

Which Should the Government Subsidize: Child Care or Elderly Care?*

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Abstract

This paper presents an examination of how the government should provide social security benefits. A subsidy for elderly care services can increase the purchase of elderly care services. Therefore, it can decrease elderly care provided by adult children. This decrease implies an increase in the labor supply. The consequent increase in the labor supply raises the household income, making increased fertility affordable: social security benefits for older people have the effect of preventing a decrease in the number of children. However, this paper presents derivation of the result that the subsidy for child care service can not always increase the fertility and labor supply even if the household can use the child care service at a low cost.

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