Abstract of doctoral dissertation

Title: “Three Essays on child labor, international trade, and economic growth”
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My dissertation, which was completed and defended in December 2000, consists of three essays that analyze the relationships among child labor standards, economic growth and international trade. The first essay considers a simple dynamic theory of child labor, human capital formation, and economic growth that is consistent with some of the main features of child labor and economic development. My model emphasizes the interaction between child labor and human capital accumulation through schooling and presents hypotheses regarding child labor and economic growth for econometric testing. The empirical analysis is based on panel data from 64 countries in the period 1960-1980. The findings, based on different estimation techniques (OLS and SUR), show that the incidence of child labor is negatively related to parental education, negatively correlated with education quality, and positively correlated with education cost. The simultaneous model also produces consistent results on the relationship between child labor and human capital. Countries with higher child labor are likely to settle with a lower stock of human capital in the future than countries with lower child labor. Level of education and GDP per capita are also positively correlated. These results present a numerically clear analysis of the impacts of different variables on child labor, human capital formation, and economic development. Policy makers may find the results useful as a preliminary analytical guide to manage child labor use and accumulation of human capital at desired levels. A manuscript based on this paper was published in the World Economy, volume 26, issue 7, July 2003.

The second essay considers of two types of market failures – externalities in the education sector and the absence of children’s rights to choose education over work. Despite parental altruism, externalities and the lack of children’s rights may lead to excessive amounts of child labor. In these circumstances, an outright ban against child labor may be welfare worsening. The first best solution to the problem of externalities is to help parents receive the increased benefit of child education. The model considers different scenarios and discusses different patterns of child labor that are likely to evolve in an economy marked by market failures. If education is free and children have the right to choose education, they prefer a complete ban on child labor. However, if children bear education costs they participate in the labor market. However, their labor supply is lower than that desired by their parents. This implies that a prohibition on child labor use may be beneficial to both the child and the household only when it is combined with policy measures that aim at correcting inefficiencies in the education sector and at empowering children to receive education. A manuscript based on this essay will be submitted shortly for review to Economics Letters.

The third essay uses a computational equilibrium model of international trade in apparel to investigate the consequences of policies intended to curb child labor in selected Asian countries. The findings indicate that tariffs applied to reduce child labor may be welfare worsening for working children. Domestic taxes on child labor increase children’s welfare, if accompanied by lump sum transfers to these children. However, if the parents receive the lump sum transfers the children are worse off. This paper also shows that transfer payments (from developed countries) as subsidies to non-market activities of children in developing countries may not only reduce child labor but also improve their welfare. Although stemming from a static model that does not represent education (human capital) decisions explicitly, these results represent important policy implications in both developing and developed countries. Sensitivity analyses show that the conclusions are robust with respect to changes in the underlying parameters. A manuscript based on this research was published the conference proceedings of the Second International Business and Economics Conference, San Francisco, January 2003.