70+	0.032	0.144	0.032*	-0.033
	(0.021)	(0.238)	(0.018)	(0.054)
Treated Locality	-0.003	-0.088	0.104***	-0.448***
	(0.011)	(0.323)	(0.023)	(0.079)
(Age 70+)*(Treated Locality)	-0.016	-0.206	-0.101***	0.050
	(0.025)	(0.289)	(0.022)	(0.065)
(Age 70+)*(Year 2008)	0.129***	0.198	0.079***	0.075
	(0.021)	(0.252)	(0.017)	(0.052)
(Treated Locality)*(Year 2008)	0.010	0.581*	0.006	0.168**
	(0.012)	(0.347)	(0.022)	(0.076)
Observations	26,514	2,429	26,514	14,311

Notes: All regressions include a constant term as well as the regressors in Table 3. Robust standard errors (in parentheses) are clustered at the municipal level.
*** p<0.01, ** p<0.05, * p<0.1

Table A. Descriptive statistics of selected variables for individuals age 70+ before the program (2006)

Selected Variables	Group 4 In localities<2,500		Group 1 In localities > 100,000	
	Mean	SD	Mean	SD
Panel A: Individual-level variables				
Received any remittances	0.32	0.47	0.25	0.43
Received any domestic remittances	0.25	0.43	0.23	0.42
Received any international remittances	0.09	0.29	0.03	0.18
Total remittances received	254	1142	274	1128
Domestic remittances received	153	1008	238	1071
International remittances received	101	554	36	334
Total remittances received if positive amount	769	1772	1217	2561
Domestic remittances received if positive amount	615	1821	1178	2606
International remittances received if positive amount	994	1338	1067	1427
Individual non-labor income	932	2424	2924	7885
Panel B: Household-level variables				
Received any remittances	0.47	0.50	0.36	0.48
Received any domestic remittances	0.35	0.48	0.33	0.47
Received any international remittances	0.16	0.37	0.05	0.21
Total remittances received	567	1745	622	2120
Domestic remittances received	294	1444	532	2024
International remittances received	273	1037	90	616
Total remittances received if positive amount	894	1710	1384	2499
Domestic remittances received if positive amount	633	1669	1296	2510
International remittances received if positive amount	1248	1505	1407	1629
Household size	3.41	2.40	3.34	2.18
Number of members age 70+	1.27	0.46	1.22	0.43
Per capita income in the household	902	1515	2587	4180

Sample: Individuals age 70+ from ENIGH 2006. Remittances and income variables are in real pesos per month. The samples of group 4 and 1 have 760 and 947 individual observations, respectively.