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WP 2014: 4

Fertility, household's size and poverty in Nepal

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April 2014

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Abstract

Population control policies keep on attracting a lot of attention. The main argument in favour of a reduction in fertility rates, is that having more children contributes directly to a household's poverty. Using the last three rounds of the Nepal Living Standards Surveys, we investigate the links between household's fertility decisions and their consequent achievements in incomes and consumption. In contradiction with the popular presumptions, we find that having more children does not have a negative effect on incomes (per capita) and consumption. In fact, because households are parts of extended family networks, those who have fewer children will host other relatives. We show that the size of the household does not change with additional births, only the household composition is affected. An additional birth reduces the number of adult members and increases the number of child members. As a result, it has an ambiguous impact on the consumption per capita, that depends on the importance of the gain in lower consumption versus the cost of a lower income. To identify the causal relationship, we use the gender of the first born child to instrument the total number of consecutive children. The results question the relevance of the policies and information campaigns aiming at reducing the fertility of the poorest people.

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Aknowledgements

We are thankful to Jean-Marie Baland, Catherine Guirkinger , Magnus Hatlebakk and Arild Aakvik for numerous comments. Vincent Somville acknowledges financial support from the Research Council of Norway through the Econpop program.

Introduction

Policies aiming to lower the fertility of poor people have been carried out in most developing countries of the world. They have sometimes been dramatically violent and invasive, as illustrated by the application of the Chinese one-child policy or the Indian sterilisation campaigns under Sanjay Gandhi.[1]

Two types of arguments have been used to justify the public control of the size of a population. There is first a set of arguments that we do not discuss in this paper: the influence of Malthus (1798) is strong and many call for a limit on the world population given the limited amount of resources that are available. Those who contest this view generally argue that technological progress creates new resources and more efficient ways to use resources and that must be taken into account. In addition, as Banerjee and Duflo summarise: "*when there are more people around, there are more people looking for new ideas, and so perhaps technological breakthroughs are more likely*" (Banerjee and Duflo, 2011: 105). Kremer (1993) supports this hypothesis and conclude that for most of human history, societies with larger initial populations indeed experienced faster technological change.

We leave aside this debate to focus on a second type of argument. The argument is illustrated by Figure 1. This poster of the India Ministry of Health and Family Welfare is well representative of the low-fertility campaigns and similar posters can be found in other countries or at other times. It pictures on the left side a family that has many children: that family is poor, badly dressed, living in a house that is in a very poor condition and with nothing growing on their land. On the right side there is a family that only had two children and looks much richer and happier. They have a nice house, nice clothes, a fertile land and a tractor. Even the tree regains its leaves when there are only two children. The argument is that poor and large families do not have the means to invest (in the education of their children, or in the activities that generate their incomes) and, to get out of poverty, the poor should have few children (two children is usually advocated).

While Becker et al. (1960) established an economic framework to study the effects of the parents' income on their fertility, their arguments formally link the income with the number of children and can be used to analyse the reverse relationship.

The mechanism that is implicitly assumed in the picture can be described as follows. The household has a limited amount of resources. When one additional child is born, the size of the household grows accordingly. There is an additional unproductive mouth to feed and therefore income per capita is lower. The household does not have the means any more to invest in their productive assets and in the education of their children.

[1] See Banerjee and Duflo (2011) for a review of these policies.

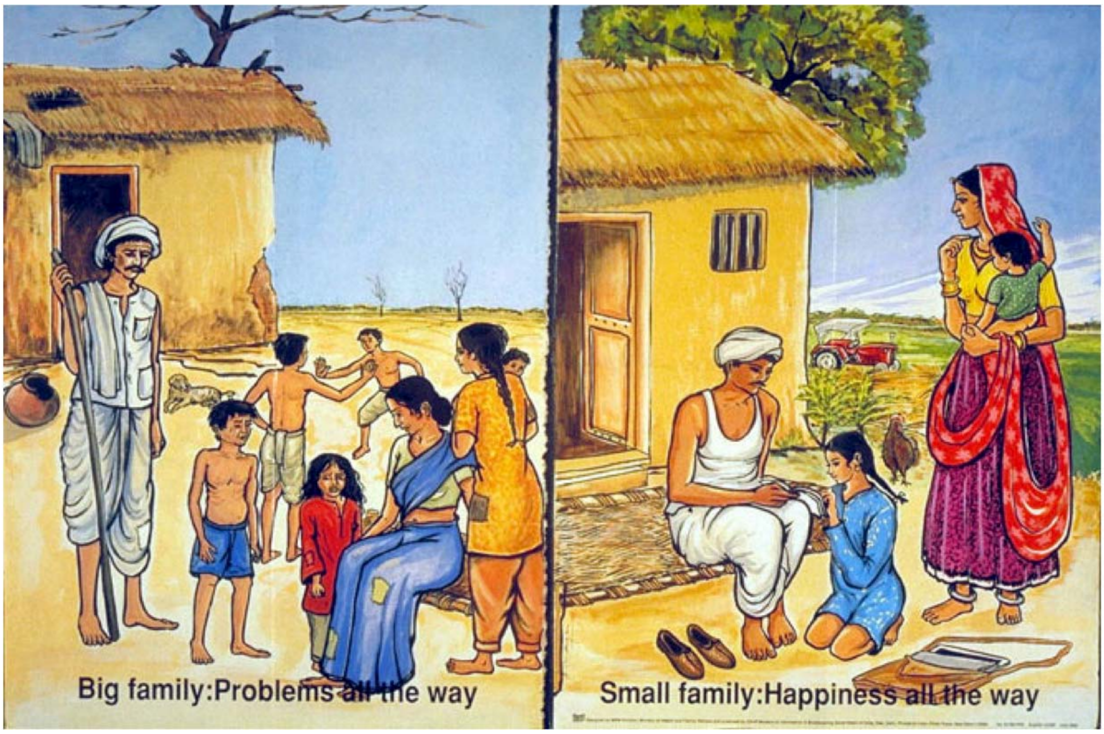

Figure 1: A 1992 poster from the India Ministry of Health and Family Welfare.
Credit: courtesy of the Media/Materials Clearinghouse at the Johns Hopkins University, Bloomberg School of Public Health, Center for Communication Programs.

Whether this message is correct or not is however of crucial importance to the poor. Is it really true that they will become rich and happy if they refrain from having children?

It is also crucial to policy makers. According to the picture, fertility control would be an effective tool to eradicate poverty. Before spending resources on this kind of campaign, or on more aggressive policies as has been done in India and China, policy-makers ought to know exactly what benefits to expect in terms of increased incomes and poverty alleviation. Empirically, the effects of changes in fertility on various outcomes linked to household's welfare remain unclear. As Schultz et al. (2007) conclude from their review of the empirical literature, "*Policies that help individuals reduce unwanted fertility are expected to improve the well being of their families and society. But there is relatively little empirical evidence of these connections from fertility to family well-being and to intergenerational welfare gains, traced out by distinct policy interventions.* (...) *The hypothesis that policy-induced fertility declines have contributed to increases in family savings rates is intuitively plausible, as is the life-cycle savings hypothesis. No studies were found, however, to show exogenous sources of fertility decline have actually increased family life cycle savings and added over time to the accumulation of physical assets.*" (Schultz et al., 2007,p.3294-3295).

We use data from the Nepal Living Standards Surveys to investigate the links between household's fertility decisions and their consequent achievements in incomes.

First, we check how the size of households evolves with additional births. We find that on average, the size of the households barely changes with additional births, only the household composition is affected.

As we show below, the size of the young mothers' households barely changes with an additional birth. The arrival of a new child is compensated by the absence of another member. On the other hand, older women's households decrease in size with the number of children. In this latest case, the data show that couples who had fewer children tend to host more grand-children and in-laws than couples with more of their own children. Because households are parts of extended family networks, those who have fewer children simply host more other relatives. This finding concurs with the arguments of Cox et al. (2007) who emphasised the importance of kinship networks in redistributing resources. In our case, people, rather than goods or money, move between households.

When the arrival of an additional child provokes the departure of another household member, it is not obvious any more that the household will have fewer resources per person. This will depend on the relative consumption and generation of income of the child versus the member who left.

Second, we test whether having an additional child leads to a lower level of income and consumption. Simply comparing the incomes of small and large families obviously does not allow to conclude anything about the causal effect of the family size on the household's income: poor parents may have more children because they are poor and will need their children support later in life, or on the contrary, rich parents may decide to have more children because they are rich and can afford more children. To identify the causal effect of the number of children on the household's income, we use the gender of the first-born as an instrumental variable. Because of a strong preference for sons, Nepalese parents whose first-born is a girl tend to have more children. Despite our best efforts, we do not find significant correlations between the number of children and the income and consumption of households. We explain this absence of correlation by our previous finding, that household size is unrelated to the number of births.

The main result of the paper is that the theoretical prediction that larger families will get poorer does not materialise. Households include various people such as grand-parents, uncles and aunts, cousins, non blood-related people, etc. When a family has an additional children, some of the other people may move away leaving the size of the household constant. And similarly if a couple has few children at home they are likely to host more other relatives or acquaintances. [2]

Clearly, fertility decisions and the way household's composition and incomes vary with new births are context-dependent and most likely different families will adopt different behaviours. Childs (2001) for instance describes how in Nepal two geographically close villages followed opposite directories in terms of population growth. In one village, parents designated their daughters to be nuns, barring them from marriage, while in the other young daughters were getting married and having children. Our goal here is to check whether a general pattern emerges across local differences and we focus on average effects over a very large sample that covers most of Nepal's areas.

In the next section, we present the data and the identification strategy. A descriptive statictical analysis of the main variables is carried out in Section 2. In Section 3 we focus on the impact of having an additional child on the household's size and composition. In Section 4 we focus on the impact on the household's income and consumption. In section 5 we estimate an equivalence scale that would leave

[2] This argument is related to what anthropologists and biologists have called "cooperative breeding", see Kramer (2010). In economics, it is closely related to the argument of Cox et al. (2007) on the role played by kinship networks in the redistribution of resources.

a household's per capita incomne unaffected by additional births. We present some robustness tests in Section 6 and conclude in Section 7.

1. Data and empirical strategy.

The Nepal Living Standards Surveys (NLSS) have been carried out in 1995/96, 2003/04 and 2010/11 by the Nepalese Central Bureau of Statistics in collaboration with the World Bank. The surveys follow the World Bank's Living Standards Measurement Survey methodology and cover a wide range of topics: demography, consumption, income, access to facilities, housing, education, health, employment, credit, remittances, etc. The quality of the surveys has been tested by Hatlebakk (2007) who also discusses them in greater details. The details of the sampling, of the methodology and of the execution of the surveys are exposed in CBS (2011a).

We use data from the three cross-sections. Our estimation sample consists of 8218 households, 2 105 from the first survey, 2 503 form the second survey and 3 610 from the third survey. The three surveys are referred to as T1, T2 and T3. Information related to children ever born comes from a specific section of the household survey about women maternity history. In that section, the respondent is asked about the number of children of each woman, the age of those children, their gender, whether they are still living with the household and other demographic informations. A drawback of this dataset is that this information is collected only if the women are below 50 years of age.

To assess the causal impact of the family size on household income per capita, we use, as an instrument, a binary variable that is equal to one if the first born child is a girl and to zero otherwise. The effects of the gender of the first-born have been analysed in various papers (Rosenzweig and Wolpin, 2000), in Asia (Chowdhury and Bairagi, 1990; Clark, 2000; Dreze and Murthi, 2001; Lee, 2008) and more recently in Sub-Saharan Africa (Milazzo, 2012). As in other countries, there is in Nepal a strong preference for boys. Couples who's first child is a girl are more likely to have another child, hoping it will be a boy (Gudbrandsen, 2013; Hatlebakk, 2012). Given that households under study do not have the possibility to choose the gender of their child, or to know the gender of the baby in utero, they cannot select the gender of their offspring.[3] Whether their first-born is a girl or a boy is therefore a random event.

One downside of this instrumental variable, is that it can only be used on the sub-set of people who have had at least one child. This limits its external validity and the results cannot be used to assess the effects of having one child versus not having any children.[4]

The following terminology is used in the analysis. A **household** comprises all people living together at the time of the survey. A **family** is composed of the head of the household, his/her spouse and their children. The size of the household is therefore equal to the size of the family, minus the number of

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[3] See Valente (2013).

[4] The original dataset contains information about 13 273 households. A total of 4 135 households are dropped from the dataset because their head never had a child yet. From the remaining data, we drop 748 households for which the maternity section is missing because the mother is above 49 years old and we further discard 149 households with twins. The results are not affected by the inclusion of the households with twins, but they complicate the discussion and the interpretation of some results without generating any important insight. Finally, we lose 23 households with missing data about the age of the head. Also note that one observation is dropped when we include ward fixed effects in the regressions. This is because the sample includes one ward with only one household. In the income regressions, we further lose 40 households with incomplete information about income.

family members living elsewhere, plus the non-family people living in the household. The income per capita is the total income earned by all household members divided by the size of the household. We also refer to the head of the household, his/her spouse and their children when we use the terms **nuclear members**. **Child** and **children** are used to identify the sons and daughters of the household head. While a child is obviously younger than his father, children can be old and will comprise babies and infants but also adult children. We count all the children ever born, including those that were dead at the time of the survey.[5] All monetary values are corrected for inflation using local prices.

[5] Our results are robust if we use the number children still alive at the time of the survey.

2. Empirical analysis.

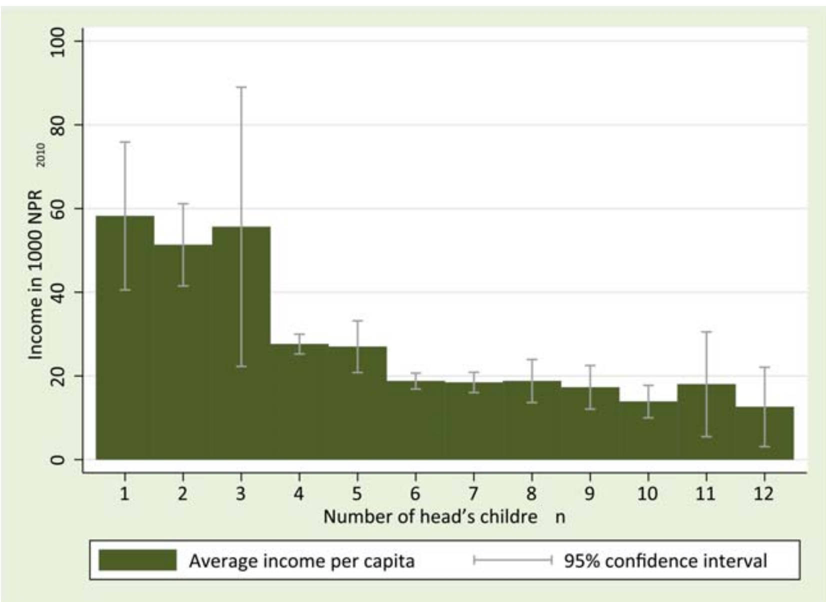
As shown in Table 1, there has been an important increase in income in Nepal between the surveys. The mean income per capita more than tripled and the median doubled. This change is mainly explained by the increase in non farm activities and remittances (see CBS, 2011b). Note that the mean in the last survey is heavily influenced by a few extremely high incomes. The income of the 25th, 50th and 75th percentiles nonetheless all doubled over the period, indicating similar decreases in poverty over the different initial levels of income.

Table 1: Income per capita (NPR_{2010})

Variable	Survey	Mean	Median	25% <	25% >	Observations
Income per capita (NPR_{2010})	T1	19 696	12 888	8 556	21 295	2090
	T2	28 602	16 026	10 149	27 015	2494
	T3	61 554	25 838	15 210	47 286	3594
Household size	T1	5.71	5	4	7	2105
	T2	5.29	5	4	6	2503
	T3	4.89	5	4	6	3610
Head's number of children	T1	4.00	4	3	5	2105
	T2	3.65	3	2	5	2503
	T3	3.30	3	2	4	3610

On average, household heads have had 4 children in the first survey, 3.65 in the second survey and 3.3 in the last survey. The median number of children went down from four to three. On the other hand, the size of the households did not change as much: the median number of household members remained constant and equal to 5 over all three surveys.

Figure 2: Number of children and incomes in the household

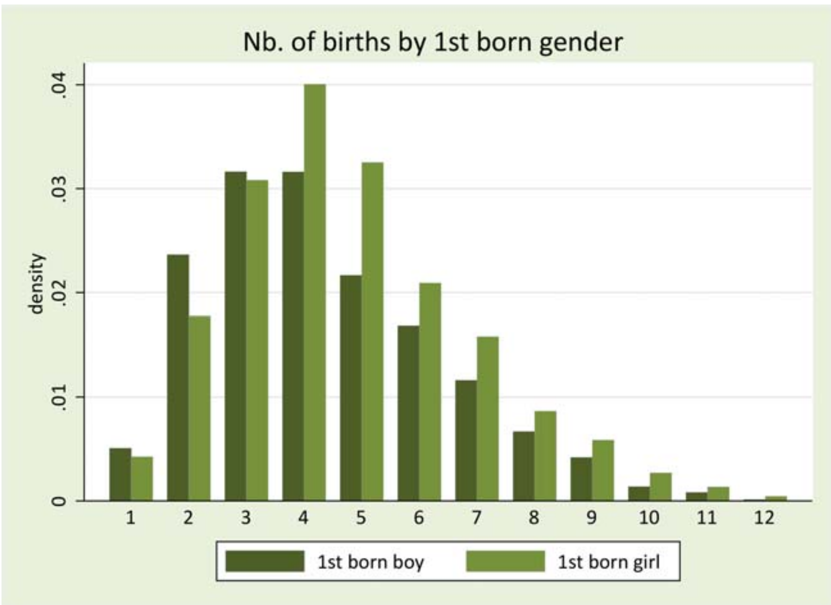


The mean per capita incomes of the households are given in Figure 2 for different offspring numbers. From this picture, it is clear that households that have between one and three children have on average higher incomes than households with more children. There is however no clear difference in incomes between the households that have one, two or three children. There is neither a difference in incomes among the households that have more than three children. The negative correlation between the number of children and household income per capita is consistent with the expectations that poorer parents decide to have more children to have a guaranteed support later in life. It could be as well that having more children increases the pressure on the household's resources, and decreases per capita income.

2.1 A preference for boys.

As we already mentioned, we use the gender of the first child as an exogenous determinant of the total number of children. Table 8 shows that on average, at the time of the survey the couples had 3.8 children if they first had a girl and 3.4 children if they first had a boy. The median number of children is 4 among the families with a first born girl and 3 among the families with a first born boy. Figure 3 shows that there is first order stochastic dominance of the number of births distribution in first born girl families over first born boy families.[6] This is in line with our expectations that people keep having children as long as they don't reach their desired number of boys.

Figure 3: Distribution of the number of births by gender of the first born



Onesto (2005) summarizes the preference for boys by quoting a countryside saying: *"To get a girl is like watering a neighbor's tree. You have the trouble and expense of nurturing the plant but the fruits are taken by somebody else."* A daughter *"is useful and valuable in her childhood years when she can do chores and serve the household"*. Afterwards, she marries and all long term investment benefits flow to her husband. In a more in-depth study of a Tamang community, Fricke (1986) reports that

[6] 6This is confirmed by a two-sample Wilcoxon rank-sum test which rejects the equality of distributions with an associated p-value < 0.0000

there is a slightly greater desire for male children but that babies are equally treated. Women provide labour force as long as there are member of the household and form a corner stone of extended reciprocity relationships. However, sons remain the only one who formally inherit land and who take charge of their parents funerals. Inability of a women to have sons is almost one of the only reasons to observe polygyny.

It means that Nepalese have at least two good reasons to wish to have at least two boys. As already mentioned, boys traditionally inherit the family's land. Having a boy to take care of the land and inherit the family's assets is the tradition. In addition, it is easier for a boy to migrate. In the last couple of years, the returns to migration are very high and remittances constitute a very important part of household's revenues (CBS, 2011b). Families also report wanting a second boy to get an education while the first takes care of the land. Additionally, it is a son who is supposed to lit the parents' funeral pyre.

Under the assumptions that the sex ratio at birth is equal to 0.5 and that the number of children is not bounded, if households want to have two boys and don't especially want girls, then the probability to observe *n* children in a household is equal to $(n-1)\ (0.5)^n$. The process behind this probability is depicted in the appendix (see figure 4). In Table 3, we compare the expected number of children under the rule "having two boys", to the real number of children in the data (we use the sample of households with at least 2 children). The similarity between the expected and observed numbers is striking ; we interpret it as evidence in favour of our instrument.[7]

Table 3: Expected and realised number of children

# Children	Expected distribution $(n-1)\,(0.5)^n$	Real distribution in the sample	
	%	%	frequency
2	25.00	22.40	1842
3	25.00	22.33	1835
4	18.75	19.03	1564
5	12.50	11.44	940
6	7.81	6.69	550
7	4.69	4.15	341
8	2.73	2.03	167
9	1.56	1.18	97
10	0.88	0.43	35
11	0.49	0.21	17
12	0.27	0.05	4

[7] Obviously, if households aim at having two girls instead of two boys, we obtain the same predicted number of children. This table nonetheless shows that the data are consistent with the assumption that households aim at having two children of a certain gender while we could not find any anthropological argument to support the "two girls hypothesis".

2.2 The different household members.

As we can see from Table 4, households are composed of people with very various links to the household head. 43.62% of individuals in our sample live in non-nuclear families. The number of households that match the picture in Figure 1 is in fact quite small. Only 14.4% of the households have two children and live in a household that is only composed of the parents and their children. This proportion drops to 10.2% in the sample with the households without any birth.

Table 4: Frequency of different household members

Relation to the head	Frequency	(%)
Head	8218	19.14
Spouse	6746	15.71
Child	21984	51.21
Grand-child	1065	2.48
Father/Mother	1460	3.40
Sibling	726	1.69
Nephew/Niece	601	1.40
Child-in-law	1068	2.49
Sibling-in-law	238	0.55
Parent-in-law	293	0.68
Other Relative	375	0.87
Servant	126	0.29
Tenant	1	0.002
Other	29	0.07
Total	42930	
Prop. living in nuclear hh.		56.34
Prop. of nuclear hh.		65.33

In the appendix, we show how the composition of households correlates with some of their characteristics. Table 17 displays the evolution of household average composition through the life-cycle of its head. The size of the household is relatively constant, it varies from 4.49 (youngest heads) to 5.78 (50-60 years old). The number of births increase: the 20% youngest heads have on average 2.32 children and the 20% oldest have 4.58.[8] Globally, the composition of the households changes as follows: when the head gets older, he/she lives with (i) less of his children, parents, siblings and siblings-in-law and (ii) more of his grand-children and children-in-law. All-in-all, the average number of people in the household barely changes and remains close to the average of 5.22 people in all five categories. In Table 18, we display how the composition of the households evolves with the number of births from the head. The average number of children living in the household increases by less than one with an additional birth. Couples that have few children are (i) more likely to live with their

[8] The next columns show the average number of the member type in the age category. For instance, the households of the heads that are less than 30 years old on average include 0.7 spouse, 2.13 children, 0 grand-child, 0.23 parents, etc.

parents, siblings, nephew and nieces, or other relatives, they are (ii) less likely to live with their spouse, grand-children and children-in-law.

In Table 5, the composition of the households is divided between households with a first born girl or boy. The table confirms that households with a first born girl tend to have more children, 3.79 on average against 3.4 if the first born is a boy. However those with a first born boy tend to host more children-in-law and grand-children. This is consistent with the Nepalese patriarchal habits. The daughters tend to leave the household while sons stay longer, potentially with their wife and first children.

2.3 Additional summary statistics.

The covariates used in the regressions are summarised in Table 6. A household head is on average 39 years old, and four times out of five, a male. The average age of mothers is 35, but this is an underestimation since mothers older than 49 do not respond to the maternity file. Polygyny is rare with only 1% of households having a head with two spouses. Nepali households are on average quite poor with a thin asset ownership and low income and consumption expenditures.[9] We also provide the share of the households living in the Terai or in the Hills. Less than 8% of our sample comes from the Mountains. Note all regressions include ward fixed effects and therefore control for all variables that are constant at the ward level.

[9] Consumption expenditures do include food monetary expenses, a valuation of home consumption, infrequent expenditures, health related expenses and housing expenses (rent, water, electricity, garbage, communication, fuels). It does not include the purchase of productive inputs nor of durable assets.

3. Number of children and household size

We first look at the effect of the total number of children on household size. As we explained above, we use the gender of the first born child as an instrument for the total number of children. Presumably, the effect will depend on the mother's age. As we explained, we observe that households with more children host less non-nuclear relatives and do not host more relatives in the long run. On average household size is almost constant, but the replacement effect is not instantaneous. An additional birth first increases the household size and decreases it only after some time. To capture this effect, we include the mother's age and the interaction between the mother's age and the number of births in our regressions.

We estimate equation (1), where the dependent variable has a value for each household *i* at time *t* in ward *w* and is given by: whether the household is composed of nuclear relatives only (Table 7) ; the number of household members (Table 8) ; the number of nuclear members (Table 9) ; the number of extended family members (Table 10). Our main variables of interest are: , the number of children of the household's head ; , the mother's age and the interaction between both variables. **X** is a vector of control variables presented in Table 6. The regressions will also include time and ward fixed effects and we cluster the standard errors at the ward level.[10]

$$y_{itw} = \beta_1 K_{itw} + \beta_2 A_{itw} + \beta_3 K_{itw} * A_{itw} + \mathbf{X}_{itw}\mathbf{\Phi} + \alpha_w + \delta_t + \varepsilon_{itw} \qquad (1)$$

3.1 The gender of the first born instruments the number of children.

In Tables 7 to 10, we first present ordinary least squares regressions, and two stage least square regressions. We use four dependent variables: (i) the probability to observe a nuclear household, (ii) the size of the household, equal to the number of household members, (iii) the number of nuclear members, where we only count the head, his spouse(s) and their children, and (iv) the number of other members, that is the household size minus the number of nuclear members.

We control for the productive assets of the households: the amount of land and the number of cows owned, the average education level among the adults of the household, and a binary variable equal to one if the household owns a non-agricultural business. All regressions also include time and ward (village) fixed effects. The standard errors are clustered at the ward level.

To take into account generational effects we control for the mother's age and we add an interaction between the mother's age and the number of children. That interaction is instrumented by the interaction between the mother's age and the gender of her first born child. Generational effects are also captured by the age of the head and it's square. Notice that our results are unaffected by the inclusion of the age of the first born among the controls.

In Table 7, according to the 2SLS estimates, having one more child decreases the probability of hosting extended family members by 6%. In column (7), we see that the negative effect of an

[10] All our regressions with instruments are estimated using xtivreg2, developed in Schaffer (2012).

additional child becomes stronger with time. The older the mother is at the time of the survey, the lower is the probability that she hosts non-nuclear family if she had more children.

Table 8 shows that on average, having one more child leads to households having 0.33 more members (column 3). The positive effect is weaker the older the mother becomes. This average positive effect is driven by the number of nuclear members who increases by around 0.6 for each additional birth (table 9, column 3). Conform to the intuition, the number of nuclear members do increase more when the mother is young as depicted in table 9. On the other side, an additional birth decreases the average number of non-nuclear members by 0.25 member (see table 10). This effect is clearly driven by households with older mothers. For instance, households host 0.57 less other members when mothers are 40 years old. The net effect of an additional birth on household size, for a 40 years old mother is 0.08 since the household.

Our result contributes to the understanding of household splits. By decomposing effects across relations to the head, we see that positive effect on household size effectively comes from an increase in the number of head's children living with their parents. This is counterbalanced by a decrease of daughters-in-law and grand children. Larger offspring implies earlier household splits. In his study of a Tamang village, Fricke (1986) notice that split decisions (and consequently the moment at which men take their inheritance) are highly strategic. *"A Tamang male (...) is constantly weighing the happiness of his wife ina home where she has no power, the size of his family and the potential for his inheritance to grow from the continued acquisitions of his father and brothers."(p143)*

As we emphasised in the introduction, the literature assumes a mechanical link between the number of children and the households' income per capita. By increasing the number of capita, but without contributing substantially to the income, additional children are expected to impoverish the households. In this section, we have however shown the lack of effect of additional children on household size. The expected mechanism does not materialise because the arrival of a new nuclear-members in the household is compensated by a similar reduction in the number of other members.

Consequently, new births also affect the adult/children ratio in the households. As shown in Table 11, an additional birth increases the number of children in the household. On the other hand, it decreases the number of adults in the household as we can see in Table 12. This change in the household composition is crucial to assessing the links between fertility and poverty. It is usually accepted that a child consumes less than an adult. And therefore, an additional birth could either increase or decrease the household's consumption per head, depending on the importance of the gains in consumption versus the potential loss in income. We turn to that question in the next two sections.

4. Number of children and household's income and consumption.

Policies aiming at reducing fertility implicitly assume that additional births decrease household per capita income. Indeed, if additional children do not contribute substantively to the household's income, but increase the number of people in the household, they must decrease the per capita income. We estimate the correlation between the number of children and the household income and the household consumption. To take into account changes in the composition of the household (more children and less adults), we also use the *OECD - modified scale* to adjust the household size. That scale assigns a value of 1 to the household head, of 0.5 to each additional adult member and of 0.3 to each child.

Our regressions are similar to those presented in the previous section and we use the same instruments. We test the correlation between the household income and the number of children in Tables 13 and 15. We test the correlation between the household consumption and the number of children in Tables 14 and 16. The four tables have the same structure. The first three columns show OLS regressions of (i) the dependent variable (the logarithm of the household income or consumption) (i) the dependent variable divided by the household size and (iii) the dependent variables divided by the adjusted household size. The next columns show the first and second stages of 2SLS estimations the same variables. Tables 15 and 16 differ from Tables 13 and 14 ; they include an interaction term between the mother's age and the number of children.

As we can see in column (1) of Table 13, there is a positive correlation between the number of children and the household's income. that is at odds with Figure 2 and is explained by the presence of time dummies in the regression: the fertility rate has gone down in the past twenty years, while the incomes have substantially increased. The IV estimate is not significant: there isn't any significant effect of the number of children on the household's income. The number of children however has a significant negative effect on the household per capita income (and adjusted per capita income), reflecting the effect of the additional births on the household's size.

We know from the previous section that the effect of the number of children on the household size is highly dependent on the mother's age. Having more children increases the number of nuclear members when the mother is young. As the time passes, mothers who had more children host less other relatives and their household size declines.

As expected from our results about the evolution of the household size, the coefficient of "# children" is negative but the interaction with the mother's age has a positive coefficient. We again note the absence of significant correlation between the number of children and the household's income (column 6). There is neither any significant correlation between the number of children and the household's income per capita when it is adjusted with the equivalence scale (column 8). Looking only at the household's income per capita, both variables have statistically significant coefficients. The youngest mother in our sample is 17 years old. The interacted coefficient (Mother's age*# children) therefore becomes 17*0.019=0.33 for the youngest mother. The Wald test fails to reject the hypothesis that the coefficient of "# children" is equal to −0.33. Hence, we cannot reject the hypothesis that the effect of the number of children on the household income per capita is null.

In Tables 14 and 16 we repeat the same analysis but with the household consumption instead of the household income. The results are similar. We find a significant and negative effect (Table 14) that dissipates when we take into account the mother's age (Table 16). Again, at the 0.05 rejection level, we cannot reject the hypothesis that the coefficients of "# children" and "Mother's age*# children" cancel out (the most demanding Wald test is when the Mother's age equals seventeen, the youngest mother, leading to valid conclusions for the the older mothers as well).

5. Estimating a poverty-neutral equivalence scale.

Instead of using a standard equivalence scale as we did in the previous section, we now estimate the equivalence scale that is such that an additional birth on average leaves the income per capita constant. Consider a household with income *I*. It had *B* births, and is composed of *N* people:*C* children and *A* adults. The adjusted number of people in the household is equal to *M*=*A*+*xC* where x is the scale parameter that we are looking for. The effect of an additional child on the household's adjusted income per capita is given by:

$$\left(\frac{I}{M}\right)' = \frac{I'M - IM'}{M^2} \tag{2}$$

We want to find x such that $\left(\frac{I}{M}\right)' > 0$, that is:

$$\frac{I'\left(A + xC\right) - I\left(A + xC\right)'}{\left(A + xC\right)^2} > 0 \tag{3}$$

Which can be written as:

$$\begin{cases} x > \frac{IA' - I'A}{CI' - C'I} & \text{if} \quad CI' > C'I \\ x < \frac{IA' - I'A}{CI' - C'I} & \text{otherwise} \end{cases} \tag{4}$$

The mean number of adults, children and the mean incomes in the sample are: *I*=193, *A*=2.71 and *C*=2.51. Without interaction with the mother's age, the estimated coefficients are: *A*'=−0.205,*C*'=0.534 and . On average, an additional birth leads to an increase in the adjusted household's income per capita if *x*<0.34. Note that this is very close to the standard equivalence scales. In other words, if a child consumes less than a third of what an adult consumes, then the negative effect of an additional birth on the household's income is more than compensated by the reduction in the number of adult members, and the income per capita increases.

6. Robustness of results.

Our results are robust to different specifications and different variables used. In particular, they do not change when we use the number of children alive instead of the number of children ever born.They are also similar if we restric the consumption measure to food only. As we emphasized earlier, the data are only availble for women below 50 years of age. But the mother's age is a very important variable in all our regressions. When the mother gets older, the effect of an additional birth is to decrease the housheold size and increase the income per capita. Given that the oldest mothers are absent from the sample, we are underestimating the negative effect of an additional birth on the housheold's size and its positive effect on the household's income per capita. To check that our results are not driven by the order of the gender-birth sequence, we provide additional tables where we repeat the same analysis but using the gender of the second child as an instrument for the number of consecutive births. In Tables 19 to 21, we only consider heads who have at least 2 children. We control for the gender of the first child. We instrument the number of children by the gender of the second child. This process allows us to check that the results are not driven directly by the gender of the first child. It could indeed be argued that the first boy, who is the heir, is specific and that his gender could play a direct role on how the parents compose their household. This strategy also allow us to control for the gender composition among older siblings. The results are robust over these Tables and consistent with our findings so far: an additional child increases the number of nuclear members but decreases the number of other members by a similar amount and the household size barely changes.

7. Conclusion

Analysing data from around eight thousand households surveyed in the Nepal Living Standard Surveys, we do not find a significant correlation between the number of children of a couple and their household's total income and per capita income. To avoid endogeneity biases, we used the gender of the first born child as an instrument for the total number of children.

If the household's total income and per-capita income are independent from the number of children, it must be that the number of children does not affect the number of people in the household. That is precisely what we have shown and explained. The more children a couple has and the fewer other people they will host, leaving the household size constant. Nepalese households are embedded into larger social networks and those households with fewer children tend to host more other people.

The regressions paint a very clear picture, an additional child increases the number of nuclear family members but decrease the number of other hosts by a similar amount, leaving the household's size unchanged.

This result has important policy implications. In particular, it predicts that population control policies should not be expected to have a large impact on poverty levels.

The argument relies on uncoordinated and independent fertility decisions between households. It should be clear that if all households have fewer children, and the population size decreases, the average size of the households must decrease (or the number of households must decrease). In this case, the usual presumption that fewer children will translate into higher incomes per capita may be true. More precisely, if the average size of households does not grow with the number of children that people have, an increase in population size should be expected to increase the number of households rather than the size of each household. This could have important consequences in terms of poverty and environmental impact.

Numerous goods are public at the household level, from the primary consumption goods such as a common roof or heating, to more complex products such as insurance arrangements. It follows that increasing the number of households rather than the average size of households should result in a lower consumption per capita that could not be captured in our study. Similarly, public bads and pollution are prominent at the household rather than individual level. As Axinn and Ghimire (2011) argue, households rather than people determine for instance land use and deforestation. These important questions could not be answered here. What we could do is estimate the consumption equivalence scale that leaves the household's consumption per capita unaffected by an additional birth. According to our estimates, if a child consumes less than what an adult consumes, then the negative effect of an additional birth on the household's income is more than compensated by the reduction in the number of adult members, and the income per capita increases.

Finally, the changes in income in Nepal over the last decade are impressive. They are not due to changes in fertility and the underlying forces that greatly reduced poverty therefore remain to be explained.

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Appendix

Figure 4: The process behind the number of children.

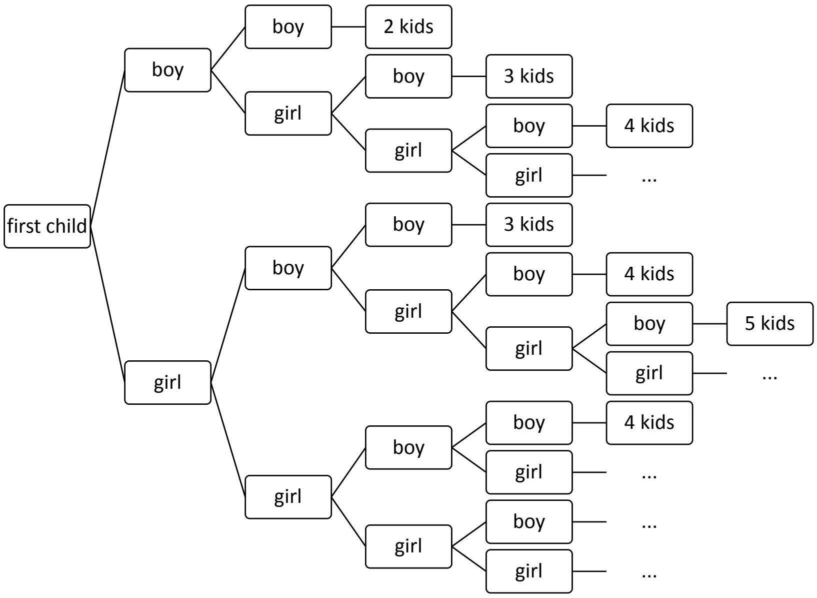

Table 2: The gender of the first born and the distribution of consecutive children

Gender of the first born	Mean # children	25%	50%	75%	100%
Girl	3.8	2	4	5	12
Boy	3.4	2	3	4	12

Table 3: Expected and realised number of children

# Children	Expected distribution $(n-1)(0.5)^n$	Real distribution in the sample	
	%	%	frequency
2	25.00	22.40	1842
3	25.00	22.33	1835
4	18.75	19.03	1564
5	12.50	11.44	940
6	7.81	6.69	550
7	4.69	4.15	341
8	2.73	2.03	167
9	1.56	1.18	97
10	0.88	0.43	35
11	0.49	0.21	17
12	0.27	0.05	4

Table 5: The gender of the first born and the composition of the households

	# Hh.	Pr(nuclear hh.)	Size of Hh.	# Birth	Spouse	Child	Grand-child
First born boy	4322	0.64	5.17	3.40	0.82	2.57	0.16
First born girl	3896	0.67	5.28	3.79	0.82	2.80	0.09
All sample	8218	0.65	5.22	3.58	0.82	2.68	0.13

# Children	Parents	Siblings	Nephew/niece	Child-in-law	Sibling-in-law	Parent-in-law	Others
First born boy	0.17	0.08	0.07	0.17	0.03	0.03	0.07
First born girl	0.19	0.09	0.08	0.09	0.03	0.04	0.06
All sample	0.18	0.09	0.07	0.13	0.03	0.04	0.06

Table 6: Summary statistics of the main covariates

Variable	Mean	Std. Dev.	Min.	Max.	N
Male head	0.78	0.42	0	1	8218
Age of head	39.05	9.1	18	80	8218
Mother's age	35	7.67	17	49	8218
# spouses	0.79	0.43	0	2	8218
Household's size	5.22	2.16	1	29	8218
1st born girl	0.47	0.5	0	1	8218
# children	3.58	1.87	1	12	8218
Land owned (Ha.)	0.53	1.14	0	29	8218
Cows owned	2.09	2.52	0	22	8218
Avg. adult education	3.88	3.74	0	17	8218
Non-farm business	0.32	0.47	0	1	8218
Household's income (1000 NPR_{2010})	192.94	2170.37	0.235	181274	8178
Frequent consumption (1000 NPR_{2010})	107.79	75.42	5.63	1309.94	8218
Rural	0.70	0.46	0	1	8218
Hills	0.51	0.5	0	1	8218
Terai	0.41	0.49	0	1	8218
Survey 2	0.3	0.46	0	1	8218
Survey 3	0.44	0.5	0	1	8218

Table 7: Number of children and probability to observe a purely nuclear household

	(1) OLS	(2) 2SLS-1st stage	(3) 2SLS-2d stage	(4) OLS	(5) 2SLS-1st stage	(6) 2SLS-1st stage	(7) 2SLS-2d stage
# children	0.01***		0.06**	0.12***			-0.82***
	(3.52)		(2.14)	(6.80)			(-2.67)
Age mother				-0.00***			0.02***
*nb. children				(-6.17)			(2.93)
1st born girl		0.42***			-0.19	-16.16***	
		(12.59)			(-1.28)	(-2.71)	
Age mother					0.02***	0.92***	
*1st born girl					(3.92)	(4.86)	
Mother's age	-0.01***	0.10***	-0.02***	-0.00	0.09***	6.94***	-0.10***
	(-6.40)	(17.66)	(-4.67)	(-0.54)	(15.49)	(29.96)	(-3.51)
Hh characteristics	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Hh. assets	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	8218	8217	8217	8218	8217	8217	8217
r2	0.07	0.33	0.05	0.08	0.33	0.53	-0.45
K-P statistics			158.60				12.00

t statistics in parentheses. The standard errors are clustered at the ward level. * $p<0.1$, ** $p<0.05$, *** $p<0.01$

All regressions include ward and time fixed effects.

Hh. controls include head's age and its square, head's spouses number, head's ethnicity and households productive assets

Productive assets include land and cows owned, average education of adult members and a dummy for the ownership of a non-farm business.

Table 8: Number of children and household size

	(1) OLS	(2) 2SLS-1st stage	(3) 2SLS-2d stage	(4) OLS	(5) 2SLS-1st stage	(6) 2SLS-1st stage	(7) 2SLS-2d stage
# children	0.54***		0.34***	1.14***			5.28***
	(31.55)		(3.60)	(14.55)			(4.43)
Age mother				-0.02***			-0.13***
*nb. children				(-7.81)			(-4.19)
1st born girl		0.42***			-0.19	-16.16***	
*1st born girl		(12.59)			(-1.28)	(-2.71)	
Age mother					0.02***	0.92***	
					(3.92)	(4.86)	
Mother's age	-0.04***	0.10***	-0.02	0.02*	0.09***	6.94***	0.46***
	(-5.94)	(17.66)	(-1.61)	(1.76)	(15.49)	(29.96)	(3.98)
Hh characteristics	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Hh. assets	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	8218	8217	8217	8218	8217	8217	8217
r2	0.35	0.33	0.33	0.36	0.33	0.53	-0.21
K-P statistics			158.60				12.00

t statistics in parentheses. The standard errors are clustered at the ward level. * p<0.1, ** p<0.05, *** p<0.01

All regressions include ward and time fixed effects.

Hh. controls include head's age and its square, head's spouses number, head's ethnicity and households productive assets

Productive assets include land and cows owned, average education of adult members and a dummy for the ownership of a non-farm business.

Table 9: Number of children and nuclear members

	(1) OLS	(2) 2SLS-1st stage	(3) 2SLS-2d stage	(4) OLS	(5) 2SLS-1st stage	(6) 2SLS-1st stage	(7) 2SLS-2d stage
# children	0.61***		0.59***	1.47***			1.85***
	(53.06)		(10.43)	(34.57)			(4.58)
Age mother				-0.02***			-0.03***
*nb. children				(-19.78)			(-3.11)
1st born girl		0.42***			-0.19	-16.16***	
		(12.59)			(-1.28)	(-2.71)	
Age mother					0.02***	0.92***	
*1st born girl					(3.92)	(4.86)	
Mother's age	-0.07***	0.10***	-0.06***	0.01**	0.09***	6.94***	0.06
	(-16.18)	(17.66)	(-9.26)	(2.50)	(15.49)	(29.96)	(1.44)
Hh characteristics	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Hh. assets	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	8218	8217	8217	8218	8217	8217	8217
r2	0.53	0.33	0.53	0.57	0.33	0.53	0.56
K-P statistics			158.60				12.00

t statistics in parentheses. The standard errors are clustered at the ward level. * p<0.1, ** p<0.05, *** p<0.01

All regressions include ward and time fixed effects.

Hh. controls include head's age and its square, head's spouses number, head's ethnicity and households productive assets

Productive assets include land and cows owned, average education of adult members and a dummy for the ownership of a non-farm business.

Table 10: Number of children and non-nuclear members

	(1) OLS	(2) 2SLS-1st stage	(3) 2SLS-2d stage	(4) OLS	(5) 2SLS-1st stage	(6) 2SLS-1st stage	(7) 2SLS-2d stage
# children	-0.07***		-0.25***	-0.33***			3.43***
	(-5.77)		(-3.18)	(-5.41)			(3.21)
Age mother				0.01***			-0.10***
*nb. children				(4.46)			(-3.49)
1st born girl		0.42***			-0.19	-16.16***	
		(12.59)			(-1.28)	(-2.71)	
Age mother					0.02***	0.92***	
*1st born girl					(3.92)	(4.86)	
Mother's age	0.03***	0.10***	0.04***	0.00	0.09***	6.94***	0.40***
	(4.99)	(17.66)	(4.31)	(0.37)	(15.49)	(29.96)	(3.93)
Hh characteristics	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Hh. assets	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	8218	8217	8217	8218	8217	8217	8217
r2	0.13	0.33	0.10	0.13	0.33	0.53	-0.78
K-P statistics			158.60				12.00

t statistics in parentheses. The standard errors are clustered at the ward level. * p<0.1, ** p<0.05, *** p<0.01

All regressions include ward and time fixed effects.

Hh. controls include head's age and its square, head's spouses number, head's ethnicity and households productive assets

Productive assets include land and cows owned, average education of adult members and a dummy for the ownership of a non-farm business.

Table 11: Number of children and children members

	(1) OLS	(2) 2SLS-1st stage	(3) 2SLS-2d stage	(4) OLS	(5) 2SLS-1st stage	(6) 2SLS-1st stage	(7) 2SLS-2d stage
# children	0.46***		0.52***	1.40***			3.96***
	(33.48)		(7.31)	(23.12)			(5.39)
Age mother				-0.02***			-0.09***
*nb. children				(-15.88)			(-4.74)
1st born girl		0.42***			-0.19	-16.16***	
		(12.59)			(-1.28)	(-2.71)	
Age mother					0.02***	0.92***	
*1st born girl					(3.92)	(4.86)	
Mother's age	-0.10***	0.10***	-0.11***	-0.01**	0.09***	6.94***	0.23***
	(-19.29)	(17.66)	(-12.01)	(-2.06)	(15.49)	(29.96)	(3.20)
Hh characteristics	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Hh. assets	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	8218	8217	8217	8218	8217	8217	8217
r2	0.30	0.33	0.30	0.35	0.33	0.53	0.03

t statistics in parentheses

* p<0.1, ** p<0.05, *** p<0.01

All regressions include ward and time fixed effects.

Hh. controls include head's age and its square, head's spouses number, head's ethnicity and households productive assets

Productive assets include land and cows owned, average education of adult members and a dummy for the ownership of a non-farm business.

The standard errors are clustered at the ward level.

Table 12: Number of children and adult members

	(1) OLS	(2) 2SLS-1st stage	(3) 2SLS-2d stage	(4) OLS	(5) 2SLS-1st stage	(6) 2SLS-1st stage	(7) 2SLS-2d stage
# children	0.07***		-0.18***	-0.26***			1.32**
	(7.35)		(-2.88)	(-5.55)			(2.10)
Age mother				0.01***			-0.04**
*nb. children				(7.06)			(-2.39)
1st born girl		0.42***			-0.19	-16.16***	
		(12.59)			(-1.28)	(-2.71)	
Age motherl					0.02***	0.92***	
*1st born gir					(3.92)	(4.86)	
Mother's age	0.06***	0.10***	0.09***	0.03***	0.09***	6.94***	0.23***
	(13.31)	(17.66)	(11.01)	(5.21)	(15.49)	(29.96)	(3.74)
Hh characteristics	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Hh. assets	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	8218	8217	8217	8218	8217	8217	8217
r2	0.32	0.33	0.23	0.32	0.33	0.53	-0.03

t statistics in parentheses

* $p<0.1$, ** $p<0.05$, *** $p<0.01$

All regressions include ward and time fixed effects.

Hh. controls include head's age and its square, head's spouses number, head's ethnicity and households productive assets

Productive assets include land and cows owned, average education of adult members and a dummy for the ownership of a non-farm business.

The standard errors are clustered at the ward level.

Table 13: Number of children and household income

	(1) OLS	(2) OLS	(3) OLS	(4) 2SLS 1st stage	(5) 2SLS 2nd stage	(6) 2SLS 2nd stage	(7) 2SLS 2nd stage
	Income (ln)	Inc./cap. (ln)	Inc./cap. adj. (ln)	# Birth	Income (ln)	Inc./cap. (ln)	Inc./cap. adj. (ln)
# children	0.03***	-0.08***	-0.04***		-0.04	-0.12***	-0.08**
	(4.82)	(-13.41)	(-6.48)		(-0.95)	(-3.11)	(-2.03)
1st born girl				0.43***			
				(12.51)			
Mother's age	0.01***	0.02***	0.01***	0.10***	0.02***	0.02***	0.01***
	(3.40)	(6.97)	(4.02)	(17.52)	(3.32)	(4.95)	(3.20)
Hh characteristics	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Hh. assets	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	8178	8178	8178	8177	8177	8177	8177
r2	0.19	0.15	0.13	0.33	0.18	0.15	0.13
K-P statistics					156.39	156.39	156.39

t statistics in parentheses. The standard errors are clustered at the ward level. * p<0.1, ** p<0.05, *** p<0.01

All regressions include ward and time fixed effects.

Hh. controls include mother's age, head's age and its square, head's spouses number, head's ethnicity and households productive assets

Productive assets include land and cows owned, average education of adult members and a dummy for the ownership of a non-farm business.

Table 14: Number of children and household consumption

	(1) OLS	(2) OLS	(3) OLS	(4) 2SLS 1st stage	(5) 2SLS 2nd stage	(6) 2SLS 2nd stage	(7) 2SLS 2nd stage
	Consumption (ln)	Cons./cap. (ln)	Cons./cap. adj. (ln)	# Birth	Consumption (ln)	Cons./cap. (ln)	Cons./cap. adj. (ln)
# children	0.04***	-0.06***	-0.02***		-0.02	-0.10***	-0.05***
	(12.87)	(-18.20)	(-6.52)		(-0.73)	(-4.57)	(-2.69)
1st born girl				0.42***			
				(12.59)			
Mother's age	0.00**	0.01***	0.00***	0.10***	0.01***	0.02***	0.01***
	(2.10)	(9.08)	(3.43)	(17.66)	(3.45)	(6.56)	(3.38)
Hh characteristics	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Hh. assets	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	8218	8218	8218	8217	8217	8217	8217
r2	0.33	0.23	0.20	0.33	0.29	0.22	0.19
K-P statistics					158.60	158.60	158.60

t statistics in parentheses. The standard errors are clustered at the ward level. * p<0.1, ** p<0.05, *** p<0.01

All regressions include ward and time fixed effects.

Hh. controls include mother's age, head's age and its square, head's spouses number, head's ethnicity and households productive assets

Productive assets include land and cows owned, average education of adult members and a dummy for the ownership of a non-farm business.

Table 15: Number of children and household income ; interaction with mother's age

	(1) OLS	(2) OLS	(3) OLS	(4) 2SLS 1st stage	(5) 2SLS 1st stage	(6) 2SLS 2nd stage	(7) 2SLS 2nd stage	(8) 2SLS 2nd stage
	Income (ln)	Inc./cap. (ln)	Inc./cap. adj. (ln)	# Birth	# BirthXage	Income (ln)	Inc./cap. (ln)	Inc./cap. adj. (ln)
# children	0.06**	-0.19***	-0.07***			0.01	-0.90**	-0.63
	(2.36)	(-7.57)	(-3.02)			(0.03)	(-2.24)	(-1.63)
Mother's age	-0.00	0.00***	0.00			-0.00	0.02**	0.01
*nb. children	(-1.23)	(4.45)	(1.51)			(-0.14)	(1.98)	(1.47)
Mother's age				0.02***	0.90***			
*1st born girl				(3.79)	(4.72)			
1st born girl				-0.17	-15.42**			
				(-1.16)	(-2.57)			
Mother's age	0.01***	0.01**	0.01**	0.09***	6.94***	0.02	-0.05	-0.04
	(3.32)	(2.35)	(2.05)	(15.38)	(29.76)	(0.58)	(-1.40)	(-1.08)
Hh characteristics	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Hh. assets	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	8178	8178	8178	8177	8177	8177	8177	8177
r2	0.19	0.16	0.14	0.33	0.53	0.18	0.07	0.08
K-P statistics						11.67	11.67	11.67

t statistics in parentheses. The standard errors are clustered at the ward level. * $p<0.1$, ** $p<0.05$, *** $p<0.01$

All regressions include ward and time fixed effects.

Hh. controls include mother's age, head's age and its square, head's spouses number, head's ethnicity and households productive assets

Productive assets include land and cows owned, average education of adult members and a dummy for the ownership of a non-farm business.

Table 16: Number of children and household consumption ; interaction with mother's age

	(1) OLS	(2) OLS	(3) OLS	(4) 2SLS 1st stage	(5) 2SLS 1st stage	(6) 2SLS 2nd stage	(7) 2SLS 2nd stage	(8) 2SLS 2nd stage
	Cons. (ln)	Cons./cap. (ln)	Cons./cap. adj. (ln)	# Birth	# BirthXage	Cons. (ln)	Cons./cap. (ln)	Cons./cap. adj. (ln)
# children	0.13***	-0.11***	0.00			0.11	-0.81***	-0.54**
	(9.20)	(-7.62)	(0.27)			(0.54)	(-3.45)	(-2.54)
Mother's age	-0.00***	0.00***	-0.00*			-0.00	0.02***	0.01**
*nb. children	(-6.32)	(3.48)	(-1.82)			(-0.64)	(3.14)	(2.37)
1st born girl				-0.19	-16.16***			
				(-1.28)	(-2.71)			
Mother's age				0.02***	0.92***			
*1st born girl				(3.92)	(4.86)			
Mother's age	0.01***	0.01***	0.01***	0.09***	6.94***	0.02	-0.05**	-0.04**
	(5.55)	(4.17)	(3.66)	(15.49)	(29.96)	(1.15)	(-2.45)	(-2.02)
Hh characteristics	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Hh. assets	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	8218	8218	8218	8217	8217	8217	8217	8217
r2	0.33	0.23	0.20	0.33	0.53	0.29	-0.04	0.01
K-P statistics						12.00	12.00	12.00

t statistics in parentheses. The standard errors are clustered at the ward level. * $p<0.1$, ** $p<0.05$, *** $p<0.01$

All regressions include ward and time fixed effects.

Hh. controls include mother's age, head's age and its square, head's spouses number, head's ethnicity and households productive assets

Productive assets include land and cows owned, average education of adult members and a dummy for the ownership of a non-farm business.

Table 17: The age of the household's head and the composition of the households

Head's age	# Households	Pr.(nuclear hh.)	Size of Hh.	# Births	Spouse	Child	Grand-child
< 31	1627	0.66	4.49	2.32	0.70	2.13	0.00
$31 \leq . \leq 40$	3197	0.71	5.24	3.45	0.79	2.88	0.02
$41 \leq . \leq 50$	2574	0.61	5.50	4.24	0.87	2.77	0.24
$51 \leq . \leq 60$	742	0.54	5.76	4.56	1.01	2.69	0.46
$61 \leq$	78	0.67	5.42	4.58	1.00	2.56	0.42
All sample	8218	0.65	5.22	3.58	0.82	2.68	0.13

Head's age	Parents	Siblings	Nephew/niece	Child-in-law	Sibling-in-law	Parent-in-law	Others
< 31	0.23	0.18	0.06	0.01	0.04	0.06	0.07
$31 \leq . \leq 40$	0.20	0.09	0.09	0.05	0.03	0.04	0.06
$41 \leq . \leq 50$	0.15	0.05	0.08	0.23	0.03	0.02	0.07
$51 \leq . \leq 60$	0.10	0.03	0.02	0.36	0.02	0.01	0.06
$61 \leq$	0.01	0.00	0.10	0.26	0.00	0.00	0.06
All sample	0.18	0.09	0.07	0.13	0.03	0.04	0.06

Table 18: The number of births and the composition of the households

# Children	# Households	Pr.(nuclear hh.)	Size of Hh.	Spouse	Child	Grand-child
1	826	0.62	3.57	0.79	0.98	0.02
2	1842	0.68	4.19	0.78	1.79	0.05
3	1835	0.68	4.91	0.80	2.45	0.10
4	1564	0.65	5.66	0.84	3.07	0.17
5	940	0.63	6.18	0.86	3.50	0.19
6	1211	0.62	7.10	0.89	4.36	0.28
All sample	8218	0.65	5.22	0.82	2.68	0.13

# Children	Parents	Siblings	Nephew/niece	Child-in-law	Sibling-in-law	Parent-in-law	Others
1	0.23	0.21	0.09	0.03	0.05	0.05	0.10
2	0.18	0.11	0.07	0.06	0.03	0.04	0.09
3	0.17	0.08	0.07	0.10	0.03	0.04	0.06
4	0.20	0.06	0.07	0.16	0.02	0.03	0.05
5	0.17	0.06	0.11	0.18	0.02	0.04	0.06
6	0.14	0.04	0.05	0.27	0.01	0.02	0.04
All sample	0.18	0.09	0.07	0.13	0.03	0.04	0.06

Table 19: Number of children and household composition - second born

	(1)OLS	(2)OLS	(3)OLS	(4)2SLS 1st stage	(5)2SLS 2d stage	(6)2SLS 2d stage	(7)2SLS 2d stage
	Hh. size	Nucl. mb.	Non-nucl. mb.	# children	Hh. size	Nucl. mb.	Non-nucl. mb.
# children	0.53***	0.59***	-0.06***		0.32***	0.65***	-0.33***
	(28.09)	(45.78)	(-4.22)		(2.97)	(9.86)	(-3.59)
1st born girl	-0.10**	-0.01	-0.09**	0.43***	-0.01	-0.03	0.03
	(-2.24)	(-0.27)	(-2.52)	(12.78)	(-0.11)	(-0.93)	(0.57)
2nd born girl				0.37***			
				(10.92)			
Hh characteristics	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Hh. assets	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	7392	7392	7392	7388	7388	7388	7388
r2	0.33	0.48	0.13	0.31	0.31	0.48	0.07
K-P statistics					119.27	119.27	119.27

t statistics in parentheses. The standard errors are clustered at the ward level. * p<0.1, ** p<0.05, *** p<0.01

All regressions include ward and time fixed effects.

Hh. controls include mother's age, head's age and its square, head's spouses number, head's ethnicity and households productive assets

Productive assets include land and cows owned, average education of adult members and a dummy for the ownership of a non-farm business.

Table 20: Number of children and household income - second born

	(1) OLS	(2) OLS	(3) OLS	(4) 2SLS 1st stage	(5) 2SLS 2nd stage	(6) 2SLS 2nd stage	(7) 2SLS 2nd stage
	Income (ln)	Inc./cap. (ln)	Inc./cap. adj. (ln)	# Birth	Income (ln)	Inc./cap. (ln)	Inc./cap. adj. (ln)
# children	0.02***	-0.07***	-0.04***		-0.04	-0.12**	-0.07
	(3.97)	(-11.74)	(-6.10)		(-0.81)	(-2.47)	(-1.43)
2nd born girl				0.37***			
				(10.89)			
1st born girl	-0.02	-0.01	-0.01	0.43***	0.00	0.01	0.00
	(-1.41)	(-0.79)	(-0.70)	(12.65)	(0.09)	(0.18)	(0.03)
Hh characteristics	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Hh. assets	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	7358	7358	7358	7354	7354	7354	7354
r2	0.19	0.16	0.14	0.31	0.18	0.15	0.13
K-P statistics					118.51	118.51	118.51

t statistics in parentheses. The standard errors are clustered at the ward level. * $p<0.1$, ** $p<0.05$, *** $p<0.01$

All regressions include ward and time fixed effects.

Hh. controls include mother's age, head's age and its square, head's spouses number, head's ethnicity and households productive assets

Productive assets include land and cows owned, average education of adult members and a dummy for the ownership of a non-farm business.

Table 21: Number of children and household consumption - second born

	(1) OLS	(2) OLS	(3) OLS	(4) 2SLS 1st stage	(5) 2SLS 2nd stage	(6) 2SLS 2nd stage
	Consumption (ln)	Cons./cap. (ln)	Cons./cap. adj. (ln)	# Birth	Consumption (ln)	Cons./cap. (ln)
# children	0.04***	-0.06***	-0.02***		0.02	-0.06**
	(10.29)	(-16.76)	(-7.21)		(0.86)	(-2.36)
1st born girl	-0.02**	-0.01	-0.01	0.43***	-0.02	-0.01
	(-2.55)	(-1.32)	(-1.23)	(12.78)	(-1.25)	(-0.94)
2nd born girl				0.37***		
				(10.92)		
Hh characteristics	Yes	Yes	Yes	Yes	Yes	Yes
Hh. assets	Yes	Yes	Yes	Yes	Yes	Yes
Observations	7392	7392	7392	7388	7388	7388
r2	0.33	0.25	0.21	0.31	0.32	0.25
rkf					119.27	119.27

t statistics in parentheses. The standard errors are clustered at the ward level. * $p<0.1$, ** $p<0.05$, *** $p<0.01$

All regressions include ward and time fixed effects.

Hh. controls include mother's age, head's age and its square, head's spouses number, head's ethnicity and households productive assets

Productive assets include land and cows owned, average education of adult members and a dummy for the ownership of a non-farm business.

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Printed version: ISBN 978-82-8062-486-4
Electronic version: ISBN 978-82-8062-487-1

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INDEXING TERMS
Household
Fertility
Nepal

Population control policies keep on attracting a lot of attention. The main argument in favour of a reduction in fertility rates, is that having more children contributes directly to a household's poverty. Using the last three rounds of the Nepal Living Standards Surveys, we investigate the links between household's fertility decisions and their consequent achievements in incomes and consumption. In contradiction with the popular presumptions, we find that having more children does not have a negative effect on incomes (per capita) and consumption. In fact, because households are parts of extended family networks, those who have fewer children will host other relatives. We show that the size of the household does not change with additional births, only the household composition is affected. An additional birth reduces the number of adult members and increases the number of child members. As a result, it has an ambiguous impact on the consumption per capita, that depends on the importance of the gain in lower consumption versus the cost of a lower income. To identify the causal relationship, we use the gender of the first born child to instrument the total number of consecutive children. The results question the relevance of the policies and information campaigns aiming at reducing the fertility of the poorest people.

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