

# Child labor and human capital formulation with Stone-Geary preference

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## Abstract

This paper considers the relationship between child labor and children's human capital formation, using a utility function that specifies a subsistence consumption level. As poor households must prioritize income earned through child labor over child education, they cannot afford to invest in the education of the next generation. We show that, rather than providing educational aid, child labor regulation and/or improving the household's consumption level are sometimes an effective means of raising such households out of poverty traps.

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