

A self-selection system for poverty alleviation and economic growth

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Abstract

When policymakers enforce a poverty alleviation program, they often face difficulty targeting people who really need aid from the government, due to the asymmetric information about individual productivity. Although the literature shows several self-selection systems, that succeed in targeting people with low productivity, assistance only increases these individuals' income but does not contribute to increasing their productivity. This paper proposes a new self-selection system that boosts not only income but also productivity of unskilled and low-productivity people. The result shows the possibility for poor individuals to increase their income more than the goal determined by the government. Moreover, the policy boosts not only the income of the poor but also that of the rich and contributes to the economic growth in a country.

JEL classification: D61, J88, P36

Keywords: increasing returns to scale, loan, poverty alleviation, self-selection, asymmetric information, education

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