

Altruistic Parenting, Intergenerational Transmission, and Human Capital Accumulation

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Essay 1 Health, Education and Development

Why were some poor countries able to take off while others are still stuck in the poverty trap? It is observed that (1) with similar or higher levels of educational attainment, trapped countries tend to have poorer health conditions compared to the initially poor countries that later take off; (2) improving health conditions in poor countries usually involves large scale investment, and such resources can be easily misallocated. I adopt an overlapping-generations model with human capital separable in health and knowledge, and with health-related institutional barriers in the economy. When the magnitude of the institutional barriers is too severe, the economy ends up in a poverty trap with no health investment and poor health. Since health and knowledge together constitute human capital, poor health translates into low levels of human capital, investments and outputs. I calibrate the model to fit the U.S. economy, as well as a group of trapped countries (Bangladesh, Malawi and Kenya), and initially poor countries that later take off (China and India). The calibration results show that, though low among the countries in the current study, the U.S. economy still has a health-related institutional barrier of around 15%. The trapped countries all have large barriers range from 58% to 72% under which the incentive to invest in health is suffocated. For China and India, the magnitudes of barriers are large but not enough to throttle the willingness to make health investment. Thus, this paper promotes a better understanding about plausible underlying sources of a poverty trap.

Essay 2 Does Health Matter? A Quantitative Analysis of Cross-country Income Differences (Job market paper)

Standard neoclassical growth theory requires implausibly large productivity gaps in order to explain cross-country income differences. This paper illustrates the significant role played by health factors in such accounting. This paper argues that poor health environment makes health investment less rewarding, affects parents' attitude toward investment in children, and retards human capital accumulation and output growth. I estimate health capital across countries and calibrate the model to fit the data for the U.S. economy. Based upon the estimation and the calibration, I then calculate the required TFP gaps to account for the cross-country differences in relative outputs. With the introduction of health capital, the required TFP gaps shrink substantially. The result also indicates that while the level of the knowledge-based human capital is important in explaining the low income levels in poor countries, the role of health cannot be neglected. It is found that the efficiency of producing health is more important in poor countries than in countries with higher incomes, especially for poor sub-Saharan and South Asian countries.

Essay 3 The Timing of Marriage and the Female Labor Supply (Work-in Progress)

Historical data show that age at first marriage declined, whereas the fertility rate decreased while female educational attainment increased in the U.S. during the past century. This paper tries to provide an explanation for this phenomenon. Due to the advent of household appliances and the mass production, mothers do not require daughters to help with household chores, and urge daughters to step into marriage or receive more education. As a daughter becomes more educated, she chooses a smaller number of children and educates them more. As the labor market becomes more friendly to females, highly educated females will eventually postpone their marriage.