

On a Distinction between the equivalent Expenditure Scale and the equivalent Income Scale in Child Cost Analysis

NAGOYA WOMEN'S UNIVERSITY , Litt.

Tokumaru Kimura

*OBJECT : This paper draws a distinction between the equivalent expenditure scale which reflects the contemporaneous cost of children and the equivalent income scale which reflects the intertemporal cost of children, in the form of reduced savings. It shows that the intertemporal(savings) and contemporaneous(expenditure) aspects of child costs are complementary so that for several applications both should be considered.*METHOD: The arguments in this paper are supported on the econometric method:i.e.,The child costs are partly paid through intertemporal transfers; Households with children are found to consume a higher proportion of their income than households without children.And the propensity to consume increases with the age of children and is particularly high for household with children in the 17-18 age group. In contrast to this savings effect, the amount by which parents reduce their own current consumption to provide for their children does not vary with the age of the child.*CONCLUDING REMARKS: Combining the savings and expenditure cost of children yields equivalent income scales which increase with the age of the child: relative to a single adult the equivalent income scale is estimated to be 1.27 for one child under two rising to 1.58 for one child between 17 and 18. A second adult has an equivalent income scale equal to 1.7 and a couple with one child an equivalent income scale equal to 1.99.