

The American Dream Resurgent

A Proposal for Familial Security and Enduring National Strength

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Executive Summary

Continued American prosperity faces the challenge of declining birth rates. People are our ultimate resource for the economy, quality of life, and national security. Our population stability is therefore a national interest. Whereas population stability is a core interest, and the current economic situation denies families the choice to have children, a threat to America's long-term economic viability exists that can be addressed by a new policy: The American Dream Resurgent Proposal (ADRP) which would reduce economic disincentives that American women face in choosing to have children. America's current total fertility rate (TFR) is approximately 1.6, which is below the 2.1 live births per woman requirement to prevent population decline. Economists have long known that our lower birth rates threaten demographic stability and will create a prolonged labor shortage. If unaddressed, this shortage will escalate inflation, damage family formation, and diminish economic power projection abroad.

The ADRP would provide wage replacement to child-bearing mothers for a year of maternity leave. This financial incentive would directly address the most pressing barrier to family formation - economic and career impacts. The government absorbs the short-term cost of these policies but is also the long-term beneficiary.

Introduction

Negative Economic Impact of Declining Labor Pool

A declining U.S. labor pool is causing negative pressure on economic growth. This trend incurs a financial price to our nation, regardless of whether the overall growth trend line is positive or negative. For example, a 5% gain in worker productivity will result in no net economic growth if the number of workers declines by a similar amount. Societal advances already ensure that 99.1% of Americans survive childhood¹. Continued labor security and the success of American families therefore require policies beyond efforts to improve healthcare, social services, and childhood survivability. The National Center for Health Services data indicates that only 16.2% of women have exactly one and 44.8% of women

¹ Social Security Administration. "Actuarial Life Table." Social Security Administration, Table 4.C6, 2021. Accessed May 1-20, 2023. URL: <https://www.ssa.gov/oact/STATS/table4c6.html>

between ages 15-49 have no children. Reducing barriers to having first child at a younger age will address a large section of the population as well as lay the foundation for additional childbearing.²

A healthy labor pool is a core national interest and is instrumental to state capacity. Therefore, the Federal Government (government) should invest in the health of the labor force by removing barriers to having children. The government should adopt The American Dream Resurgent Proposal (ADRP), which will provide wage replacement to child-bearing mothers. This financial incentive will directly address the most pressing barrier to family formation - economic and career impacts.

China's Blunder: Great Power Competition and The One Child Policy

Today, the People's Republic of China (China) labor force is approximately 733 million people. By 2050, it is estimated to fall to 546 million. Worker productivity will have to improve by 34% to maintain existing economic output. China has set a goal to be the world's preeminent global power by that year, but the drastic and inevitable decline in its labor force will be an obstacle to achieving those goals. This decline is partially attributable to the One Child Policy, which levied financial and administrative penalties on families who produced more than one child. The result is China's Total Fertility Rate³ (TFR) of 1.2 children per woman, a number which continues to decline⁴.

Implications of the U.S. Fertility Rate

While the United States has left decisions about children to the family, the country faces urgent fertility rate problems. The economic realities of the 21st-century economy place a burden on families which disincentivizes decisions to have children. For example, the USDA and Brookings Institute estimate a child born in 2015 will cost approximately \$233K (\$310K in CY2032 dollars) to raise to age 17⁵. The rising economic burden, lack of paid maternal leave, and affordable childcare for parents results in Americans choosing to have fewer children. America's TFR today is approximately 1.6, which is below the 2.1 live births per woman requirement to prevent population decline⁶.

If the United States is to prevail in this era of the protracted Great Power Competition, she must have a healthy labor force upon which to base her power - a key component of national pride and influence. Population stability is therefore a national interest. Whereas population stability is a core interest, and the current economic situation discourages such stability, there is a threat to America's long-

² Centers for Disease Control and Prevention (CDC). "National Survey of Family Growth - Key Statistics from the National Survey of Family Growth." Centers for Disease Control and Prevention (CDC). Accessed May 20, 2023. URL: https://www.cdc.gov/nchs/nsfg/key_statistics/b-keystat.htm#birthsmothers.

³ Total fertility rate is the expected fertility of a woman today under present conditions and historical projections. This is different from completed fertility rate (CFR), which measures observed total fertile production over a lifetime. TFR and CFR diverge in environments with rapidly changing birth rates.

⁴ The World Bank. "Fertility rate, total (births per woman) - China." The World Bank, accessed May 20, 2023. URL: <https://data.worldbank.org/indicator/SP.DYN.TFRT.IN?locations=CN>.

⁵ "It's Getting More Expensive to Raise Children, and Government Isn't Doing Much to Help." Brookings Institution, August 30, 2022. Accessed May 20, 2023. URL: <https://www.brookings.edu/blog/up-front/2022/08/30/its-getting-more-expensive-to-raise-children-and-government-isnt-doing-much-to-help/>

⁶ J Craig. PubMed. "Replacement level fertility and future population growth." PubMed, Accessed May 20, 2023. URL: <https://pubmed.ncbi.nlm.nih.gov/7834459/>. Published winter 1994

term economic viability. A solution directly addressing this issue is required. The ADRP is the answer; we must pay wages to women who perform this critical service to society.

The Solution: The Federal Government Pays for Maternity Leave

The government must shoulder a large portion of the burden associated with child-rearing to guarantee long-term economic success and competition with China. The government must be the responsible party because it is the beneficiary of a stable labor force. Those in double-income households with no children generate considerable tax revenue over the course of a lifetime. These receipts and other activities perform critical support to society in the present day. However, these contributions are finite and terminate upon retirement and death.

Families create a resilient and perpetual revenue stream - unburdened by death. We view the government's role in contributing to child-rearing expenses as an investment in the future tax base. Therefore, the incentives to grow families must be distributed across the entire population. Different amounts of financial incentives are required to alter behavior across a diverse socioeconomic set. *The desired outcome is 2.1 live births per woman across the entire population of the United States.* This number guarantees population stability.

ADRP Proposal

The ADRP has the following components:

1. **Addressing financial concerns:** A period of 12 months of paid maternity leave, paid directly by the U.S. Treasury. The paid maternity benefit is equal to 100% of her previous year's W-2 or 1099 series income, up to a cap of the 98th percentile of income distribution⁷. This equivalency is compensation that will eliminate a woman's apprehension that she will suffer monetarily. It promotes a sense of security that having a child will not impact her pocketbook. Subsequent births will be compensated at a diminished rate. For example, the wages provided for the second child will be 80% of her W-2 income, a third child at 60% and so on. The paid maternity leave benefit is taxed as income, and the government issues a specific W-2 for that service.
2. **Addressing career concerns:** A woman who gives birth is legally entitled to 12 months of unpaid leave from her employer. She must be reinstated with the same salary and equitable position upon her return to the labor force if she chooses to do so. The Uniformed Services Employment and Reemployment Rights Act offers a template for the implementation of this leave policy at the employer level.
3. **Addressing U.S. Treasury concerns:** The ADRP will be paid for through an income tax levy. In 2021 the Bureau of Labor Statistics estimated for a median income of \$929/week for a working woman and 3.66 million births⁸. The gross estimate of the ADRP is therefore \$163B/year, which will require a 7.4% increase in income tax receipts over existing values.

⁷ In 2022 this was approximately \$417K.

⁸ Bureau of Labor Statistics. "Usual Weekly Earnings of Wage and Salary Workers: First Quarter 2023." News Release, U.S. Department of Labor, April 18, 2023. Accessed May 24, 2023.
<https://www.bls.gov/news.release/pdf/wkyeng.pdf>.

These policies offset the hazards of existing unpaid maternal leave policies for the following reasons:

1. The ADRP addresses the cost of childcare and lost income for working women. The business community is relieved of the risks associated with maternity wages. While pregnancy and family status are protected classes in law, businesses will no longer incur financial risk by employing women of childbearing age through business-administered maternity programs.
2. The purpose of this policy is to remove barriers for families to have children. A general tax increase, with benefits ascribed to bearing children has the net effect of being a tax on childlessness. This further reduces the relative economic impact of having a child. By incentivizing childbirth we directly address the underlying problem of a declining labor pool.
3. Women who choose to have children are on sabbatical for a year from their professional careers. Child rearing is full-time labor and compensated as such. Each child is a future member of the labor force and tax base, an essential asset for the strength of the family and economy. Child rearing, instead of an economic burden, becomes a stable, secure investment for families.
4. Households with more children will naturally collect more benefits from the policy. However, these children will pay more taxes over their lifetimes, which reduces the risk to the government in providing a higher level of subsidy to these families.

Limitations

This policy is just the beginning to address the factors behind the decreasing birth rate in the United States. The proposal does not offer a comprehensive solution to the research supported for population decline. Addressing population decline fully must be addressed through multifaceted policy. For example, immigration will remain a core part of addressing labor shortfalls. This policy only addresses the economic disincentives during a woman's post-pregnancy period. Future efforts should address the following considerations related to raising TFR:

- Benefits afforded to fathers under this policy
- Benefits afforded to families who adopt children
- Applicability to surrogacy both on the surrogate and the intended family
- Whether benefits should be withheld if the child is given up for adoption or lost to infant mortality
- Stipulations around receiving income compensation while on maternity leave, such as the requirement to return to work
- How the benefit will impact tax filing status, including withholding of payroll taxes in addition to income taxes
- Other tax implications, such as the source and amount of levies required to pay ADRP wages
- Political considerations
- Socio-cultural impact on policy implementation
- Applicability to alternative identities in gender and sexuality

Conclusion

The United States as a national power is built on the foundation of a plentiful labor force. The Great Power Competition with China lies in part in having a young and growing workforce. This includes

worker quantity, worker productivity, and an effective ratio of workers to non-workers. U.S. birth rates threaten two of those three pillars. The government must adopt the ADRP to correctly incentivize procreation as an investment in the future labor force. The penalty for inaction is extreme - economic stagnation and insolvency. **The United States cannot hope to remain globally competitive under these conditions; we must act now!**