

# “Early Health Shocks, Parental Responses, and Child Outcomes” (in English)



**Mr. Junjian YI**

**PhD Student**

**Department of Economics**

**Chinese University of Hong Kong**

**Date: 14 March 2011 (Monday)**

**Time: 11:00am – 12:30pm**

**Venue: SO322, Dorothy Y. L. Wong Building**

## **Biography**

Junjian Yi is currently a Ph.D. candidate at the Department of Economics, Chinese University of Hong Kong. Mr. Yi received his first master degree in Economics from Zhejiang University in 2005. He then received his second master degree in Economics from Chinese University of Hong Kong and won the Best Thesis Award at the Department of Economics in 2007. Mr. Yi entered the Ph.D. program in Chinese University of Hong Kong in 2007, supervised by Prof. Junsen Zhang. He is expected to graduate in 2011. During August 2009 and February 2010, Mr. Yi visited the Department of Economics, University of Chicago, hosted by Prof. James Heckman. He is expected to be a post-doctoral fellow in the Department of Economics, University of Chicago during 2011-2013. Mr. Yi focuses on both theoretically and empirically analyzing family behaviors and human capital issues. He has published a paper at *Economic Inquiry* about the relationship between house prices and fertility (coauthored with Prof. Junsen Zhang). He has another paper accepted at *Demography* identifying the causal relationship between the one-child policy and the sex ratio imbalance in China (coauthored with Prof. Hongbin Li and Junsen Zhang).

## **Abstract**

This paper studies how early health shocks affect child's human capital formation. We first formulate a theoretical model to understand how early health shocks affect child outcomes through parental responses. We nest a dynamic model of human capability formation into a standard intra-household resource allocation framework. By introducing multidimensionality of child endowments, we allow parents to compensate and reinforce along different dimensions. We then test our main empirical predictions using a Chinese child twins survey, which contains detailed information on child-and parent-specific expenditures. We can differentiate between investments in money and investments in time. On the one hand, we find evidence of compensating investments in child health but of reinforcing investment in education. On the other, we find no change in the time spent with the child. We confirm that an early health insult negatively affects the child under several different domains, ranging from later health, to cognition, to personality. Our findings suggest caution in interpreting reduced-form estimates of the effects of early life shocks: in the presence of asymmetric parental responses under different dimensions of the child's human capital, they cannot even be unambiguously interpreted as upper or lower bounds of the biological effects.

**ALL ARE WELCOME**