

Title: The Economic Rationality of Teenage Pregnancy in Light of Age-Earnings Profiles

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Abstract

Observing that teenage mothers in the United States often attain lower than average adult earnings, many researchers have suggested that teenage pregnancy is economically irrational (Olsen R.J. and Farkas, G., 1990; Lundberg, S and Plotnik, R.D., 1990). A minority of economists has challenged the “irrationality” conclusion by controlling for heterogeneity in family backgrounds and reverse causation between teenage childbearing and low adult earnings to show that realistic expectations about low adult wages may induce mothers to have children at a relatively young age. (Geronimos and Korenman, 1991 & McCrate, 1992).

This paper presents age-earnings profiles (and their implied age-hours profile) as an additional factor befuddling the irrationally theory. The research suggests that when the *structure*, in addition to the *level*, of adult earnings is considered, most female workers in the United States face an economic incentive to complete the time intensive period of child rearing in the early years of their career path. Highly educated female workers face an even greater incentive to bear children at a relatively young age due to the steep age-earnings profiles that college-educated females possess relative to less-educated female workers. The research also finds that age-earnings profiles of US workers have become steeper over the last two decades regardless of the worker’s skill set.

The research offers a theoretical and empirical argument that imparts a greater degree of rationality to the decision-making of teenage mothers. Restoring the “rationality” of teenage mothers poses difficult questions for conservative social policy that erstwhile absolved society and the market from any responsibility for the misfortunate wrought by the irrational choices of individuals. Aided by a comparison of teenage pregnancy rates across advanced nations, the paper draws policy conclusions that broader societal changes designed to alter the incentive structure of extant US labor markets may be more effective at lowering teenage fertility rates than appeals to individualistic virtues of delayed gratification and abstinence.