Summary of An Economic Analysis of Fertility

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Abstract

This paper employs the economic framework (theory of demand for consumer durables) to analyze the factors that determine fertility rate.

Part I
Demand for Children

Children is both a consumption good (they provide satisfaction or utility) and a production good (they can provide income).

- **Quality**: Quality of children directly related to amount spent on them (e.g. schooling, nice bedroom, dance lessons). Expensive children are defined as "higher quality" children.
- **Income**: Note that children are not considered as inferior goods. Thus, as income rises, spending on children rises. Specifically, rise in income increase both the quality and quantity of children.
- **Cost**: Cost of children rise means demand for children falls. Keep in mind that the cost of children has risen but the increase in expenditure on children is also due to the rise in quality of children (better clothing, education, etc).

Part II
Supply for Children

- **Expected utility** is equal to $EU = PU_m + (1 - P)U_f$, where P is probability of a male equals to half. These are marginal utilities.
- Number of children is determined by their **physical ability** to produce children.

- **Uncertainty**: Children must be produced at home (cannot be bought at market). This provides uncertainty. Contraceptions help family planning but sometimes the number of desired children does not equal to how many they have. Note that quality seems like a relatively close substitute for children. Families with excess children spend less on each child so that the quality of the child decreases.

Part III

Empirical Section

- I believe this is not important for purposes of the exam.