

Fertility and Uncertainty

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Abstract

This paper investigates the impact of economic uncertainty on fertility behavior. We use the fall of the Berlin Wall as a natural experiment that suddenly increased economic uncertainty among women living in East Germany, who underwent a fast transition from a centrally planned economy to a market economy. Using data from the German Socio-Economic Panel, we show that the fall of the Wall resulted in childbearing postponement, which, consistent with a real option framework, is more pronounced early on in the life cycle. We also find that fertility responses to the fall of the Wall were less pronounced for women who report being more shielded from economic uncertainty. We then combine this natural experiment with a dynamic structural model of fertility to estimate the impact of earnings uncertainty on the timing of births, and predict how fertility dynamics would respond to different types of uncertainty shocks.

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