

# Zhaoyang Hou

George Washington University  
Department of Economics  
2115 G Street, NW, Monroe Hall #340  
Washington, DC 20052

Tel: (703) 599-8906  
Fax: (202) 994-6147  
Email: [houz@gwmail.gwu.edu](mailto:houz@gwmail.gwu.edu)  
Web: <http://home.gwu.edu/~houz>

---

## EDUCATION

Ph.D., Economics, George Washington University  
M.A., Economics, Georgetown University  
B.A., Economics, Peking University, China

Expected May 2009  
December 2000  
July 1990

## JOB MARKET PAPER

### *“Local versus Global: The Impact of Domestic and International Market Access on Household Income in Rural China”*

This paper presents evidence on the effects of access to domestic and international markets on per-capita income of rural households in China. Alternative identification schemes are used to address the potential endogeneity of market access measures. Topography along the linear routes to markets provides a source of exogenous variation for IV estimation; an alternative source of identification is achieved through the relationship between heteroskedastic error variances and exogenous regressors. Better market access has strong positive effects on per-capita income, the effect of domestic market access is larger than that of international market access, and domestic and international market access are complementary.

## FIELDS OF SPECIALIZATION

Primary: Development Economics, Applied Econometrics, Applied Microeconomics  
Secondary: International Economics

## DISSERTATION

Market Access and Household Welfare: Evidence from Rural China  
Committee: M. Shahe Emran (chair), Stephen C. Smith, Bryan Boulier

### *“Local versus Global: The Impact of Domestic and International Market Access on Household Income in Rural China”*

*“How Market Access Affects Household Welfare: An Application of the Machado-Mata Decomposition with Selection Correction.”*

*“Market Access and Education’s Causal Impact on Household Welfare.”*

## REVISE AND RESUBMIT

*“Market Access and Household Consumption: Evidence from Rural China,”* with M. Shahe Emran, under revision for *The Review of Economics and Statistics*.

## WORK IN PROGRESS

*“Returns to Education: Selection on Observed and Unobserved Variables,”* with M. Shahe Emran.

*“The Impact of Party Membership on the Income Distribution in China,”* with M. Shahe Emran.

*“The Geography of Marginal Propensity to Consume: Evidence from China,”* with M. Shahe Emran.

*“Market Access and Income Inequality: an Application of the IV-Quantile Estimator.”*

*“The Impact of Schooling on Young Women’s Income in China’s Rural Areas.”*

## ACADEMIC AWARDS

Graduate Student Assistantship, The George Washington University  
Graduate Student Assistantship, Georgetown University

Spring 2004 – Spring 2007  
Fall 1999 – Spring 2000

## MEMBERSHIPS

Econometric Society, American Economic Association, Southern Economic Association

## PRESENTATIONS & CONFERENCE ACTIVITIES

Presenter/Discussant, Southern Economics Association Annual Meeting (SEA)	November 2008
Co-Presenter, the World Bank "Poverty and Applied Micro Seminar Series"	October 2008
Presenter, Northeast Universities Development Consortium (NEUDC)	September 2006
Presenter/Discussant, Midwest Economics Association Annual Meeting (MEA)	March 2006
Presenter, George Washington University Trade & Development Economics Seminar	November 2005
Presenter, Southern Economics Association Annual Meeting (SEA)	November 2005
Presenter, Western Economic Association International Annual Meeting (WEAI)	July 2005
Presenter, Southern Economics Association Annual Meeting (SEA)	November 2004
Presenter, George Washington University Trade & Development Economics Seminar	November 2004

## TEACHING EXPERIENCE

Instructor, George Washington University International Trade	Fall 2008
Graduate Teaching Assistant, George Washington University Graduate Econometrics II	Spring 2006
Graduate Econometrics I	Fall 2005
Undergraduate Macroeconomics	Spring 2005
Undergraduate Macroeconomics	Fall 2004
Teaching Assistant, Georgetown University Macro Principles	Spring 2000
Micro Principles	Fall 1999

## PROFESSIONAL EXPERIENCE

Consultant, The World Bank <i>South Asia Sector Unit, Poverty Reduction And Economic Management</i> <i>"India Labor and Employment Study; Growth &amp; Employment in India's Lagging Regions"</i>	August 2006 – July 2007
Consultant, The World Bank Development Research Group <i>"Poverty in Nepal"</i>	May 2005 – June 2006
Consultant, The World Bank	Spring 2001
Research Assistant, Economic Research Center, George Washington University <i>"Do the Relationships between Finance and Growth Change with Economic Development?</i> <i>-- Competing Hypotheses and Evidence from Taiwan."</i>	Spring 2004

**LANGUAGES:** Native in Chinese (Mandarin, Cantonese), fluent in English.

**CITIZENSHIP:** People's Republic of China, F-1 Student Visa.

## REFERENCES

M. Shahe Emran Department of Economics George Washington University Washington, DC 20052 Email: <a href="mailto:semran@gwu.edu">semran@gwu.edu</a> (202) 994-6922	Stephen C. Smith Department of Economics George Washington University Washington, DC 20052 Email: <a href="mailto:ssmith@gwu.edu">ssmith@gwu.edu</a> (202) 994-8086	Bryan Boulier Department of Economics George Washington University Washington, DC 20052 Email: <a href="mailto:mortile@gwu.edu">mortile@gwu.edu</a> (202) 994-8088	Forhad Shilpi Economics Research World Bank Group Washington, DC 20433 Email: <a href="mailto:Fshilpi@worldbank.org">Fshilpi@worldbank.org</a> (202) 458-7476
---	---	--	---

# **Dissertation Abstract**

## **Market Access and Household Welfare: Evidence from Rural China**

Zhaoyang Hou  
Department of Economics  
George Washington University  
October 2008

My dissertation explores the causal effects of market access on rural household welfare. I estimate the effects of domestic and international market access on household per-capita consumption and income, controlling for characteristics of the households and their counties and villages. The coefficients of market access and other variables may vary over the welfare distribution: households at the bottom of the welfare distribution may receive less benefit from market access than households at the top. I use quantile regressions to estimate the causal effects of market access at many points along the welfare distribution to test that possibility.

The welfare distribution of households with good market access is higher than the welfare distribution of households with poor market access. This “access gap” is like the rural–urban gap and can be studied in the same ways. Households with good market access might have different characteristics than households with poor market access; also, the causal effects of given characteristics might be different for households with good market access than for those with poor market access. The Machado-Mata (2005) method decomposes the access gap into characteristics effects and coefficients effects at different quantiles along the welfare distribution. This lets me see whether market access is important for improving welfare of households at the bottom of the welfare distribution and whether it matters because of household characteristics or because of coefficients.

Finally, I focus on the causal effect of education on welfare and how it varies with market access. One way to estimate the relationship between market access and the causal effect of education is to interact those variables in the mean regressions and in the quantile regressions. Another way is to use the Machado-Mata method only for the education variable. I expect that better market access will increase the causal effect of education on household welfare because better market access is probably associated with more sophisticated markets in which individuals can be better paid for specialized occupations.

In measuring returns to education, the bias due to endogeneity of education comes from three sources: measurement error bias, omitted ability variable bias, and selection bias. Traditionally, the instrumental variable method is favored to deal with the first two biases if a valid instrument variable is available. However, data on schooling may reflect self-selection, too. This self-selection may be very important in China, where young people may leave school to enter the labor force more commonly than in industrialized countries. To cope with this issue, I use the Machado-Mata decomposition with selection correction.