



Reference:

Murata, Kei, *Universal Basic Income, Endogenous Fertility, and Human Capital Accumulation*, (2024), Global Business & Economics Anthology, ISSN:1553–1392, Volume I & II, December 2024, pp 95-104.

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DOI: 10.47341/GBEA.24128

Universal Basic Income, Endogenous Fertility, and Human Capital Accumulation (*)

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Abstract

This paper analyzes the interaction among universal basic income, 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 child allowances financed by taxes in a model with endogenous fertility, they ignore educational expenditures and do not analyze human capital accumulation. 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. Moreover, both Groezen, Leers and Mejidam (2003) and Cardak (2004) do not analyze universal basic income. This study introduces human capital accumulation in a model with endogenous fertility and assumes that child allowances are financed by income tax. In addition, we consider the case that universal basic income replaces child allowances and compare the effects of both systems on endogenous fertility and human capital accumulation.

Keywords: Human capital, Endogenous fertility, Overlapping-generations, Universal basic income