

T. Paul Schultz

The Fertility Transition: Economic Explanations

Three periods in the fertility transition:

1. Highly variable fertility rates. To a large extent determined by weather conditions and harvests.
2. Improved food supplies. Industrialization, free press food shortfalls rare. High and stable fertility rates.
3. Decline in fertility rates from about 4-6 to around 2.

Can the models we have looked at explain the demographic transition?

1) Child quality-quantity:

- a) Longer education for children. Higher returns to education can be interpreted as lower price for quality. Substitution towards more spending on children.
- b) Income elasticities for quality/spending higher.

2) Children “time-intensive” Opportunity cost of children has increased.

- a) Higher absolute and relative wage rates for women
- b) Higher returns to education and human capital accumulation for women.

Methodological problem: You cannot observe the wages of women who are home to look after their children.

1. Use education as an instrumental variable.
2. Use the wage structure on the local labor market.

Changing World Prices, Women's Wages, and the Fertility Transition: Sweden, 1860-1910

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Uses an exogenous change in female wage rate.

Change in fertility in Sweden between 1860 and 1910.

Male labor: grain and root crops, forestry and sawmills.

Female labor: dairying and milk processing, textiles.

Shift in the world market prices between butter and grain. Became possible to transport butter.

Increased demand for female labor: 10 % increase in female to male wage ratio.

Uses county level (28 counties in Sweden by that time) fertility rate and variables measuring world market prices, industry structure and share living in urban areas as instruments for male wages and ratio between male and female wages.

Shultz estimate that this shift explains about 25 % of the overall decrease in the fertility rate in this era. (TFR 1860-1864: 4,582 and in 1910-1914: 3,311).

Does Family Policy Affect Fertility? Lessons from the Swedish Policy Experiment.

Anders Björklund

Swedish family policy was markedly extended from early 1960s to around 1980. Extension of the policies exceeded policies implemented in neighbouring countries.

- Parental leave.
- Day care.
- Pay for care of sick children.
- Employment legislation
- Cash support.

Affects three cost components of having children:

- 1) Foregone earnings (parental leave, pay for care of sick children, employment legislation, day care).
- 2) Direct cost of raising children.
- 3) Loss of human capital accumulation.

Support tied to the labor market.

Empirical strategy:

Compare completed fertility of women born between 1925 and 1958.

Difference-in-differences (but not able to quantify the change in cost):

0.4 Finland, Norway

0.5 Denmark

0.45 Switzerland

1.0 Austria

