

# Education Policies, Endogenous Fertility, and Human Capital Accumulation

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## ABSTRACT

This study employs an overlapping-generations model featuring public and private education to analyze whether providing child allowances and free high school education influence economic growth. Earlier studies that analyze public and private education (Glomm and Ravikumar, 1992; Cardak, 2004) do not consider endogenous fertility and whether individuals simultaneously choose public and private education. Earlier studies that consider endogenous fertility and child allowances (Groezen, Leers, and Mejidam, 2003) disregard human capital accumulation. This study assumes people can choose both public and private education simultaneously and considers endogenous fertility and human capital accumulation. It introduces both child allowances and investment in public education financed by income taxes. It further considers how raising child allowances or investing in public education affects endogenous fertility, human capital accumulation, and economic growth. This study is motivated by evidence that the burden of meeting children's educational expenses is partly responsible for Japan's declining birthrate. It analyzes whether child allowances and free high school education can improve them. We find it unlikely such policies promote economic growth if they are financed by income taxes that cannot be increased indefinitely.

**Key words:** *Human Capital, Overlapping-Generations, Child Allowance, Free High School Education Bill, Economic Growth.*

**JEL Classification:** I25, O15, H52