Whoever Has Will Be Given More: 
Child Endowment and Human Capital Investment

Liyousew G. Borga\textsuperscript{a,*}, Myroslav Pidkuyko\textsuperscript{b,**}
\textsuperscript{a}CERGE-EI
\textsuperscript{b}The University of Manchester

Abstract

Using a unique longitudinal survey from Ethiopia, we investigate whether resource con-
strained parents reinforce or attenuate differences in early abilities between their children.
We propose a simple model that allows for sibling interactions. To overcome the endogeneity
associated with measures of endowment, we construct a measure of human capital at birth
that is plausibly net of prenatal investment. We estimate a sibling fixed-effect model to
account for bias due to unobserved family-specific heterogeneity. We find that parents rein-
force educational inequality: inherently healthy children are more likely to attend preschool,
be enrolled in elementary school, and have more expenses incurred towards their education.
Health inputs are allocated in a compensatory manner.

JEL codes: D13, I14, I24, J13
Keywords: Cognitive ability, Health Endowment, Intrahousehold Allocation, Sibling Rivalry

\textsuperscript{*}CERGE-EI, a joint workplace of Charles University and the Economics Institute of the Czech Academy of
Sciences, Politickych veznu 7, 111 21 Prague, Czech Republic. Email: lborga@cerge-ei.cz
\textsuperscript{**}Economics, School of Social Sciences, Arthur Lewis Building, The University of Manchester, Oxford Road,
Manchester, M13 9PL, United Kingdom. Email: myroslav.pidkuyko@manchester.ac.uk