

Can Child Allowances Stop Decreasing Fertility?*

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Abstract

Some earlier papers examines whether child allowances can raise the fertility or not in an endogenous fertility model with Defined Contribution pension system. In small open economy, child allowance can raise the fertility. This paper examines in an endogenous fertility model with Defined Benefit pension system. Then, child allowance can raise the fertility instantaneous. However, in the long run, the fertility continues decreasing even if child allowance is provided. In Defined Benefit, tax burden for pension benefit is heavy in an aging society with fewer children. heavy tax burden reduces the household's income and then decreases the fertility. Therefore, it is important to set pension system to stop decreasing the fertility.

Keywords: Child Allowances, Defined Benefit, Endogenous Fertility

JEL Classifications: G23 H55 J13

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