

Tax reform and endogenous gender bargaining power

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Abstract The conventional common-preference approach has been seeking for the condition in which tax systems achieve improvements of both fertility and female labor supply. Such analyses may not be enough to capture the important aspects of family behaviors since their common-preference assumption is frequently inconsistent with observed economies. By making use of a family bargaining framework, we argue that the heterogeneity in parental preferences among household members influences the result of existing studies on tax systems. Our results show that when women prefer larger family size than men, the tax reform towards individual taxation raises the fertility rate even more. In this case, female labor supply can be still increased in spite of enhanced fertility due to bargaining allocation.

Keywords Tax reform - Female labor supply - Gender bargaining power - Fertility

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