TITLE: Costs of Children

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What does a child cost? This is a question which few parents and, indeed, few economists have quantified in a systematic way. Even so, data on the cost of children may be important for parents who are deciding whether or not to have a child, or deciding how many they can afford. Such data would also help them to plan more effectively for their own and their children's welfare, for it is difficult to know how well one will be able to support his family in later years, unless he has some idea of what the future costs will be.

Children do not cost the same for all people. Some people send their children to private schools, summer camps, and expensive colleges; other parents provide only the barest subsistence for their children. Probably the greatest determining factor of the cost of a child is the level of income enjoyed by its family: People with high incomes spend more on their children than people with low incomes. Part of this difference is due to direct constraints -- poor people simply do not have the financial resources to spend as much on their children as rich people. Differences in the

cost of children are also partly due to social norms -- a rich man cannot easily deprive his child of the music, dancing, or riding lessons that his child's friends are exposed to. Even among families at roughly the same level of income, the costs of children can still vary greatly depending on the parents' attitudes, number of children, and other circumstances. It is, therefore, impossible to talk about the cost of a child except as an abstraction.

In what follows, we will try to approximate the average cost of a child, while showing how this cost might be expected to vary. Included in our analysis are estimates of the direct dollar costs of a child from conception through college graduation, and estimates of the opportunity costs to the mother -- the wages foregone by the mother in order to have children. We also consider other indirect economic consequences of uncontrolled fertility. Both direct and indirect dollar and opportunity costs are borne by the family; we do not include costs borne by the public sector.

Since the costs of a child are incurred over a span of years, the cost data will be shown both in undiscounted values and in discounted, or present, values. (For an explanation of discounting and present values, see Appendix A.)

DIRECT COSTS

The direct costs are the monetary outlays required to maintain a child. We are including the costs of housing, food, education, clothing, medical care, transportation, and other maintenance expenses for a child from birth to age 18. In addition, we are considering the direct costs associated with the birth itself, as well as the costs of college education. Thus, we are attempting to estimate the direct costs of a child from the time of conception to the time the child graduates from college.

Costs of Raising a Child From Birth to Age 18

On the average, the undiscounted costs of raising a child to age 18 in the United States range from a low of $20,010 to $32,990. When discounted at eight percent, the costs range from $10,836 to $17,680 (see Table 1). Thus, having a child means that the family will give up as much as the equivalent of $17,000 in present consumption, or $33,000 in consumption, over a period of 18 years. It is a substantial sum either way one looks at it.

On a nationwide basis, the differences in cost by type of residence are not great; it costs slightly less to raise a child on a farm, but the costs of raising a child in a rural non farm place or an urban place are

-- Cost of Raising A Child
9 Prices, U.S. Averages,
w-Cost and Moderate-Cost
l and Type of Residence

Age of child (years)	cost level		Moderate-cost level		
	ural Farm	Urban	Farm	Rural Nonfarm	Urban
Under 1	,070	$ 1,070	$ 1,350	$ 1,570	$ 1,540
1	,110	1,110	1,390	1,620	1,590
2	,010	1,060	1,350	1,520	1,510
3	,010	1,060	1,350	1,520	1,510
4	,070	1,090	1,430	1,600	1,600
5	,070	1,090	1,430	1,600	1,600
6	,110	1,120	1,540	1,720	1,720
7	,150	1,170	1,590	1,770	1,780
8	,150	1,170	1,590	1,770	1,780
9	,150	1,170	1,590	1,770	1,780
10	,200	1,220	1,660	1,850	1,860
11	,200	1,220	1,660	1,850	1,860
12	,310	1,290	1,840	2,030	2,010
13	,340	1,320	1,880	2,090	2,060
14	,340	1,320	1,880	2,090	2,060
15	,340	1,320	1,880	2,090	2,060
16	,470	1,440	2,020	2,280	2,250
17	,470	1,440	2,020	2,280	2,250
Undiscounted Total	,540	$21,630	$29,470	$32,990	$32,830
Discounted Total	,635	11,756	15,715	17,680	17,576

Note: Disco percent.
Source: U.S Agriculture.

practically equal. Rather, the differences in costs are primarily due to the considerable differences between the low-cost and the moderate-cost levels: It costs a third less to raise a child on the low-cost rather than the moderate-cost budget. For example, on the average moderate budget, it costs around $33,000 to raise a non farm child to the age of 18, and the cost for a farm child is only slightly lower. At the low-cost level, the cost is about $21,000 for a non farm child and about $20,000 for a farm child.

On a regional basis, the costs of raising a child range from $19,460 to $35,830 (see Table 2) and, again, the differences are primarily differences in cost levels rather than in type of residence. No clear regional cost patterns emerge from the data, with the possible exception that the West tends to be slightly more expensive. Also, the North Central region has a substantial cost advantage for rural non farm residents.[1]

In contrast to the method used by the U.S. Department of Agriculture (USDA), A. Henderson[2] and Sara Sohn[3] developed somewhat different approaches for determining the costs of children. Henderson estimated the compensatory sum of money which would enable a couple with one or two children to maintain the same standard of living they enjoyed as a childless couple. Unfortunately,

Table 2. --Cost of Raising a Child to Age 18, at 1969 Prices By Region, Cost Level, and Type of Residence

Region	Farm Costs		Rural Non-Farm Costs		Urban Costs	
	Low	Moderate	Low	Moderate	Low	Moderate
Undiscounted						
All Regions	$ 20,010	$ 29,470	$ 21,540	$ 32,990	$ 21,630	$ 32,830
North Central	19,460	28,900	19,360	28,950	22,690	31,140
South[a]	21,690	32,210	21,050	33,850	21,360	33,600
Northeast	19,770	28,100	23,070	35,220	19,520	32,900
West	NA	22,750	25,000	35,830	23,380	34,390
Discounted						
All Regions	$ 10,836	$ 15,715	$ 11,635	$ 17,680	$ 11,756	$ 17,576
North Central	10,426	15,435	10,452	15,495	12,276	16,718
South[a]	11,714	17,306	11,450	18,244	11,593	18,036
Northeast	10,615	15,057	12,399	18,847	10,527	17,540
West	NA	11,933	13,533	19,238	12,649	18,409

a- In 1966, the Department of Agriculture estimated the cost of raising a farm child to be more expensive in the North Central than in the South. The reversal since that time of the costs of raising a child in these two regions can be attributed to changes in the pricing of the Departments' food plans by region.

Source: U.S. Department of Agriculture.

because the data are very much out of date and apply only to England, we have been unable to compare the results with the costs of children which we have collected from other sources. Even so, this approach offers an interesting methodological alternative for calculating the cost of a child for some purposes.

Sohn estimates that the cost of raising a child with a moderate budget is $29,753--close to the USDA estimate of $32,830. Although she depends on the U.S. Bureau of Labor Statistics (4) as her primary source, she also uses USDA, the Community Council of Greater New York, (5) and the U.S. Department of Labor. (6) Because she averages the results of several sources, identifying the precise methodology and the possible inherent biases is very difficult. Therefore, we prefer to rely on a single source -- USDA. Furthermore, the USDA data has more detail by region of the country, by type of residence (farm, rural non farm, and urban), and by size of family.

There are three assumptions which are basic to an understanding of the USDA figures and of any other figures also relying on survey data. All three assumptions arise primarily from the fact that the USDA figures are derived from the 1960-61 Survey of Consumer Expenditures. Adding the costs from one point in time associated with each year of a child's life up to age 18

presents a complete cost picture, but only for the year of the survey. To apply these figures to the actual life span of a child involves making certain assumptions. First, tastes and preferences must remain constant. That is, we are assuming that normal purchases for a 12-year-old child in 1961 are normal purchases for the same age child in 1971 and vice versa. Second, we assume that the standard of living of a couple will remain constant while their children are growing up. Thus, we are ignoring increases in real income which are the typical experience of most American families. Third, we are assuming that prices will remain constant relative to each other. Thus, while inflation (which affects all items equally) would not affect the cost figures, price increases of some items and not of others would partially invalidate the totals.

The USDA data are estimates and should be considered rough approximations of the cost of raising a child. The data could be improved in many ways. For example, the Department of Agriculture should, in our view, publish these data as a government document with a clear explanation of exactly how they were derived. Furthermore, we feel that the method used to delineate different standards of living is not a particularly good one. For instance, it would be preferable to use the proportion of the total budget that is composed of food

expenditures as the criteria for defining the budget levels. Finally, the data should be published with considerably more ancillary detail. For example, the Department of Agriculture cannot associate an average income with the different cost budgets. Nor do they know how many families fall into each budget category. The data in Table I is for the average family of two to five children, but we could not find out where in this range the average family would be.

Cost of Childbirth

A cost which is not included in the calculations of the Department of Agriculture is the cost of giving birth. While it is obvious that this cost varies with income level in much the same way as other expenses, all families are forced to face a certain proportion of the charges of the doctor and hospital: Nearly all women receive some medical care either during or at the termination of their pregnancies. The Blue Cross magazine Perspective estimates the cost of having a first baby at $1,500.(7) This figure is broken down into the following:

Hospital costs	$573	(including six days at national average of $65 per day, nursery, and delivery room)
Medical costs	280	(including obstetrical and pediatric care and circumcision)

Basic nursery supplies	517	(including a baby wardrobe, medical supplies, furnishings, utensils, etc.)
Mother's maternity wardrobe	164	
TOTAL	$1,534	

Sylvia Porter[8] makes similar estimates, as follows:

Hospital and medical care	$ 929.00
Basic nursery supplies	520.68
Maternity clothes	177.16
	$1,626.84

Perhaps even more worrisome than the $1,500 price tag on the normal birth of a first child is the fact that the price can increase greatly if there are any complications such as prematurity or a Caesarean. As an example, Perspective mentioned a Caesarean delivery that cost a total of $2,235.[9] While it is true that some of these expenses were for the first six months after birth, medical costs still totaled $1,541.

In both figures given in Perspective, there is certainly room for eliminating "extras" and determining the essential expenses. For example, it is hardly necessary to spend $517 on basic nursery supplies. Indeed, it has been suggested that the purpose of the major part of the expenses in this category may be to

benefit the parents psychologically rather than to satisfy a real need of the infant. Although this may be a valid point, it is still difficult to know where to draw the line between necessities and what might be termed luxuries. So much depends on the taste and standard of living of the parents. While it may be reasonable to include the $500 nursery supplies figure in the cost of giving birth to the first child, we feel it is more appropriate to deduct it for the birth of subsequent children.

If one concentrates primarily on the medical expenses, the price tag for a normal delivery is brought down to $853.00 -- still a hefty sum. In fact, this comes to over 65 percent of the Department of Agriculture's cost of the first year after birth, for all regions, at the low-cost level (see Table /).

Costs of Higher Education

Another important expense a family may face is the cost of a college education, a cost excluded by the Department of Agriculture data. However, it is valuable to look at estimates of the cost of sending a child to college because, as more and more people are electing to attend college, a greater number of families are going to be faced with the costs. In 1951, for example, the ratio was 13 college students to 100 persons 18 to 24 years of age in the population; by

1968, it was 30 college students to 100 persons in the same age group.[10]

The major components of college expenditures are room, board, and tuition. Tuition, of course, varies greatly depending on whether the institution is public or private. However, the variation in the charges for room and board are relatively small, as can be seen in Table 3.

Room and board costs for public universities average $943 a year, or $3,772 for four years. The comparable cost for private institutions is $1,171 per year and $4,684 for four years. On the average, then, room and board costs will approximate $4,000 for an undergraduate degree. Of course, it should be noted that only 28.8 percent of all students live in college housing, while about one-third live with parents or other relatives, and almost a quarter maintain their own households.[11]

Tuition, as pointed out earlier, accounts for far more of the variation in cost between private and public institutions. For public schools, tuition costs for four years range from $1,376 to $1,788; similar expenses for private schools run between $5,788 and $7,288 (see Table 4). Because most people -- more than 70 percent -- elect to attend public institutions,[12] we will use these data in determining the total cost of

Table 3.--Estimated Tuition and Fees, and Room and Board Rates, in Institutions Of Higher Education, By Type Of Control Of Institution: United States, 1969-1970

Institution	Tuition & Required Fees		Board		Dormitory Rooms	
	Public	Private	Public	Private	Public	Private
All Institutions	$332	$1,542	$506	$560	$358	$474
Universities	447	1,822	553	609	390	562
Other 4-yr. Institutions	329	1,447	450	539	338	437
2-yr. Institutions	148	1,111	412	651	267	449

Note: Data are for the entire academic year and are average charges per full-time resident degree-credit student.

Source: U.S. Dept. of Health, Education, and Welfare, Digest of Educational Statistics, 1969 Edition, by Kenneth A. Simon and W. Vance Grant, Office of Education, p. 88.

Table 4. -- Costs of Four Years of Higher Education, By Type Of Institution, 1969-1970

	Total Cost	Present Value
Public Universities		
Tuition and Fees	$ 1,788	$ 401
With Room and Board	5,560	1,244
Non-Public Universities		
Tuition and Fees	7,288	1,631
With Room and Board	11,972	2,679
Public, Other 4-Year Institutions		
Tuition and Fees	1,316	294
With Room and Board	4,468	1,000
Non-Public, Other 4-Year Institutions		
Tuition and Fees	5,788	1,295
With Room and Board	9,692	2,168

Note: Present value is based on the assumption that college costs are incurred during the 18th, 19th, 20th and 21st years of a child's life.

Source: See source, Table 3.

raising a child. Thus, on the average, the cost of attending a public university comes to $1,390 per year, or $5,560 for four years. When discounted at eight percent to give the present value, the cost of a college education would be $1,244.[13]

Costs From Birth To College Graduation

The total major direct costs of raising a child at the low-and moderate-cost levels, including costs of birth and a college education, are given in Table 5; all of the expenses would be higher for richer families. In the table, we have assumed that the costs of giving birth, as well as the costs of raising a child to age 18, vary with income. We have also assumed that a child from a family in the moderate-cost category will attend a slightly more expensive college than a child from a low-cost category family. It is clear that, even in present values, the total costs are substantial. For example, at the moderate-cost level, a child costs approximately $20,000 in present value.

OPPORTUNITY COSTS TO MOTHERS

Another very important cost of a child is the "opportunity cost" borne by the mother. We use the term opportunity cost to refer to earnings that the woman might have had, but had to forego because of the need to care for her children. For all women, and particularly for well-educated women, this can be an

Table 57 -- Cost From Birth To College Graduation For An Urban Child, By Cost Level, 1969

Cost Level	Birth Costs[a]	Costs To Age 18	College Costs[b]	Total Costs
Low-Cost Level				
Undiscounted	$ 1,011	$21,630	$ 4,468	$27,109
Discounted	1,011	11,756	1,000	13,782
Moderate-Cost Level				
Undiscounted	1,534	32,830	5,560	39,924
Discounted	1,534	17,576	1,244	20,354

a- Birth costs for low-cost level are derived so that they are in the same proportion to birth costs for moderate-cost level as the costs to age 18.

b- We assume that the child raised on the moderate-cost level will attend a more expensive school than the child raised on a low-cost budget. Thus, in our figures, we assume that the moderate-cost child will attend a public university, and that the low-cost child will attend a four-year public institution that is not a university. See U.S. Bureau of the Census, Current Population Reports, Series P-20, No. 183, Characteristics of Students and Their Colleges, Oct. 1966.

important cost. Not only does the mother give up money that she might have earned, but she also gives up other satisfactions that would accompany a well-paying, satisfying career. Again, this would be more important for a well-educated woman who would potentially have a more rewarding career. Of course, not all women would want a career or a job even if they did not have children. To some, the pleasure of parenthood far outweighs the money foregone due to having children. For other women, however, the loss of earnings is a relevant consideration. Having a child will not only mean giving up one life style for another, but also potentially giving up one standard of living for another.

In this section, we will show estimates of the value of earnings foregone by women in order to have a child. This is very difficult to quantify, and the estimates can therefore be only of the crudest sort. It is, however, a very relevant cost for some women. We will not talk about the even more difficult problems such as career opportunities foregone. These are important nonmonetary costs, but beyond our present scope.

Average Opportunity Cost

We will devote much of our attention to a methodology developed by Glen Cain to estimate opportunity costs.(14) He uses data on labor force participation from Bowen and Finegan(15) along with earnings data to show the

income foregone by a non working mother. As a first step, Cain estimates the hourly wage that a non working mother would make if she were in the labor market. He does this by dividing the median earnings of women in 1968 by 2,000 hours per work year to get a figure of $2.25 per hour. He makes a further adjustment to the $2.25-per-hour earnings figure by reasoning that there is a sort of self-selection process going on where the more productive women will be more likely to be working. Therefore, according to Cain, if the average woman working earns $2.25, the amount that the non working woman would make if working should be smaller -- $2.00. For reasons that will be given below, we chose not to make this adjustment.

Cain's next step is to calculate the difference in the expected full-time equivalent labor force participation rates between those wives with children at each age under 14 and those wives who have no children under 14 years of age. The full-time equivalent labor force participation rate for women without children under 14 is .51. Cain converts this to hours per year and calculates that the average woman would work 1,000 hours per year if she had no children under 14. The Bowen and Finegan regressions also allow calculation of the full-time equivalent participation rates for mothers whose children are under 14. Participation rates

can be calculated by single-year intervals for children less than six years old, with one rate for those 7 to 14. These rates are converted into an hours-per-year equivalent and subtracted from 1,000 hours per year to derive the expectation of the difference in hours worked per year. (See Appendix B, Table B-1.)

The full-time equivalent rates are derived through regression equations and are adjusted for level of school completed, color, age, other family income, and the employment status of the husband. They are not simple average participation rates, but rather represent the average participation rates according to the presence and age of children, after taking account of the effects of the other characteristics. This procedure isolates the differences between those who have children under 14 and those who do not. This is important because the two groups of women are different in other respects than their motherhood status.

Finally, we do not assume, as Cain did, that the non working mother would be less productive than the woman who is already working and that the applicable wage for calculating opportunity costs is less than the market wage. Even if Cain is correct in his assumption, the productivity of women out of the labor force may be largely irrelevant. Those women most likely to be thinking about foregone earnings are likely to be in the labor force anyway, at least when contemplating having

their first child. Therefore, the market wage is the applicable one.

All of this means that the average earnings figure we use is substantially above Cain's -- $2.53 compared with $2.00. The difference between $2.53 and $2.25 (Cain's figure for the average woman working) is due to the use of 1969 median income as a base rather than 1968 median earnings. The remaining $.25 difference is due to Cain's assumption about the productivity of non working wives.

Using Cain's basic methodology but 1969 estimated median earnings, we estimate that the average loss of income in 1969 due to the birth of the first child is $14,615 in present values. (This is considerably higher than Cain's estimate of $11,473.)

Opportunity Costs by Level of Education

Cain does not calculate the opportunity costs for women with different levels of education. However, education is a very important factor in determining opportunity costs.

Because of our interest in estimating the opportunity costs to mothers according to their level of education, we make the following changes to Cain's basic data. First, we use median income adjusted to

approximate earnings, rather than the median earnings figure which Cain uses. The income data permit calculation of earnings foregone by educational level. We also use 1969 data, rather than 1968, to make the data on opportunity costs comparable to that on the direct costs of raising a child. To minimize the difference between income and earnings, we make a further adjustment to the income data. Comparison of median income earnings for working women shows that median income is 3.6 percent higher than median earnings. We adjust median income, accordingly, to approximate median earnings. Stated differently, we assume the following ratio:

$$MEE = \frac{ME}{MI} \times MIE \quad \text{or,} \quad MEE = .964\ MIE$$

where, MEE = median earnings by education level,
ME = median earnings of all women,
MI = median income of all women, and
MIE = median income by education level.

These data are shown in Table 6.

Persons with more or less education than the "average woman" will face quite different opportunity costs associated with having a child. This is due to two factors: First, having a child has more effect on the labor force participation rates of women with more education; and second, more highly educated women command a higher hourly wage.

The increasing divergence of participation rates by level of education is shown in Table 7. For all married women, regardless of whether they have a child

Table 6. -- Median Estimated Earnings of Full-Time Working Women 25 Years Old and Over, 1969

No. of School Yrs. Completed	Median Income	Estimated Median Earnings	Adjusted[a] Hourly Income
All Women	$3,254	$ 5,065	$2.53
Elementary	2,971	3,828	1.91
High School	5,280	5,090	2.55
College			
4 years	7,396	7,130	3.57
5 years +	9,262	8,929	4.46

a- Based on a work year of 2,000 hours or on 50 40-hour weeks. The adjusted hourly income figure for all women is not a weighted average of the other hourly income data. The classification of years of school completed does not cover the universe.

Source: Adapted from U.S. Bureau of the Census, Current Population Reports, Series P-60, No. 75, Income in 1969 of Families and Persons in the United States, p. 105.

Table 7. -- Adjusted Labor Force Participation Rates For Married Women Aged 14 to 54 By Years of School Completed and Presence Of Children Under Six Years of Age

Years of School Completed	Labor Force Participation Rates		
	No Child Less Than 6	Child Less Than 6	Difference
0-4	27.2	11.4	15.8
5-7	37.6	15.3	22.3
8	38.8	17.4	21.4
9-11	43.4	16.8	26.6
12	50.0	20.4	29.6
13-15	54.5	21.0	33.5
16	63.2	24.1	39.1
17	77.7	32.0	45.7

Note: The data are calculated from a regression analysis of labor force participation of married women, aged 14 to 54, on years of school completed, color, age, other family income, age and presence of children, and employment status of husband.

Source: William G. Bowen and T. Aldrich Finegan, The Economics of Labor Force Participation (Princeton: Princeton Univ. Press, 1969), p. 109.

under six, labor force participation increases with the number of years of school completed. However, the absolute difference between the participation rates of those with and without children under six increases substantially with the level of school completed. Even though having a child is less likely to keep a highly educated mother out of the labor force, she is still far less likely to participate than her counterpart with no children under six. At the same time, less educated women have relatively low participation rates whether or not they have a child under six.

Even if the differences in participation rates are not considered, the differences in opportunity costs for women with different levels of education are still quite large, due to wage differentials alone. (See Table 8.)

If both labor force participation rates and earnings by level of education were accounted for, the differences in opportunity costs would be even greater. So, the highly educated woman has a much higher opportunity cost on both counts: She gives up more working time and higher wages by having a child. These differences in opportunity costs by educational level partly explain the lower level of fertility among the

Table 8 -- Present Value of Average Opportunity Cost Due to the Birth of the First Child, By Level of School Completed

Level of School Completed	Foregone Earnings
All Women	$ 14,615
Elementary	11,036
High School	14,734
College	20,628
College, 5 or more years	25,765

Source: Appendix B, Table B-1.

highly educated; children "cost" them more and they have fewer of them.

Opportunity Costs for the Mother Who Would Work Full-Time in the Absence of Children

These "average opportunity costs" represent the average experience of mothers with and without children. They apply only to a hypothetical woman and not necessarily to any particular woman.

If one were trying to calculate the probable loss in national income from a woman having a child, these hypothetical averages would be very appropriate. However, for the individual woman making a decision about having children, these figures may not be relevant. The individual woman wants to know how much she would give up by choosing to have a child rather than working: She wants to know what she will give up in earnings by having one child, two children, or more. Some women see two clear alternatives: having a lifetime job, or being a mother and having a job after the children reach a certain age. Therefore, because of these considerations, we will seek to give a different sort of opportunity cost for ~~such a~~ the individual woman. The opportunity costs derived for this purpose will be significantly larger and probably apply most to the well-educated woman, because she is the most likely to be looking at the alternatives in this way.

The only change that has to be made to the methodology we have used thus far is to assume that the

woman would be working a full-time work year of 2,000 hours (50 40-hour weeks) as opposed to ~~expecting that she would work~~ only half of a full-time equivalent year (1,000 hours). As can be seen in Table 9, this increases the opportunity costs substantially. When further corrected for education, we see how much income highly educated women forego to have their first children. It is, indeed, small wonder their fertility is so low.

Marginal Opportunity Cost for Additional Children

When considering opportunity costs, we must remember that the real burden of these costs falls when the first child is born. An additional child merely delays the mother's re-entry into the labor force by a couple of years. That is, the additional opportunity costs are minimal if the mother is already staying at home taking care of other children. Although successive children may add little to the opportunity cost to a mother, it is reasonable to expect that additional children do entail some opportunity costs, even if they are much lower than the opportunity cost for the first child.

The data on marginal opportunity costs of additional children are presented in Table 10, and are based on the fact that the age of the youngest child is of paramount importance in determining the labor

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