

# Remittances, Spending and Political Instability in Ukraine

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## Abstract

This paper analyzes remittances sent by Ukrainian emigrants to their country of origin. It explores the dependence on remittances of a household's spending on human capital, savings and donations, against the backdrop of the political situation in Ukraine in 2004. The paper also explores the effect of the political instability in Ukraine on how the households receiving remittances used them. The results of a Ukrainian Longitudinal Monitoring Survey (ULMS) are used to explore households' decision to spend on human capital development, save, or donate money; depending on their political views and future expectations. The main hypothesis tested is whether the individuals who supported and/or were involved with the Revolution ("pro-orange"), and who were optimistic about the future of Ukraine after the Orange Revolution, saved/donated more money than those who did not support the Revolution ("pro-blue-white"). In addition, the level of influence of remittances received from relatives or friends outside Ukraine on decisions to save and donate money is analyzed. The results show that the political views of respondents do not have a significant effect on decisions to save and/or donate money. However respondents' political orientations do have a significant effect on the probability of receiving remittances - those who voted for "pro-orange" have a lower probability of receiving remittances from outside the household.

**Keywords:** remittances, remittance behavior, Ukraine, Orange Revolution, international migration

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