

Discussion of

“Policy Concerns in an Era of Low Fertility: The Role of Social Comparisons and Intensive Parenting”

by Mahler, Tertilt, and Yum

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Motivation

- Fertility rates in almost all developed countries are well below replacement and likely to stay there.
- The United States was an outlier through 2008, but not anymore.
- There is interesting heterogeneity in fertility rates even among rich countries.
- This paper is about explaining the drivers of low fertility, not its consequences.

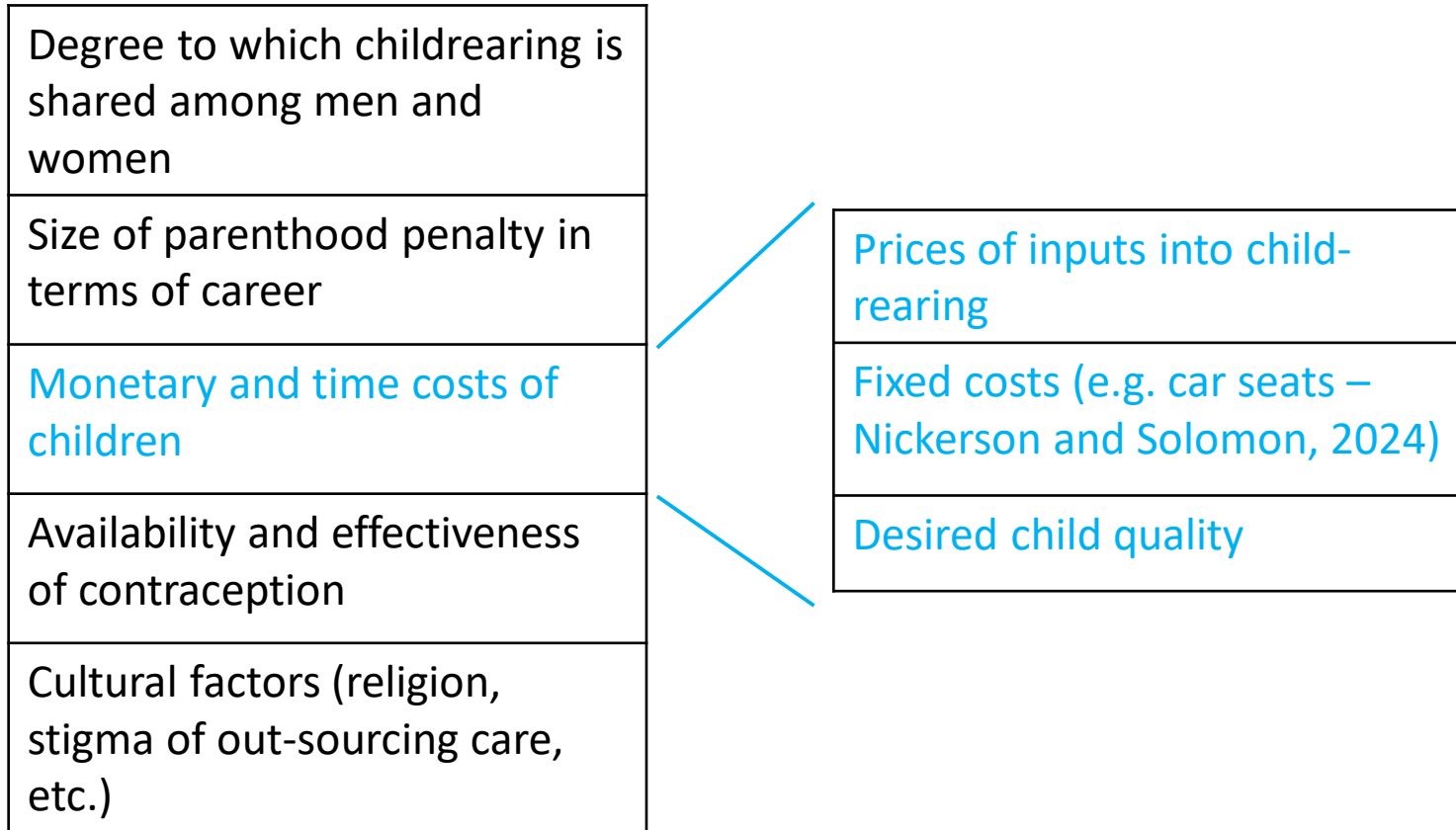
General Points of Agreement

- For rich, modern countries, there is no economic mechanism that pins fertility down near the replacement rate.
 - Such a thing was true in the Malthusian era, but that ended 200 years ago.
 - We should thus not be surprised to see sub-replacement fertility.
- There are numerous factors that drive both
 - fertility decline over time
 - variation in fertility rates among countries
- There is no smoking gun!

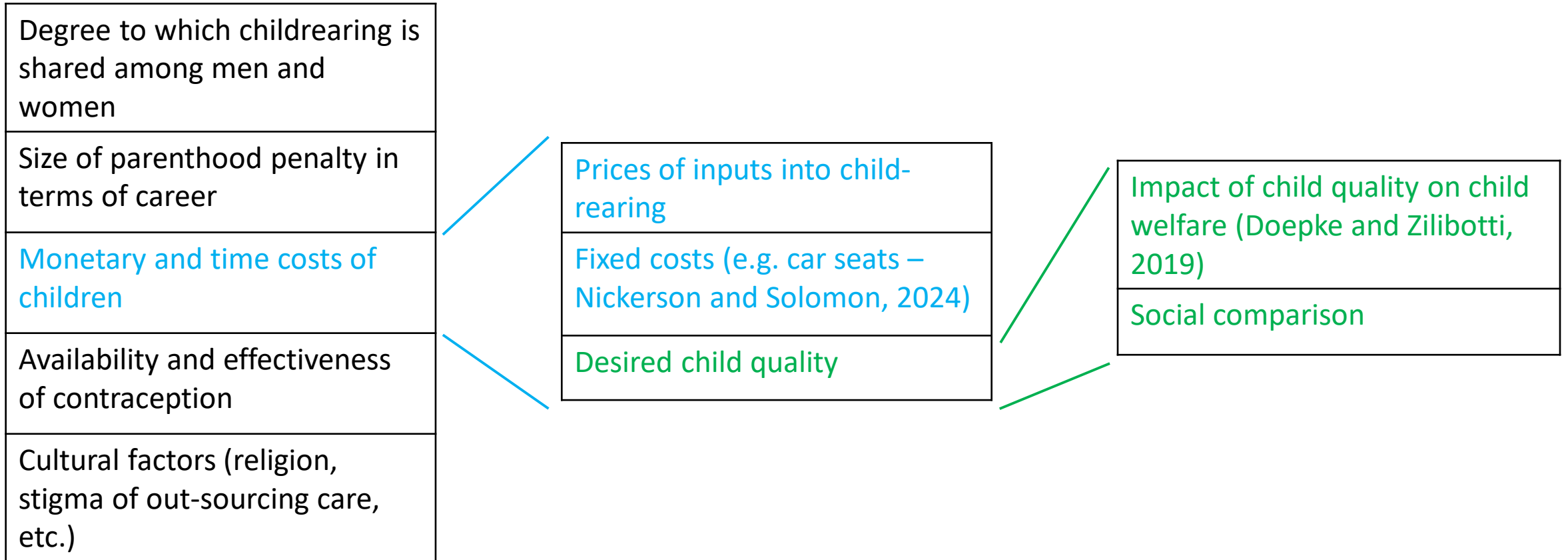
Factors Driving Low Fertility

Degree to which childrearing is shared among men and women
Size of parenthood penalty in terms of career
Monetary and time costs of children
Availability and effectiveness of contraception
Cultural factors (religion, stigma of out-sourcing care, etc.)

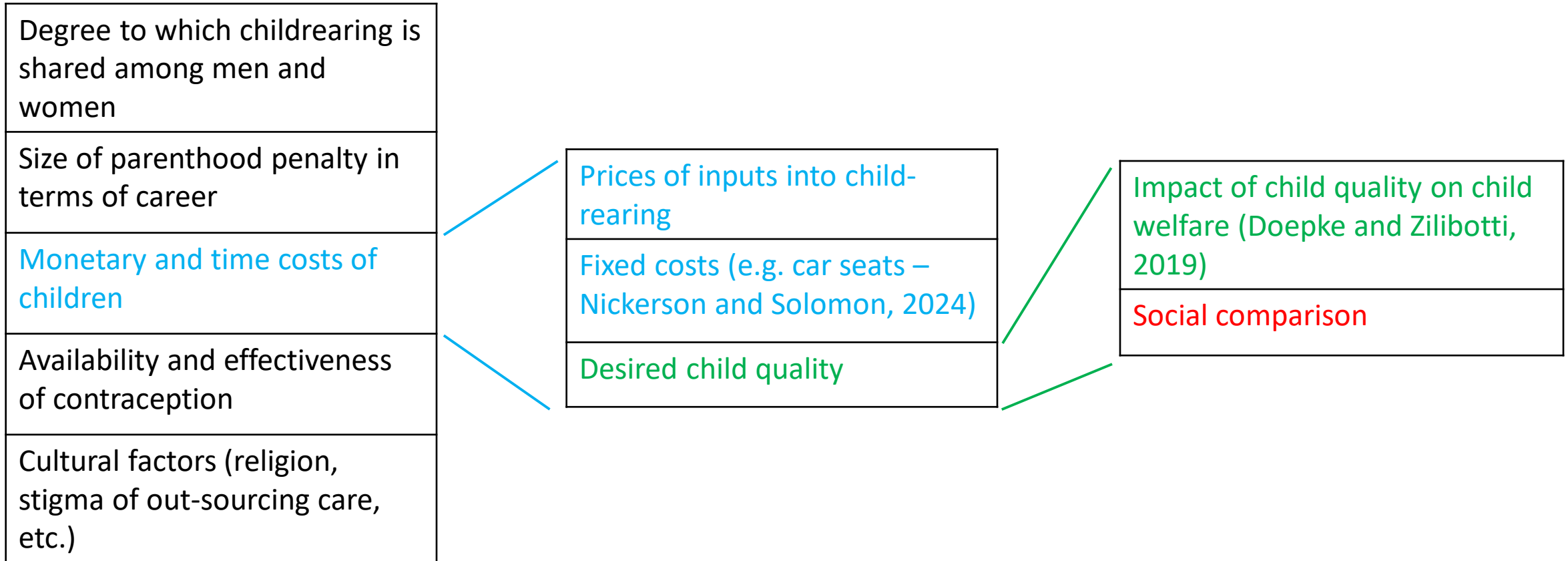
Factors Driving Low Fertility



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Factors Driving Low Fertility



consumption number of children per-child human capital

$$\max_{c,n,x} \left[\ln c + \omega_n \ln n + \omega_h \ln (h - \chi \tilde{h}) \right]$$

per-child costs not
related to human
capital

subject to

$$c = (1 - \lambda n - xn)z$$

$$h = h_0 + x$$

per-child
investment in
human capital

Increasing the strength of the comparison motive:

- Lowers parental utility
- Raises optimal per-child investment in human capital
- Lowers the optimal number of children

$$\max_{c,n,x} \left[\ln c + \omega_n \ln n + \omega_h \ln \left(h - \chi \tilde{h} \right) \right]$$

strength of the comparison motive

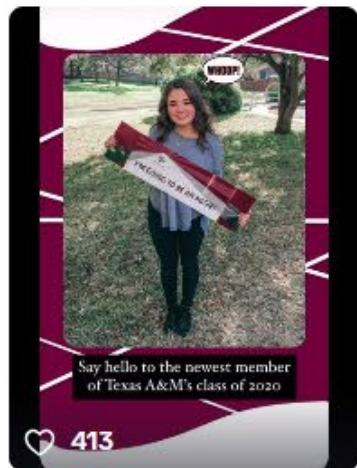
benchmark for comparison

$$\begin{aligned} \text{subject to } c &= (1 - \lambda n - xn)z \\ h &= h_0 + x \end{aligned}$$

Story in the Paper

- Benchmark $\tilde{h}$ is either average human capital or human capital of the top of the distribution.
- Comparison motive χ has gotten stronger due to social media.
- Rat-race expenditures on human capital, along with lower fertility.
- This mechanism also amplifies other shocks that might lower fertility:
 - Higher utility weight on child quality (ω_h)
 - Higher per-child costs unrelated to human capital (λ).

How to Make College Decision Posts on Instagram ↗



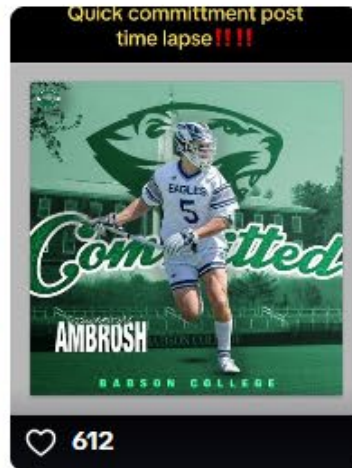
Reply to @kayleecadea...
elizabeth_es... 19.6K



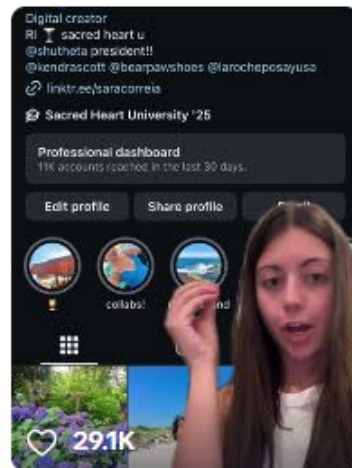
Football commitment...
brookes.wrl... 26.7K



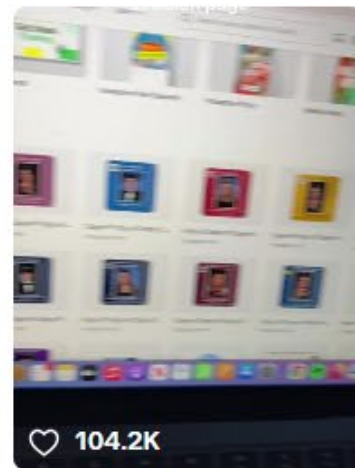
when @morgan powers...
katesakdalan 31.9K



lil insight into my proce...
shotbyaaka... 32.4K



new instagram update...
saragcorre... 589.9K



me and @mia are tired...
leilani4085 573.7K



Announce Your College...
privicreative... 5822



Replying to @ramses...
evangrays... 104.7K



#fyp #fitnyc
farahztorres 1266



i'm just curious on how...
lowkneen_ 556K

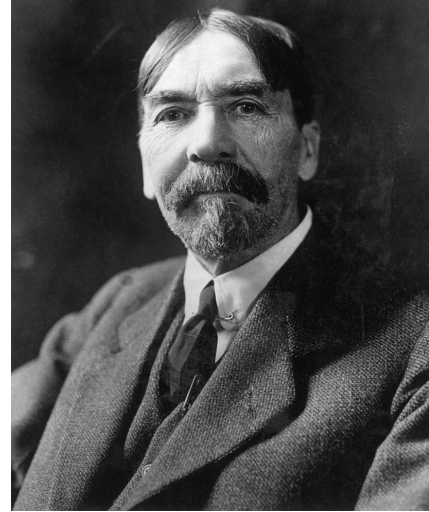


Which one would you...
geauxcusto... 36.6K



#commitment...
brookes.wrl... 21.8K

Thorstein Veblen!



- *The Theory of the Leisure Class* (1899)
- His key idea is *invidious comparison*
- “a comparison of persons with a view to rating and grading them in respect of relative worth or value -- in an aesthetic or moral sense -- and so awarding and defining the relative degrees of complacency with which they may legitimately be contemplated by themselves and by others. An invidious comparison is a process of valuation of persons in respect of worth.”
- Invidious comparisons confer status and honor.
- Conspicuous consumption, conspicuous leisure, etc. are used to signal wealth
- Veblen labels freedom from work, what we call leisure, as “indolence.” By contrast, *conspicuous leisure* requires effort, demonstrating that one had free time even when not being observed, thus demonstrating that one had no need to spend time working. “.... the knowledge of the dead languages and the occult sciences, of correct spelling, of syntax and prosody, of the various forms of domestic music and other household arts, of the latest proprieties of dress, furniture, and equipage, of games, sports, and fancy bred animals such as dogs and racehorses.”

This Paper vs Veblen

- In Veblen, the point of these behaviors is to signal your wealth.
- Wealth is the true source of status, and status is what affects utility.
- Current paper puts the comparison motive w.r.t. child human capital as a primitive of utility.
- I think that Veblen would say that this is incorrect:
 - People have convinced themselves that luxury items and silly leisure activities make them happy, but the true reason they care is status associated with wealth.
 - Veblen would say that economist err in missing this point.

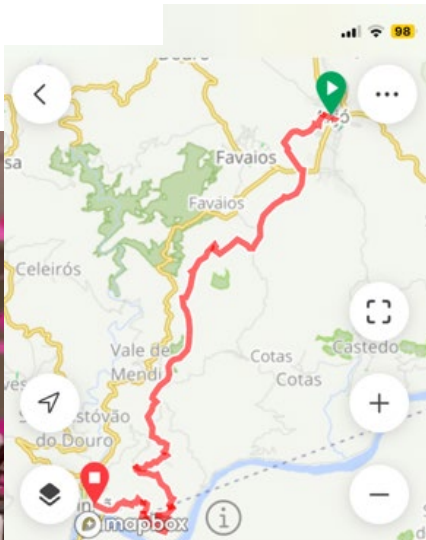
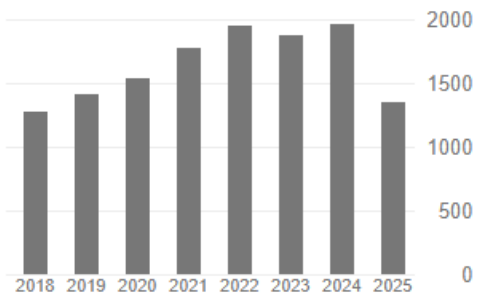
Child Quality Fits this Framework, but....

- Why doesn't *number* of children also fit into this framework?
 - That would obviously raise fertility.
- Many other things that lower fertility also fit into the framework.
 - Comparison of consumption goods and leisure activities (Instagram)
 - Comparison of health (Strava)
 - Comparison of non-quality child dimensions (gender reveal videos)
 - In all of these cases, we could add a comparison motive to the utility function, and we would get similar rat-race effects.



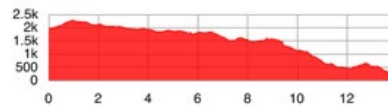
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Policy Implications

- Paper says: negative externality → Pigouvian tax
 - Another policy would be to add randomness to college admissions!
- **But:** we often think of education as having positive externalities.
 - Many growth models have this characteristic via technology spillovers.
 - In these models, education should be subsidized.
- Key question is whether the extra education received in *hagwons* is pure waste or results in higher human capital.
 - I don't see why it shouldn't.

Further Worry

- Yes, social media has raised degree of comparison.
- But w.r.t. education and economic status of kids:
 - How much of this is a side-effect of higher mobility?
 - When the Ivy League was full of the children of rich WASPs, applicants didn't work so hard to get in. Now those schools are full of striving students. Isn't that good?

Conclusion: Part of the Fertility Decline Story

- This model of competitive hyper-investment in children is clearly most applicable in east Asia (Korea SKY universities).
 - But TFR is 1.26 in Canada, which has a non-hierarchical university system
 - Post 2008 decline in US fertility has been the same for 4-year college grads and non-grads [see slide].
 - Average acceptance rate for US 4-year public colleges is 78%.
- Of course, this was not meant as a smoking gun theory anyway.

Figure 4: Percentage of women aged 15-49 who had a child last year, by completion of 4 years of college

