Dissertation Abstract

Household Consumption and Labor Supply Response to Economic Shocks in Russia

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Chapter 1. Income Shocks, Consumption, Wealth and Human Capital: Evidence from Russia

This paper uses data from the Russian Longitudinal Monitoring Survey (RLMS) data to investigate household consumption response to income shocks experienced by Russian households between 1994 and 2002. In particular, the paper examines the effects of wealth and human capital on Russian households’ ability to smooth consumption. To address potential sample attrition problems, we apply the inverse probability weighting method in the estimation. The results show that the household consumption in Russia is only partially protected from idiosyncratic shocks. Household asset level in the initial period is found to be positively correlated with the effectiveness of consumption smoothing. We also find evidence supporting the hypothesis that the education of household members enhances a household’s ability to smooth consumption.


This paper examines multiple job holdings as an effective means for Russian households to maintain their consumption when they experience wage arrears. Our empirical results show that both husbands and wives are more likely to take second jobs when they have wage arrears. The reduced-form regression of consumption reveals only a small negative effect of wage arrears. However, the results in the structural equation, conditional on multiple job holdings, show that household consumption falls more substantially when wage arrears are experienced by both spouses. These results confirm that the ability to smooth consumption in times of wage arrears reflects, in some part, the multiple job holdings of the male and female household heads.

Chapter 3. Estimation With and Without a Strict Exogeneity Assumption in Unevenly Spaced Panel Data

This paper studies econometric estimation methods for unevenly spaced panel data such as RLMS. The paper first shows that for static models, estimation in an unevenly spaced panel does not introduce more complication than an evenly spaced panel. It then focuses on a dynamic model with one lagged explanatory variable, where estimation involves predicting the missing lagged value. We show that classic minimum distance estimation can be applied to recover the structural parameters from the consistent estimator of the reduced form parameters. This consistent estimator can be obtained from either the fixed effect estimation with a strict exogeneity assumption or GMM estimation without a strict exogeneity assumption. This paper also shows that the one-step GMM method can be applied in both cases.