

ENDOGENOUS FERTILITY RATE AND ELDERLY CARE

ABSTRACT

Japan currently faces a situation wherein fertility rate is declining while longevity is increasing. An increasing number of elderly people are demanding an expanded social security program. In this paper, we have analyzed the effects of child allowance in an economy where there is a demand for a certain number of care workers per elderly. An improvement in the population growth rate through child support policies and other policies that simply reduce the capital-labor ratio will be undesirable so long as there is no generational transfer system like the pay-as-you-go pension one. However, if there is a demand for care, as this paper states, an increase in the number of workers might improve the social welfare because the burden per capita be lower.

JEL Classification: J13, J14

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