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Christelle Dumas - Better roads, better off? Evidence of improving roads in Tanzania

Spatial isolation is considered as one of the main determinants of poverty. Therefore, many transport investments are undertaken with a stated objective of poverty reduction. In our paper, we evaluate a Tanzanian program that rehabilitated 2500km of major roads between 2008 and 2013. We deal with endogenous placement issues with a household fixed-effect strategy combined with a propensity score matching to strengthen the common trend assumption.

Contrary to most studies, we find damaging effects of the road on the rural population: we observe a reduction in life satisfaction, a reallocation of labor away from farm without many additional opportunities of work, that we trace back to a decrease in the price of the main product (rice). This is consistent with predictions obtained from trade models where rural households, with lower transaction costs, actually face competition from lower price goods.