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The Impact of Early Life Shocks on Human Capital Formation: Evidence from El Niño Floods in Ecuador *

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Abstract

This paper investigates the persistent effects of negative shocks in utero and in infancy on low-income children's health and cognitive outcomes and examines whether timing of exposure matters differentially by skill type. Specifically, I exploit the geographic intensity of extreme floods in Ecuador during the 1997-1998 El Niño phenomenon, which provides exogenous variation in exposure at different periods of early development. I show that children exposed to severe floods in utero, especially during the third trimester, are shorter in stature five and seven years later. Also, children affected by the floods in the first trimester of pregnancy score lower on cognitive tests. Additionally, I explore potential mechanisms by studying health at birth and family inputs (income, consumption, and breastfeeding). I find that children exposed to El Niño floods, especially during the third trimester in utero, were more likely to be born with low birth weight. Furthermore, households affected by El Niño suffered a decline in income, total consumption, and food consumption in the aftermath of the shock. Falsification exercises and robustness checks suggest that selection concerns such as selective fertility, mobility, and infant mortality do not drive these results.

Keywords: Early-life shocks, human capital formation, health at birth, family inputs

JEL codes: J13, Q54, I10, I20, I14, O12

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