

Do Child Tax Benefits Affect the Wellbeing of Children? Evidence from the Canadian Child Benefit Expansions*

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Abstract

A vast literature has examined the impact of family income on the health and development outcomes of children. One channel through which increased income may operate is an improvement in a family's ability to provide food, shelter, clothing, books, and other expenditure-related inputs to a child's development. In addition to this channel, many scholars have investigated the relationship between income and the psychological wellbeing of the family. By reducing stress and conflict, more income helps to foster an environment more conducive to healthy child development. In this paper, we exploit changes in child benefits in Canada to study these questions. Importantly, our approach allows us to make stronger causal inferences than has been possible with the existing, mostly correlational, evidence. Using variation in child benefits across province, time, and family type, we study outcomes spanning test scores, mental health, physical health, and deprivation measures. The findings suggest that child benefit programs in Canada had significant positive effects on test scores, as has been featured in the existing literature. However, we also find that several measures of both child and maternal mental health and well-being show marked improvement with higher child benefits. We find strong and interesting differences in the effects of benefits by sex of the child: benefits have stronger effects on educational outcomes and physical health for boys, and on mental health outcomes for girls. Our findings also provide some support for the hypothesis that income transfers operate through measures of family emotional well-being.

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