

EconoFact Chats: What's Behind the Fall in the U.S. Birth Rate?
Melissa Kearney, University of Maryland
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Michael Klein:

I'm Michael Klein, Executive Editor of a EconoFact, a nonpartisan web based publication of the Fletcher School at Tufts University. At EconoFact we bring key facts and incisive analysis to the national debate on economic and social policies, publishing work from leading economists across the country. You can learn more about us and see our work at www.econofact.org.

Michael Klein:

In December the Census Bureau announced that in the year ending on July 1st, 2021, the United States had the lowest rate of population growth in the nation's history, one-tenth of 1%. Part of this was due to a shortfall in immigration, but the bigger reason was a decline in so-called 'natural increase,' the excess of births over deaths. The natural increase between July 2020 and June 2021 was 148,000, one-tenth the typical value a decade before. An important reason for the decline in the natural increase is a fall off of birth rates in the United States.

Michael Klein:

Professor Melissa Kearney of the University of Maryland has studied this phenomenon, and I'm very pleased to have her as my guest on EconoFact Chats today. Among other professional affiliations, Melissa is the Director of the Aspen Economic Strategy Group, and a senior editor of the Future of Children. She served as director of the Hamilton Project at Brookings from 2013 to 2015, and is co-chair of the J-PAL State and Local Innovation Initiative from 2015 to 2018. Melissa, welcome back to EconoFact Chats.

Melissa Kearney:

Thanks Michael.

Michael Klein:

Melissa, you co-authored a recently published article in the Journal of Economic Perspectives with Phil Levine and Luke Pardue entitled 'The Puzzle of Falling US Birth Rates since the Great Recession.' And we have an EconoFact memo based on this. First off, what's been happening to birth rates since 2008?

Melissa Kearney:

Well, as you mentioned in the introduction, 2021 saw the lowest rate of population growth on record, and a lot of that is due to a very low birth rate. But the decline in US births started well before the COVID pandemic, and it goes back at least a decade. If we look back between 1980 and 2007, the US birth rate hovered between 65 and 70 births per 1000 women of childbearing age, so that's women between the ages of 15 and 44, but something changed around the time of the great recession. The birth rate fell precipitously, but it didn't recover when the economy improved, and rather the US birth rate has continued a steady descent. So as of 2020 the US birth rate was 55.8 births per 1000 women of childbearing age. That's a decline of almost 20% from the rate of 69.3 in 2007.

Michael Klein:

So Melissa, this decline began around the time of the 2008 great recession. Do we typically see declining birth rates during severe economic downturns?

Melissa Kearney:

Yes, we do. The procyclicality of births is well documented, and it's predicted by a standard economic approach to thinking about birth rates. In brief, the standard economic approach to modeling and studying

birth rates is based on Becker's 1960 seminal work, and that modeled the decision to have a baby, or as economists say, the 'demand for children,' as a constrained utility maximization problem. So essentially people desire to have kids, but they're costly. So when people have more disposable income and they're feeling economically secure, we see birth rates go up, and when people have less disposable income and are feeling economically insecure, we see birth rates go down, and there's a lot of evidence in support of this idea. I would say relatedly, beyond the cyclical nature of births, there's a lot of work showing that kids are in fact what economists call normal goods, meaning that when there's a positive shock to income holding other things constant, like women's wages, people have more kids.

Michael Klein:

Okay, Melissa. Demand for children, constrained utility maximization problem, children as a normal good; so you're giving an economic reason for this deeply personal decision. I remember learning as an undergraduate about the work of Gary Becker, who you mentioned, and he applied economic logic to a wide range of decisions. So at that time, when I was 20, 21, I thought that these topics were outside the purview of economics, including the choice of family size, and it was taking economics too far. I was actually a little outraged by that. But then years later when my wife and I decided to have two kids and not three, economic factors were certainly in play.

Melissa Kearney:

Yeah, I think that's a pretty common reaction from non-economists, and certainly decisions about having children, or getting married, involve many complicated factors and emotions, things like love and religion, or one's aspirations for life. They're not just cut and dry economic decisions. Furthermore, these decisions involve uncertainty. So one can't perfectly realize their pregnancy goals or timing, for instance. But still, the general economist approach to modeling decisions, in a framework of people making choices based on preferences, but within constraints of limited time and money, is an exceptionally useful one. And the decision to have a child is one of the most consequential decisions that a person will make. It will bring joy, along with potential heartbreak, as you and I both know as parents, but it will also require a lot of time and money, and it turns out that many people do seem to make decisions about if and when to have a child, or how many children to have, in ways that are consistent with this basic economic framework. And again, we have lots of empirical evidence showing this.

Michael Klein:

So you should only know nachas from your children, as my grandmother would've said. And using this logic it would make sense to think that birth rates would rebound with the recovery of the economy, but that's not what you said happened in the wake of the great recession.

Melissa Kearney:

That's right, birth rates remained low in the 2010s even though the labor market recovered and people's economic circumstances improved.

Michael Klein:

So in your EconoFact memo you mentioned that this decline in birth rates was widespread across different groups of women, and it happened for women across different age groups, including even teenagers.

Melissa Kearney:

Correct, births have been falling among women in their early twenties, in their late twenties, and in their teens. In fact, the teen birth rate in the US has been falling steadily since the mid-1990s. Now during this time birth rates did rise a little bit for women in their thirties, but those older women have so many fewer

are births as compared to women in their twenties that in the aggregate this did not offset the declines, which is why we got an overall decline in the birth rate.

Michael Klein:

And you and Phil and Luke also point out that this happened across different racial and ethnic groups as well.

Melissa Kearney:

That's right, births have fallen among white women, among black women, and among Hispanic women. The largest declines have been among Hispanic women in the US. Births have also fallen among women with college degrees, and those with less than a high school degree. And birth rates have also fallen during this time period for married and unmarried women. I would add that the population of US women of childbearing age has actually shifted toward groups that tend to have higher birth rates, with the exception of a rising share of women of childbearing age being unmarried.

Michael Klein:

So the title of your Journal of Economic Perspectives article is The Puzzle of Falling US Birth Rates. So this is a puzzle, right?

Melissa Kearney:

The puzzle is that there is no obvious policy or economic factor that can explain much of the decline since 2010. So the great recession clearly played a role in the early stages of this decline, but beyond that it's difficult to identify any policy or economic factor that can statistically account for the ongoing decline. Now, casual observers have suggested a variety of potential factors for the decline, such as greater take up of highly effective contraception, the high cost of raising children, improved occupational opportunities for women, the high level of student debt, among other ideas.

Melissa Kearney:

Phil, Luke, and I looked at the data on all of these possible explanations and we just find little to no empirical support for the idea that these are the factors that have driven the decline in the past more than decade. Furthermore, none of the measures that have been shown in previous research to have a causal effect on annual birth rates, things like certain social policy indicators such as child support enforcement, or reproductive health policy measures, such as abortion clinic closures, none of these things have changed substantially in ways that can account for the drop in the national birth rate since 2007.

Michael Klein:

In your EconoFact memo you have this nice graph that shows successive generations of women are having fewer children at every age. Can you discuss that?

Melissa Kearney:

Recall that the largest decreases in birth rates have occurred among women under the age of 30, and older women are having more births than they used to. So it's possible that perhaps what we've been seeing is simply a delay in birth to older ages, and eventually aggregate birth rates will pick up again because as the women who now are delaying births in their twenties become older, they'll make up for those births. But that's actually not what we see when we look across cohorts in the data.

Melissa Kearney:

So if we look at the age profile of childbearing across successive cohorts of women, what we see is that US women born after the mid-1980s are having fewer births at all ages. In our EconoFact memo we have a figure that shows that subsequent cohorts of women who were born in the windows 1968 to '72, then 1973 to 1977, and 1978 to '82, those cohorts all had similar childbearing age profiles throughout their lives. But then the cohort of women born between 1983 and 1987, they had fewer children throughout

both their twenties and their thirties. And then the next two five year birth cohorts of women, so those born between 1988 and 1997, they have even fewer children at all ages. So the likelihood of births catching up at older ages across cohorts just seems really unlikely, it's quite improbable when you simulate out the numbers, really.

Michael Klein:

So it just seems like we're going to have a lower rate of births in the United States for some time. And you've said all these factors that fit into an economic model don't really explain what's going on, so one thing that's outside the model is just the attitudes towards having children. Do you think that perhaps the attitudes towards having children have changed?

Melissa Kearney:

So I'm inclined to say yes, and I think of that as a combination of both preferences and the constraints in the world we live in. And so that's where my research into this topic has led me to think is the most likely explanation for why we're seeing a sustained decline in birth rates. In part I landed here because of what you said, we just can't find in the data, empirical support for the other obvious explanations, but there is some direct support for the notion that people's views towards childbearing, and where it fits in their life, have changed. So there's some survey and anecdotal data that we point to in our paper suggesting that young adults are less interested in having children, and they place more weight on career and leisure, for instance.

Melissa Kearney:

I would also say that I think today's parenting norms, and the decade long shift to more intensive parenting, might help explain this changed attitudes, or shifted priorities, as we label it. Parenting has become a more time intensive activity than it was in previous generations, and this has occurred alongside an increase in norms around women working outside the home. So let me be clear, these shifts didn't happen starting in 2007, but they happened while the adults who are now of childbearing age were growing up, and that might help explain why today's young adults have different views about where raising kids fits into their life than previous cohorts did.

Michael Klein:

So you're talking about two separate things, one is whether to have children at all, and another is family size.

Melissa Kearney:

That's right, and actually people have shown a lot of this is being driven by an increase in childlessness.

Michael Klein:

So it's not just that families are smaller, but more and more parents are not having children, or not parents, more and more couples are not having children at all.

Michael Klein:

And I would imagine, Melissa, that these days COVID adds another layer of uncertainty to the whole issue.

Melissa Kearney:

The COVID pandemic added another downward shock to birth rates, and Phil and I have actually looked into this. Births conceived in the late winter and spring of 2020, when we had that severe onset of the COVID pandemic in the US, those births fell by around 60,000 in response to the huge spike in unemployment rates, and the immediate drop in household spending that we had in those months, but conceptions leading to live births rebounded by the summer of 2020 making up for a lot of that earlier reduction. So the most recent data on births that have been released in the US suggest that over the course

of 2020 there were a net only 10,000 fewer births. This is a much smaller drop than we had expected back in June at the height of the pandemic, and the explanation for that is that the labor market recovered very quickly, and household spending recovered very quickly, and so that curtailed this COVID baby bust. It was shorter and less long lived than we would've expected given the situation in the spring of 2020.

Michael Klein:

So we've been talking about the possible reasons for the change in birth rates, what about the consequences of the change in birth rates? What are some of the broader economic implications of the decline in birth rates and the fall of population growth to historic lows?

Melissa Kearney:

If the birth rate reduction was temporary, and it bounced back in a couple years, then this would just be a short blip and it wouldn't be so consequential. But as we've discussed, it's unlikely to turn around, and what's more likely to happen is that the US is going to be below replacement level fertility for some time. That means that the typical woman will have fewer than two children during her lifetime. So this means lower population growth, which would imply a smaller workforce, and an older population. In general a smaller workforce and an aging population has negative implications for economic productivity and per capita income growth. In addition, the combination of a smaller workforce and an older population puts fiscal pressure on social insurance programs, like social security, that rely on tax payments from current workers to pay the benefits of current retirees.

Michael Klein:

So we see this problem in other countries, like Japan.

Melissa Kearney:

Yes, this is not a distinctly US challenge. We see it in Japan, we see it across Europe, a lot of countries have been experimenting with pronatalist policies, like tax breaks and things, to try and get people to have more kids. Those maybe move some things on the margin, but it's hard to think that little policy tweaks are going to dramatically turn around birth rates, not only in the US but I think in other high income countries as well.

Michael Klein:

Even famously in Italy there's been declining birth rates, and you think of Italy as a pronatalist country in general, but that's not what we're seeing.

Melissa Kearney:

That's right.

Michael Klein:

So could immigration be the solution to the declining natural increase of the population in the United States?

Melissa Kearney:

Yes, I would say that's the obvious answer. If we're going to be below replacement levels of the native population, then to keep a robust, vibrant workforce, we need to have more immigration.

Michael Klein:

And of course, as you know, we have lots EconoFact memos on immigration, and there are a lot of reasons that we might want higher immigration, but there are costs to it, and also politically it's a very fraught thing.

Michael Klein:

So Melissa, thank you very much for taking the time to speak with me today on this topic, one that has deep consequences for both the economy of this country, and also, I guess, in other ways as well, in terms of even perhaps its moral standing.

Melissa Kearney:

Well, you're welcome, thank you for having me.

Michael Klein:

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