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Childcare Support Policies, Endogenous Fertility, Human Capital Accumulation, and Dynamics of National Debt

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Abstract

This paper analyzes the interaction among childcare support policies, endogenous fertility, and human capital accumulation using an overlapping-generations model, which is mainly based on Groezen, Leers and Mejidam (2003) and Cardak (2004). Although Groezen, Leers and Mejidam (2003) consider endogenous fertility and child allowances financed by tax or foreign debt in a model of a small open economy, they ignore educational expenditures and do not analyze human capital accumulation and national debt. Although Cardak (2004) considers human capital accumulation and assumes it is determined by governmental or parental expenditures on education and by parent's human capital endowments, he ignores child allowances and assumes population size is constant in each period. This study considers human capital accumulation in a model introduced childcare time with endogenous fertility and assumes that child allowances and childcare services are financed by income tax and national debt. We then consider two childcare support policies—raise child allowances or expand childcare services—and compare the effects of both policies on endogenous fertility and human capital accumulation. Moreover, we analyze dynamics of national debt.

Keywords: Childcare Support, Endogenous Fertility, Human Capital, National Debt.