

FLAT WHITE

Can subsidies help Australians make more babies?

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22 October 2024

Previous fears of overpopulation in nations with high population densities have been replaced by concerns about a declining and ageing population.

The news that Victoria has Australia's lowest fertility rate at 1.39 births per woman means that, excluding migration, its population will decline by one-third in a generation. Taiwan, with one of the world's

lowest birth rates at 1.09 per woman, faces a halving of its population in a generation. This perhaps poses an even greater threat to its future than mainland China.

For the world as a whole, fertility has halved since 1960 to a level equivalent to the 2.1 rate per woman necessary to maintain a steady population. For the OECD, fertility dropped from 3.3 children per woman in 1960 to just 1.5 children per woman in 2022.

This is not a religious thing. Not so long ago, Catholics used to have more children than Protestants while Muslims had more children than Christians.

Not so much now... Catholic countries are just as infertile as those with predominantly Protestant populations. Meanwhile, Buddhist, Shinto, Hindu, and majority Muslim nations have birth rates in free fall: Iran, Indonesia, Turkey, and Saudi Arabia are all below the 2.1 births per female rate required for a steady state population.

For the time being, the areas with high growth population rates are confined to some Muslim nations and the impoverished regions of southern Africa where high birth rates are common to both Muslim and Christian regions.

Among many factors that explain low population growth rates are the intertwined effects of income levels, education, and lower childhood mortality. While children were once an (imperfect) means of securing living support in old age, the availability of state or other pensions has reduced this need. The cost of raising children – once revenue-neutral by the age of 8 – has also risen.

For Australia, the [Institute of Family Studies](#) estimated \$8,000 per year as the cost of raising a child for low-income families. Even though this excluded child care and income foregone, it seems to be too conservative. In the US, [a 2023 study by LendingTree](#) put the nationwide average for the cost of raising a child at \$21,681 per year. That study took into account rent, food, child care, clothing, transportation, health insurance premiums, and state tax exemptions or credits. It did not include the cost of college. Another US [estimate](#) put the cost of the first 17 years for a child born in 2015 at \$310,605. And neither of these estimates include the effect of income foregone, usually by mothers.

With his slight to 'childless cat ladies', JD Vance inaccurately depicted the phenomena. The rejection to bringing up more than one or two children – or any children – is now the norm amongst people who used to typically live in coupled relationships.

Although they are a financial cost to their parents, children, once they become productive, have benefits for the nation as a whole. However, the previous serendipitous benefit of raising children, both for the entire community and the nurturers themselves having been broken, what do we do?

No nation has ever flourished with a declining population. That said, we have not previously experienced a world with a sustained fall in population that, on current trends, will be global during the 22nd Century.

The response to lower birth rates has resulted in almost all countries increasing their support for child-rearing. Some are doing so at unprecedented levels. These include [Hungary](#) with five years of grants at the minimum wage plus apartments and subsidised cars (but only

for married heterosexual couples), and Korea, which has a baby bonus equal to double the national wage.

No trend is inexorable but there are readily observed economic reasons behind the drift to depopulation.

If we are to halt this there is no alternative but to restore the incentive for child rearing. That means very substantial government support to compensate parents for the loss of prosperity they incur from something that has always previously been seen as intrinsically beneficial.