

**THE IMPACT OF HOUSEHOLD EXPENDITURES ON CHILDREN COGNITIVE POST- ASIAN ECONOMIC
CRISIS: EVIDENCE FROM INDONESIA**

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ABSTRACT

Economic crisis hit Asia in 1998 that made 14 million people poor and household expenditures were significantly affected. This study aimed to analyze the impact of investment in children's education on their cognitive level after the crisis. This study establishes different instrumental variables to substitute expenditure variable. Indonesia Family Life Survey data in 1997 and 2000 are used in this study. We employed difference in difference methodology to overcome reverse causality and unobserved variable issue in expenditure. The result showed that the expenditure for children outcomes affect children's cognitive level during crisis. Moreover, children living in households hit by economic disturbance have worse cognitive scores. They are poorer because of lower input to increase cognitive scores following economic disturbance which explained that the parents enable to complete their children's needs during Asian economic crisis.

Keywords: *household expenditure, parental background, Asian Economic Crisis, cognitive level*

JEL classification: *I25, I15*

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