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Household environmental protection and the intergenerational transmission of human capital

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Abstract

The estimated discount rate of parents is used to test a choice-based intergenerational model of the contribution of environment to the cognitive skills of a child of a given endowment. A lower parental discount rate is shown to imply higher cognitive skills of the young child. In the context of the model, estimates also imply that environmental conditions and human capital formation are not separable. Lesser environmental quality raises the costs of human capital formation in children and lesser human capital reduces parents' demand for environmental quality. Environmental quality differences among families, just like genetic differences, may persist across generations. © 2000 Published by Elsevier Science B.V. All rights reserved.

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The difference of natural talents in different men is, in reality, much less than we are aware of; and the very different genius which appears to distinguish men...when grown to maturity, is not...so much the cause, as the effect of the division of labor (Smith, 1937, p. 15).

1. Introduction

The influence of human capital or knowledge about the laws of nature and the nature of man on economic growth and the evolution of income inequality receives increasing attention in both the technical economic literature, e.g., Levy and Murnane (1992), and in popular commentary, e.g., Murray (1984). Human capital is thought to be the primary engine of growth, the major component of wealth in developed economies, to be increased by and to increase the scope of markets, and to play significant roles in fertility choice, socialization, and migration. Little attention has been given, however, to how human capital can affect one's treatment of the natural environment, or how this environment can mold one's accumulation and protection of human capital. Central to any attempt to deal with either of these questions is the extent to which intergenerational redistributions, especially from adults to young children, are influential. Since children do not vote and have only trivial assets or activities over which they can exercise substantial discretion, the practical aspects of the intergenerational redistribution issue revolve around the productivity of parental and social investments in environments that can affect a child's prospective human capital. Given that parents have limited resources, they must often make time and effort choices between their immediate consumption and the provision of environmental enhancements and protections that will advance a child's current health and adult prospects. When approaching adulthood, the child takes what its parents, community, and genes have handed it and sets its course for an adult life.

This study uses an unusual data set to estimate the relationship between the environmental protections that parents offer children and the intergenerational transmission of human capital. We focus on lead, a persistent micropollutant that has become ubiquitous in even remote environments, and which is widely acknowledged in the biomedical literature to produce long-term cognitive skill deficits in young children who are exposed to everyday ambient concentrations common to the world's urban areas (Smith, Grant & Sors, 1989). Following Agee and Crocker (1998), the next section presents a

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