Seminario 159 Endogenous Persistent Shocks and Households’ Welfare

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Economista de la Universidad del Rosario, cuenta con una maestría en Economía de la misma universidad y con una maestría y un doctorado de la Universidad de California en Los Ángeles (UCLA). Actualmente se desempeña como profesor asistente de la Facultad de Economía de la Universidad de los Andes. Sus áreas de investigación se concentran en Tributación Óptima y Economía de la Información, particularmente ha estudiado el auto-aseguramiento de los hogares en presencia de mercados incompletos y conflicto, economía del crimen e incentivos a la innovación. Sus principales publicaciones son del campo de la macroeconomía, de la economía de la salud y de la pobreza rural.

Resumen

Adverse shocks for households are common in developing economies. Since markets are incomplete, these adverse shocks can importantly distort households' decisions to smooth consumption, which may also increase their future vulnerability to new shocks and lead them to a poverty trap. The objective of this paper is to characterize such distortions and quantify their effect on household's welfare. To do so, we use a longitudinal survey in Colombia that followed 6000 urban households during 2010 and 2013. We found that having an adverse shock in 2010 increases the likelihood of having a new shock in 2013 by eleven percentage points. These shocks hit mostly poor, less educated households, with more children and some degree of debt. We then show that, within these type of households, it is more prevalent the use of strategies that involve a decrease in expenditures or an increase in income, which in turn increases their future vulnerability to new shocks in more than twelve percentage points. Finally, we present a model that rationalizes such choices and allows us to compute welfare losses using the previous estimates. This model is later used to explore policy recommendations that could mitigate such losses.

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