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# Intensive and Extensive Margins of Fertility, Capital Accumulation, and Economic Welfare

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## Abstract

This paper investigates the impact of low fertility on long-term capital accumulation and economic welfare. We find that the impact differs depending on whether the low fertility arises from a decrease in the fertility of mothers (the intensive margin of fertility) or the motherhood rate (the extensive margin of fertility). We show that an increase in the fertility of mothers decreases the capital stock and economic welfare. Conversely, we identify a U-shaped relationship between the extensive margin of fertility and the capital stock because of the existence of two opposing effects, such that the decline in fertility may reduce economic welfare. Furthermore, we show that an intragenerational income redistribution policy can eliminate the welfare loss resulting from the incomplete market.

**JEL Classification No.:** H23, J13, O41.

**Keywords:** Childlessness, Economic growth, Extensive margin of fertility, Income redistribution, Intensive margin of fertility, Overlapping generations.

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