

### **Child Support and Intra Household Allocation in Chile**

Until 1999, children born outside of wedlock had fewer alimony rights relative to children born within a marriage in Chile. In this year, the distinction was removed from the law. Since women usually obtain child custody when couples separate, this increase in alimony rights for children born out of wedlock increases the cost of separation for men and improves the outside option of women. These changes should affect intra-household allocation for cohabiting couples.

The exogenous variation provided by the law change is exploited to identify the causal effect of bargaining power on intra-household allocation. Seven waves of Chilean cross sectional data for 1990-2003 are used to test for different patterns of work and school attendance between cohabitant and married couples after the law change.

I find a two percentage point increase in school attendance for high school aged (14 to 18 years old) children and for boys between 0 and 5 years old of cohabitant relationships, and a one percentage point decrease in the probability of working for men in cohabitant relationships relative to men in married relationships. Both results are evidence against the unitary household model.

The latter result is also evidence against the Nash bargaining model and supports a model where the change in bargaining power can be interpreted as a tax on men's wages.

### **Home Production and VAT Regressivity: Evidence from El Salvador**

The value added tax (VAT) is the main source of tax revenue in many developing countries. In order to offset its regressivity in food consumption, many of them impose exemption or differentiated tax rates at the cost of smaller tax bases, administrative costs, and inefficiencies.

Food taxes are seen as regressive given that lower income households spend a higher proportion of their income in food. However, in developing countries, lower income households can obtain food from untaxed sources, such as informal markets and home production. Specifically, home production is not evenly distributed across income groups but concentrated in those with lower income. Evidence from El Salvador shows that home production decreases the food VAT regressivity, however it does not offset it.

A related question is the sensitivity of home production to tax changes. I find that after the end of a tax exemption to goods that could be home produced, home production increased in the short run. The end of the tax exemption not only increases home production of formerly tax exempted goods, but also on goods that did not face any tax change.

Therefore, although there are efficiency costs with different VAT rates and exemptions, the expected effects on the tax base have to be carefully considered. Even though the existence of tax exemption generates certain inefficiencies, its elimination, as any tax increase, generates other inefficiencies.

### **Remittances and Poverty in Migrants' Home Areas: Evidence from the Philippines (with Dean Yang)**

In many developing countries, remittance receipts from overseas are important supplements to household income. How do these remittance flows affect poverty and inequality in migrants' home areas? To answer this question, we take advantage of exogenous shocks to the remittance receipts of Philippine households.

Filipino migrants work in a variety of foreign countries, and experienced sudden changes in exchange rates due to the 1997 Asian financial crisis. Appreciation of a migrant's currency against the Philippine peso leads to increases in household remittance receipts, and reductions in poverty in migrants' origin households.

We find evidence of spillovers to households without migrant members, focusing on cross-regional variation in the mean exchange rate shock experienced by the region's migrants. In regions with more favorable mean exchange rate shocks, aggregate poverty rates decline even in households without migrant members. However, we find no strong evidence of effects on region-level inequality.