**Case Study 3**

**Are remittances from men used differently from remittances from women?**

(based on Guzmán, Morrison and Sjöblom, 2005)

Sample: Ghana living Standards Survey round 4 1998-99, contains 5,998 households.

Context: High internal migration, some international migration – 35% get internal remittances, 8% get international remittances

Motivating question: “Are remittances spent differently if they come from women than if they come from men?”

Key equation estimated:

Share of expenditure on food = a + b\*Remittance from Male + c\*Remittance from Female + d\*(Total household expenditure per capita) + e\*Household Demographic Characteristics + error

Run similar equations for share on education, health, clothing, etc.

Estimation is by OLS.

What do they find? Households receiving remittances from a wife allocate more to food and less to education than households receiving money from a husband.

*Questions:*

1. Explain the selection problem that arises in estimating this equation.
2. What is the counterfactual here?
3. Can you think of plausible instruments to allow this equation to be estimated with instrumental variables?