

NBER WORKING PAPER SERIES

THE EFFECT OF CHILD ENDOWMENT ON FERTILITY CHOICES

Victor Lavy  
Yeshaya Nussbaum

Working Paper 31560  
<http://www.nber.org/papers/w31560>

NATIONAL BUREAU OF ECONOMIC RESEARCH  
1050 Massachusetts Avenue  
Cambridge, MA 02138  
August 2023

We benefited from the comments and suggestions by seminar participants at University of Warwick, Einaudi Institute, European University Institute, Hebrew University, and Tel Aviv University, and by Emma Duchini, James Fenske, Omer Moav, Joram Mayshar, Matteo Paradisi, Analia Schlosser, and Hannah Trachtman. We thank the Central Bureau of Statistics in Israel for providing restricted access to some of the data used in this study. The views expressed herein are those of the authors and do not necessarily reflect the views of the National Bureau of Economic Research.

NBER working papers are circulated for discussion and comment purposes. They have not been peer-reviewed or been subject to the review by the NBER Board of Directors that accompanies official NBER publications.

© 2023 by Victor Lavy and Yeshaya Nussbaum. All rights reserved. Short sections of text, not to exceed two paragraphs, may be quoted without explicit permission provided that full credit, including © notice, is given to the source.

The Effect of Child Endowment on Fertility Choices  
Victor Lavy and Yeshaya Nussbaum  
NBER Working Paper No. 31560  
August 2023  
JEL No. I0,J10

**ABSTRACT**

Does the intellectual endowment of children affect parents' fertility choices? The quantity-quality model of fertility predicts that a positive (negative) shock to child endowment increases (decreases) parental demand for children. We test these predictions using Israeli data on intellectually gifted and intellectually disabled children. Because families with an exceptional-endowment child differ from those without, we propose quasi-experiments that exploit differences in the child's birth order to estimate the effect of her birth on further fertility. We find that the birth of a gifted child increases family size. However, parents must recognize the endowment's exceptionality for it to have an effect. Similarly, the birth of an intellectually disabled child negatively affects family size, but only when the child is of high birth order. Our results point to child endowment as an important factor in determining fertility choices.

Victor Lavy  
Department of Economics  
University of Warwick  
Coventry, CV4 7AL  
United Kingdom  
and Hebrew University of Jerusalem  
and also NBER  
v.lavy@warwick.ac.uk

Yeshaya Nussbaum  
Department of Economics  
Hebrew University of Jerusalem  
Jerusalem, Israel  
yeshaya.nussbaum@mail.huji.ac.il

# 1 Introduction

Families' fertility choices – decisions on whether to have an (additional) child and regarding family size in general – are affected by various factors. Social scientists have developed theories tying demand for children to the opportunity cost of women's time, social norms, and government policies affecting the compatibility of career and family, among others (Doepke et al., 2023). Starting with Becker (1960), economists suggested that the desired level of child “quality” is a key determinant of fertility choices. If so, how do changes in the quality endowment of children affect parents' decisions about family size?

In the current paper, we adopt the conceptual framework of the quantity-quality (QQ) model of fertility (Becker and Lewis, 1973; Becker and Tomes, 1976), in which parents trade off the number of children against their desired quality of each child when choosing fertility. Within this framework, we show theoretically that changes in parents' expectation of the quality endowment of their children activate price and income effects that impact parents' demand for children. Since the birth of a child with exceptionally high or low endowment induces parents to update their expectation of the endowment level of their children, it will affect future fertility choices. The model predicts that a positive endowment shock – the birth of a child with an exceptionally high endowment – will increase parental demand for children. On the other hand, the birth of a child with an exceptionally low endowment will decrease it.

Past research has tested the quantity-quality model of fertility by studying a shock to quantity, typically by exploiting the birth of twins or same-gender children, and government regulation on family size, such as China's one-child policy. The current paper takes an alternative approach by studying the effect of a quality shock on demand for children. First, within the quantity-quality framework, we conceptualize endowment shock as the birth of a child with an extremely high or low level of intellectual endowment. Then, using a set of quasi-experiments, we test these predictions and estimate the reduced-form effect of a positive or negative change in endowment on family size.

The first experiment estimates the effect of a first-born high-endowment child on further fertility in a sample including families with either a first- or second-born high-endowment child and at least two children. Similarly, in the second quasi-experiment, we estimate the effect of a second-born high-endowment child on further fertility in a sample including families with either a second or third-born high-endowment child and at least three children. We use Israeli data on families and their children and measure high endowment by giftedness or exceptional scores on early cognitive tests. We find that the birth of a high-endowment child increases the probability of an additional child in both quasi-experiments.

In addition, as the information on child endowment becomes noisier, parents' ability to recognize the endowment becomes a condition for its effect. For this reason, we postulate that the effect of child endowment on fertility decisions is more evident and more substantial among educated parents. First, educated parents might be more observant and aware of the signs of giftedness in their child. For example, a knowledgeable parent engages their child more with educational games and activities, such as reading books or solving puzzles, which provide more opportunities to notice exceptional talent. Second, an educated parent may prefer quality over quantity of children and respond actively to signs of child giftedness. Third, we show that highly educated families primarily drive the positive effect of a high-endowment child on further fertility. In this sample, the birth of a first-born gifted child increases the likelihood of a third birth by 8.5 percentage points against a counterfactual of 40 percent. This effect, which does not vary by the gender of the gifted child, implies a 22 percent effect size. Against this quasi-experimental evidence, the OLS regression based on the whole population shows a statistically significant negative relationship between the birth of a gifted child and the family demand for children.

On the other hand, the birth of a low-endowment child, measured as the enrolment of a cognitively deprived student in a special education class, negatively affects family size. However, this effect exists only in the second experiment, estimating the effect of a second-born low-endowment child. This result is consistent with families' preferences for a child with "regular endowment", which offsets a low-endowment child's negative income and price effects. The birth of a challenged child in second

birth reduces the likelihood of a fourth child by seven percentage points, implying an effect size of 18 percent. In contrast, the regression based on the whole population shows a small and insignificant relationship between the birth of a challenged child and the family demand for children.

Our findings relate to three strands of the literature. First, we contribute to the growing literature on the economics of fertility (see Doepke et al., 2022). This literature has advanced several theories explaining fertility choice and its consequences at the micro and macro levels. It has also aimed to accommodate historical and cross-sectional fertility trends, including the global fertility decline in the past few decades (Jones, 2022). More traditional theories explain fertility choice as determined by parents' preferences regarding the trade-off between quantity and quality of children and the opportunity cost of women's time. Recent studies point to the compatibility of having a career and a family as an important factor affecting fertility. The current study highlights child intellectual endowment as an important determinant affecting parents' decisions over additional children.

More specifically, our work contributes to the literature on the quantity-quality model of fertility and its empirical testing. The main insights of the model appear in Becker (1960), and it was further developed and formulated by Becker and others (primarily Becker and Lewis 1973). Most important for the current study is Becker and Tomes (1976), which adds child quality endowment to the QQ model and investigates theoretically the effects of changes to it on fertility choice. Starting with Barro and Becker (1989), the QQ model has been used to analyze fertility choice and its effects on the economy as a whole, mainly on economic growth (see Becker et al., 1990). These developments aided the incorporation of QQ in unified growth models that use the quantity-quality trade-off to explain the demographic transition (Galor and Weil, 2000; Delventhal et al., 2021; Moav, 2005).

A vast literature exists that empirically tests the predictions of the QQ model using micro data. Much of this literature estimates the effect of a shock to the quantity of children on parents' investment in each child. Generally, the trade-off between quantity and quality of children is found mostly in developing countries (Liu,

2015; Doepke et al., 2022). Rosenzweig and Wolpin (1980), using the birth of twins as an instrumental variable, find that an increase in child quantity decreased education in India. There are similar results for China (Rosenzweig and Zhang, 2009). Black et al. (2005) find that twin birth has a negligible effect on educational attainment in Norway. However, Mogstad and Wiswall (2016) argue that such an effect is non-linear. While there is a substitution between quantity and quality in large families, the two are complementarities in small families. Juhn et al. (2015, 2020) study the effect of a quantity shock on cognitive abilities and find that birth spacing plays an important role in driving it. Using the same data from Israel that we employ in this study, Angrist et al. (2010) found no effect of a quantity shock on education, using both twin birth and the gender composition of children as instrumental variables. In addition to examining the impact of a quantity shock, two studies have estimated the effect of changes in the price of raising children on fertility. In line with the QQ predictions, Cohen et al. (2013) found that a reduction in the child subsidy in Israel negatively affected fertility. Bleakley and Lange (2009) find that eradicating hookworm disease in the US, which they interpret as a fall in the price of quality, caused a decline in fertility. However, to our knowledge, no study has examined the effect of a quality shock – i.e., the effect of a rise or fall in child endowment – on fertility. Thus, the present study adds to the empirical literature on QQ.

Lastly, our paper contributes to the literature on parents’ responses to their children’s natural endowment. Studies have shown that parents adjust their behavior to various characteristics of their children. For example, parents respond to children who manifest higher cognitive abilities early by providing them with increased cognitive stimulation (Grätz and Torche, 2016). When two children are born with different levels of health endowment, parents respond in an attempt to compensate for these initial differences by investing more in the child with poorer health (Savelyev et al., 2022). Specifically, Aizer and Cunha (2012) study the interaction between child health endowment, parental investment in children, and fertility and show that parents reinforce differences between children’s endowments and that this reinforcement is stronger in larger families. We show that the birth of a child with exceptional intellectual endowment causes parents to respond along the axis of decisions on further

fertility.

The rest of the paper is organized as follows. Section 2 presents the conceptual framework and derives the relationships between child endowment and demand for children. Section 3 characterizes gifted and challenged children, presents the data we use, our explanatory variables, and some descriptive statistics. Section 4 outlines the quasi-experimental setting and the empirical strategy. Section 5 presents our estimates of the child endowment's effect on the demand for children, distinguishing between positive (birth of a gifted child) and negative (birth of a challenged child) shocks. Section 6 concludes.

## 2 Conceptual Framework

The prime economic framework for analyzing the effect of child endowment on fertility choices is the quantity-quality (QQ) model of fertility, developed by Becker and others (Becker and Lewis, 1973; Becker and Tomes, 1976; Becker, 1991). The QQ model assumes parents derive utility from the number of their children and from the quality of each child. Hence, when deciding on fertility, parents balance between their demand for children and the investment needed to bring each child to their desired level of child quality. As a result, changes in the quality endowment of their children will affect parents' fertility choices. The current section presents an augmentation of the QQ model in a way that makes explicit the mechanisms underlying this effect of child endowment.<sup>1</sup> Doing so motivates our following empirical analysis and guides our conceptualization and interpretation. We stick to the modeling framework offered by Becker to maintain simplicity.

A person in the model lives for two periods: period  $t$ , in which she is a child with parents who invest in her future productivity, and period  $t + 1$ , in which she is an adult who earns income, consumes, and makes decisions regarding her own children. The utility of parents in period  $t$  is  $U_t(Z_t, n_t, I_{t+1})$ , where  $Z_t$  is parents' consumption,

---

<sup>1</sup>Becker and others have presented several different versions of the QQ model across the years. Here we build on the latest version presented by Becker (Becker 1991), which we think incorporates child endowment in the most direct way.

$n_t$  is the number of their children, and  $I_{t+1}$  is the quality of each child, proxied by his future income. As standard in the literature, we assume diminishing marginal utility from each of these goods. The income-generating function for a child  $i$  in period  $t$  is given by

$$I_{i,t+1} = (y_{i,t} + e_{i,t} + u_{i,t+1}) w_{t+1}, \quad (1)$$

where  $y_{i,t}$  is the parents' investment in the child,  $e_{i,t}$  is the endowed ability of the child, and  $u_{i,t+1}$  is the child's market luck. The value of human capital in period  $t + 1$  is denoted by  $w_{t+1}$ . Importantly, different children within the family may have different endowments. Specifically, child endowment  $e_{i,t}$  is composed of two elements,

$$e_{i,t} = h_t + \epsilon_{i,t}, \quad (2)$$

where  $h_t$  is the quality baseline for all children born to the family in generation  $t$ , and  $\epsilon_{i,t}$  is a child-specific stochastic component with  $\mathbb{E}[\epsilon_{i,t}] = 0$ . The family endowment benchmark  $h_t$  can be thought of as some genetic potential ability shared by all children of a specific couple, where  $\epsilon_{i,t}$  is the deviation of child  $i$ 's actual endowment from that benchmark.

We assume parents do not discriminate between children and wish to bring them all to the same quality level, which we denote  $I_{t+1}$ . Parents' budget constraint for period  $t$  is

$$I_t = Z_t + \sum_{i=1}^n y_{i,t}, \quad (3)$$

where  $I_t$  and  $y_{i,t}$  are measured in consumption units. After plugging in Equation (1) and rearranging, we get a version of what Becker calls the "family income" equation,

$$I_t + \sum_{i=1}^n (e_{i,t} + u_{i,t+1}) = Z_t + n_t \frac{I_{t+1}}{w_{t+1}}, \quad (4)$$

where the left-hand side represents the resources available to the two-generation family, and the right-hand side the way they are used. When deciding on consumption, fertility, and desired level of child quality, parents maximize  $U_t(Z_t, n_t, I_{t+1})$  subject



to Equation (4). However, when making these decisions, e.g., upon marriage, parents are uncertain regarding the endowment level of their future children. Specifically, in the context of the current paper, parents do not know, before giving birth to their children, what kind of intellectual capabilities their children will have. Hence, they form an expectation of the endowment level of their children  $\mathbb{E}[e_{i,t}] = \mathbb{E}[h_t]$ , due to the random component of endowment being 0 in expectation. Parents' maximization with respect to child quality and quantity yields the following first order conditions,

$$\frac{\partial U_t}{\partial n_t} = \lambda \left[ \frac{I_{t+1}}{w_{t+1}} - \mathbb{E}[h_t] \right], \quad (5)$$

$$\frac{\partial U_t}{\partial I_{t+1}} = \lambda \frac{n_t}{w_{t+1}}. \quad (6)$$

First, note that these two optimality conditions embody the classic quantity-quality trade-off that parents face in the QQ model. On the one hand, choosing a higher level of quality for each child raises the shadow price of having children, as in Equation (5). On the other hand, as the number of children increases, bringing each child to a higher level of quality becomes more expensive, as in Equation (6).

In addition, Equation (5) represents the relationship between parents' demand for children and their expectation of the endowment level of their children. As parents expect their family-level endowment benchmark to be higher, the shadow price of children decreases. Alternatively, expecting a lower family-level endowment induces parents to reduce their demand for children. The intuition here is straightforward: when endowment is high, parents need to invest less resources to bring their children to their desired level of quality. Therefore, children become "cheaper", thus increasing parents' demand for children. We refer to this channel as the "price effect" of a change in endowment on the demand for children.

Furthermore, we assume parents update their expectation of the family-level endowment benchmark  $\mathbb{E}[h_t]$  with each child born. That is, parents observe the actualized endowment of the born child and use it as a signal of the family's  $h_t$ . As a result, they update their expectation of the family-level endowment benchmark in

the direction of the signal. E.g., suppose a child is born with an actualized endowment  $e'_{i,t}$  which is higher than expected. Hence, parents update their expectation accordingly,  $\mathbb{E}[h_t|e'_{i,t}] \geq \mathbb{E}[h_t]$ . However, while parents observe the born child's actual endowment, they do not know what component of it should be attributed to the family-level endowment benchmark common to all their children and what is a result of randomness. To illustrate this point, consider a born child's endowment from the perspective of the parents,

$$e'_{i,t} = \delta_t h_t + (1 - \delta_t) \epsilon_{i,t}, \quad (7)$$

where  $\delta_t$  is the weight parents attribute to the family endowment benchmark in producing child  $i$ 's realized endowment level. A high  $\delta_t$  means parents believe the actual endowment of child  $i$  is a clean signal of their family common endowment level. I.e., future children will have an endowment level similar to  $i$ 's. As a result, the updating of the family-level endowment benchmark in the direction of  $i$ 's actual endowment,  $\mathbb{E}[h_t|e'_{i,t}]$ , will be stronger. In contrast, parents may believe  $i$ 's actual endowment is not predicative of the endowment of future children, as it primarily reflects the child-specific stochastic component,  $\epsilon_{i,t}$ . In such a low  $\delta_t$  case, the updating of  $\mathbb{E}[h_t]$  following the birth of  $i$  will be smaller.

Finally, consider the effect of giving birth to a child with an endowment level higher than expected,  $e'_{i,t} > \mathbb{E}[h_t]$ , i.e., a positive endowment shock. The price effect is activated because parents update their expectations of the family-level endowment benchmark: the shadow price of children is reduced, as future children are expected to be cheaper than previously thought. That raises parents' demand for additional children within period  $t$ . Importantly, the magnitude of the price effect depends on  $\delta_t$ ; a higher  $\delta_t$  entails a more responsive demand with respect to a birth of a child with unexpected endowment. In words, as parents believe the endowment of future children will be more like the endowment of their already-born child, the resulting increase in their demand for additional children will be bigger. In the extreme case of  $\delta_t = 0$ , i.e.,  $i$ 's actual endowment is completely random, no price effect exists since the shadow price of future children is unaffected by  $i$ 's birth.

Moreover, the birth of a child with an unexpected endowment also activates an income effect. Observe that the resources available to the family on the left-hand side of Equation (4) directly include the endowment of the family’s children. Thus, e.g., giving birth to a child with an unexpectedly high level of endowment raises parental demand for all goods in the model: consumption, children, and quality of children. As before, because fewer resources are needed to bring the high-endowment child  $i$  to the quality level desired by the parents, income is freed-up, which raises demand for all normal goods. Note that in contrast to the price effect, the income effect is independent of the source of the actual endowment, namely, whether it reflects  $h_t$  or  $\epsilon_{i,t}$ . Even if it is completely random, receiving a child with unexpectedly high endowment increases family income and thus parents’ demand for goods.

In sum, our revised version of the QQ model predicts that giving birth to an unexpectedly high-endowment child increases demand for additional children, and an unexpectedly low-endowment child decreases it. Two mechanisms drive this effect. The price effect results from parents updating their expectations of the family endowment benchmark, making future children cheaper. Second is an income effect, capturing the change in family resources caused by the birth of a child with an unexpected endowment, which then affects parents’ demand for all the goods in the model, including children.

Note that we choose not to model the formation of  $\mathbb{E}[h_t]$ . Parents may expect the endowment of their children to be some average of their own endowments, the population mean, or some other benchmark of comparison.<sup>2</sup> In addition, we also do not model the process of updating  $\mathbb{E}[h_t|e'_{i,t}]$  or offer a functional form for it. We do so primarily to maintain generality. But anyway, since we cannot observe  $\mathbb{E}[h_t]$  in our empirical setting, modeling it does not contribute to our empirical analysis. It is worth noting as well that since  $\mathbb{E}[h_t]$  is unobserved, we also cannot disentangle the role of the price effect from that of the income effect in driving our empirical results.

While our theoretical framework points to the price and income effects as what

---

<sup>2</sup>However, assuming parents form their child endowment expectation based on their own endowment provides a theoretical justification for conditioning on parental education when estimating the effect of an exceptional-endowment child. We return to this point in section 4.

drives the impact of child endowment on demand for children, we do not rule out the existence of other mechanisms that may explain the same predictions. For instance, parents may gain direct utility from unexpectedly high- or low-endowment children, such that the effect on their demand for children is simply due to a taste effect. Additionally, parents' utility function may change following the unexpected child endowment. E.g., parents may find out they enjoy having an extremely talented child and therefore want more children, or that having a challenged child is hard and thus want fewer children. A child with unexpected endowment may also affect marriage stability, which in turn will impact future fertility. The QQ model overlooks these mechanisms that may be driving our estimated effects.

## **3 Background and Data**

### **3.1 Gifted and Challenged Children**

Gifted children are children with exceptionally high levels of ability. Though no clear and agreed-upon definition of giftedness exists, it is uncontroversial that giftedness is a stable and persistent trait independent of circumstances that change across one's life (Monks and Katzko, 2005). It can manifest within a specific interest or domain, e.g., music, art, mathematics, or as a general ability. In most education systems, children are identified as being gifted if they score above 130 or 135 on an IQ test.

Children who we refer to as being intellectually "challenged" belong to one of two groups: (1) children with a mild intellectual disability or (2) children with severe learning disorders. These children struggle to attain the ability to listen, read, write, conceptualize, or use math. While the environment such a child is situated in may contribute to developing their abilities, intellectual disability, and learning disorders are permanent conditions. Like gifted children, children are identified as being challenged by their IQ score, generally between 50 and 70.

Exceptional intellectual ability – high or low – manifests itself early in life, as children show signs of rapid, or very slow, development of cognitive and motor abil-

ities (Davis & Rimm 2004, Renzulli 2002, Silverman 2004). For example, gifted children learn new concepts very quickly and generalize them easily, exhibit excellent memory, and grasp the structure of language and its usage much earlier than their peers (Clark 2002, Manning 2006). They also quickly develop motor skills and can complete complex tasks with relatively little instruction.

On the other hand, children with intellectual and developmental disabilities fail to achieve cognitive milestones in their early years of life, as they struggle with comprehending and processing information, using language, and solving simple problems (Schalock et al., 2021). In addition, while their peers' behavior changes with age, the behavior of challenged children remains more rigid. These early signs can start appearing right after birth for both gifted and challenged children.

However, the early developmental signals of exceptional endowment tend to be very noisy and unreliable. This complicates the ability of parents and educational institutions to recognize children's exceptionality during their first years of life. Instead, at around ages 4 to 7, a more precise identification of a child as having exceptionally high or low intellectual ability is possible. First, reaching this age period ensures the persistence of exceptionality, an important condition for its existence. Second, due to the comparative nature of the exceptional endowment, parents and institutions must observe gifted and challenged children in interaction with other children to notice their uniqueness. Most children attend kindergarten from age 4 and primary school from age 6, where they interact more extensively with their peers. Therefore, despite early developmental signals, the noticeability and salience of exceptionality become clear later. Even if parents do not recognize their child's ability, they will most likely be informed by the child's classroom or kindergarten teachers.

### **3.2 Classes for Gifted and Challenged Children in Israel**

To identify children with an exceptional endowment, we rely on their placement in special classes throughout elementary and high school. In Israel, children can be placed either in a (1) regular class, (2) class for gifted children, (3) class for children with special needs, or (4) other special classes, e.g., classes for immigrant

children. Since the sorting of children into classes occurs at an early stage of a child's development, we use the information on the class type of a child as an indicator of her intellectual endowment. In our analysis, class types (2) and (3) function as measures of exceptionally high and exceptionally low endowment, respectively. We lay out the characteristics of these class types below.

In the late 1980s, Israel's Ministry of Education opened special classes in regular schools designed for the education of gifted children. A two-stage procedure determines assignment to such classes within a school. First, all children in grades 2-4 are tested in math and comprehension. Next, students scoring in the top 15 percent of these tests can take five additional psychometric tests. Students who scored in the top 20 percent of these additional tests are eligible to enter a gifted children's class. In addition, schools can recommend that specific students outside the initial 15 percent be put up for psychometric testing. Overall, children identified as gifted and placed into a gifted children class are no more than 3 percent of the original class.

As for challenged children, several kinds of classes exist for children with special needs in Israel. For example, there are unique classes for autistic children, children with cerebral palsy and other severe physical disorders, children with severe mental and behavioral disorders, and classes for blind children. There also exist unique classes for children with mild intellectual disabilities and severe learning disorders designed to fit these children's needs. Importantly, these special classes for challenged children can exist within a regular school or as part of a school dedicated to children with special needs. For a child to be placed in a class dedicated to children with an intellectual disability or learning disorders in a regular school, they must have an official diagnosis of the cognitive condition and stand before a professional committee within the school.

### **3.3 Data**

To identify children who represent a positive or negative intellectual endowment shock, we use data on the classes in which children are placed throughout elemen-

tary and high school. In Israel, children can be placed either in a regular class, a gifted children’s class, or a challenged children’s class. As previously explained, this sorting occurs early, either between second to fourth grade (when the child is 7-9 years old) for gifted children or starting from first grade for challenged children. Hence, information on the class type of a child provides a good measure of the child’s intellectual endowment. Therefore, we refer to children placed in gifted classes in regular schools as “gifted” and children in classes for challenged children as “challenged”. In the entire analysis, we only use the special class types located in regular schools, neglecting those that are part of special schools. Primarily, we worry that children placed in special schools might have additional kinds of endowment besides the intellectual one. For example, challenged children in special needs schools might also suffer from a negative medical endowment. Because we focus here on the effect of intellectual endowment only, we wish to isolate that component and neglect other kinds of child endowment.

We use several data sets accessed through Israel’s Bureau of Statistics (CBS). CBS allows restricted access to these data in their protected research lab. The underlying data sources include the following. First, the population registry data set, maintained by the Ministry of Interior, consists of a fictitious individual national I.D. number that appears in all the data sets described below and enables matching and merging of the files at the individual level. It also contains information on birth year, identity of parents, birth year, marital status, and children’s identity. We use this data set to construct our primary outcome variable, family size.

In addition, we use administrative records of the Ministry of Education on the universe of Israeli schools during the 1992-2016 school years. Most importantly, these include information on each student’s class type – whether they were placed in a regular class, a class for gifted children, or a class for challenged children – the school the child attended. Moreover, the data set includes students’ national test scores, called the “Meitzav” tests, for students who took these tests. The Meitzav tests are taken during 5th or 8th grade by a subset of students in each cohort. Finally, these data also contain family-background variables: parental schooling, country of birth, ethnicity, student’s detailed study program in high school by subject and level,

and test scores of all national matriculation exams in 10th-12th grades.

CBS matched and merged these files using the individual-level national I.D. number. The matching is perfect, and there is no loss of observations. Throughout the analysis, we define a family as a unique combination of two parents. The entire sample of students includes 2,188,067 observations, coming from 677,060 families such defined. Among these families, as evident in Tables 1 and 2, 5,491 have a gifted child, and 2,820 have a challenged child.

In addition to our primary data set described above, which we access via CBS, we use additional data provided independently by the Ministry of Education. Aside from designing the Meitzav national tests for students, the Ministry also conducts surveys of students, teachers, and school principals each year as part of the Ministry's effort to measure the quality and success of schools. The additional data set we use contains the students' test scores and their answers to the survey questions from 2002-2005. Primarily, we use the responses of students to four survey questions: (1) approximately how many hours a week does the student invest in homework in each of the school subjects Math, Science, English, and Hebrew; (2) does the student have a computer at home; (3) if the answer to the previous question is positive, is the computer connected to the internet; (4) does the student receive private tutoring lessons in each of the school subjects Math, Science, English, or Hebrew, and whether the student receives such lessons in a different school subject. As explained below in section 6, we use this additional data set to verify that higher parental investment in human capital does not drive exceptional endowment. Using these data, we also show that first- and second-born high-endowment children, and the families to which they are born, do not differ in terms of parental investment as well.

## **4 The Quasi-Experimental Setting and Empirical Strategy**

Families with a child with exceptional intellectual endowment differ from those without. As columns (1) and (2) of Table 1 show, families with a gifted child have sig-



nificantly more educated parents, with both mother and father averaging above two additional years of education relative to families without a gifted child. The composition of ethnic origin is also different between these two types of families, where families with gifted children tend to come more from Europe. Differences along these dimensions also exist when comparing families with a challenged child to those without, as shown in Table 2. Families with a challenged child have less educated parents and exhibit a different makeup of ethnic origin. Hence, estimates of the effect of a high- or low-endowment child obtained by comparing families with such a child to those without, will likely be biased due to the difference in characteristics between these groups.

Therefore, the samples we use to estimate the effect of an exceptional-endowment child include only families with such a child. Within these samples, our identification strategy leverages differences in the birth order of the exceptional-endowment child among families with the same initial number of children. For example, we use the population of families with at least two children, where the first- or second-born is an intellectually gifted child. We then estimate the effect of a firstborn gifted child on the probability of having a third child and on completed family size, such that families with a second-born gifted child serve as the counterfactual. This variation in birth order quasi-randomizes the timing in which parents learn about the endowment of their children. The idea is that when the information on child endowment arrives relatively early within childbearing years, it may affect future fertility choices. We thus use these quasi-experiments to estimate the causal effect of an endowment shock – the birth of a child with exceptional endowment – on parents’ choices regarding further fertility.

Specifically, we implement two such quasi-experiments separately for gifted and challenged children. First, within the population of families with at least two children and a first- or second-born gifted child, we estimate the effect of a firstborn gifted child on the probability of having a third child and on completed family size. Similarly, the second quasi-experiment uses the population of families with at least three children and a second- or third-born gifted child, where we estimate the effect of a second-born gifted child on the probability of having a fourth child and on

completed family size. These experiments identify the effect of a positive endowment shock. The same quasi-experiments are implemented using the population of families with a challenged child, identifying the effect of a negative endowment shock.

We, therefore, estimate the following equation on the population of families with at least two children, in which the first- or second-born is a gifted child:

$$C_i = \alpha X_i + \beta t_i + \epsilon_i \quad (8)$$

where  $t_i$  indicates family  $i$ 's firstborn child is gifted, and  $X_i$  is a vector including mother and father education years and a constant.  $C_i$  is either an indicator for the existence of a third child in family  $i$ , or the completed number of children in  $i$ .

For the second quasi-experiment we use the population of families with at least three children, in which the second- or third-born is a gifted child. We then estimate an equation similar to (8), where  $t_i$  indicates family  $i$ 's second-born child is gifted, and  $C_i$  is either an indicator for the existence of a fourth child in family  $i$ , or the completed number of children in  $i$ . We implement both quasi-experiments separately on the population of families with a challenged child.

Each quasi-experiment relies on two identification assumptions. In the first experiment, we assume that (1) among families with two or more children, whether the first- or the second-born child is of exceptional endowment (i.e., gifted or challenged) is quasi-random; and (2) while the endowment of the first-born child may affect parents' decision to have a third child, it does not affect their decision to have a second child. Similar assumptions apply to our second experiment. There we assume that (1) among families with three or more children, whether the second- or the third-born child is of exceptional endowment is quasi-random; and (2) the endowment of the second-born child does not affect parents' decision to have a third child. We present evidence supporting these sets of identification assumptions below, separately for families with a gifted child and families with a challenged child.

## 4.1 Families with a Gifted Child

The evidence in Table 1, columns 4-6, shows that the observable characteristics of families with two or more children whose firstborn child is gifted are not statistically distinguishable from those of families with two or more children whose secondborn child is gifted. For example, the mean years of schooling of the father in these two groups are 15.075 and 15.097 respectively; the difference, -0.0216 (SE=0.143), is not statistically different from zero. The mothers' respective means are 15.024 and 14.898. The difference, -0.126 (SE=0.137), is also not statistically different from zero. Similar well-balanced characteristics are evident in Table 1, columns 7-9, for families in our second quasi-experiment sample. The mean years of schooling of the father in these two groups are 15.015 and 15.129, respectively, and the difference, -0.114 (SE=0.220), is not statistically different from zero. On the other hand, mothers' respective means are 14.673 and 15.083, with a difference of -0.410 (SE=0.212) statistically significant at the 10 percent level.

However, a puzzle arises when noticing that the number of firstborn children in gifted programs is about 45 percent larger than the number of secondborn children in these programs, among families with at least two children (Table 1). This difference can either reflect a difference in the number of gifted children by birth order or in the enrollment rate of talented children in gifted children programs by birth order. The first will primarily result from endowment differences at birth, and the second from post-birth parental and child behavior. Interestingly, we do not find such a birth order difference when comparing higher birth order children. For example, the number of children enrolled in gifted children programs is almost the same for second- and third-born children and the same for third- and fourth-order births. Therefore, there might be a concern that families of first- and second-born children enrolled in gifted children programs may differ concerning some unobservable characteristics. In section 6 we present evidence that alleviates such sample selection concerns that may affect the interpretation of the findings we present in this paper. However, at this point, we only highlight the fact that the evidence we obtain from the second quasi-experiment, where the sample sizes of second- and third-born children are quite

the same, yields very similar results to those we obtain in the first quasi-experiment, where the sample of treatment and control are imbalanced.

The second identifying assumption we make is that the talent of a firstborn (secondborn) child is likely unknown in time to affect the decision about a second (third) child, but that it can affect the likelihood of a third (fourth) child. As reviewed in section 3.1, the psychology literature suggests that while superior ability may manifest in the first years of a child's life, these signals are noisy and mostly hard to identify. Rather, exceptional ability becomes clear as a child approaches ages 5-8 and enters kindergarten or school. Given an average space of 3.01 years between the birth of the firstborn child and the conception of the second among families with a gifted child (Table 1), the talent of the firstborn is indeed likely unknown in time to affect parents' decision on a second child. The same can be said regarding the second quasi-experiment, with an average space of 4.44 years between the birth of a second child and the conception of a third, among families with a gifted child. Note as well that parents' decision on an additional child typically precedes actual conception, such that the effective space might even be smaller. Distributions of the space between births in each quasi-experiment presented in Figure A1 provide additional support for this assumption, as among the mass of families in each sample the space is below 6 years. Generally, given the spacing between children within a family, it is too early to fix ideas about the giftedness of the first (second) child when deciding on a second (third) one.

In addition, regarding the first quasi-experiment, very few ( $\sim 8\%$ ) families with a gifted child have an only child, the typical pattern being two or more children. This suggests a very inelastic demand for a second child, a finding reported in other studies on fertility in Israel as well (e.g., Manski and Mayshar, 2003). Therefore, the quality signal of the first child could be considered 'irrelevant' to the demand for a second child. Given that parents usually opt to have a second child regardless, their primary fertility choice revolves around whether to have a third child.

## 4.2 Families with a Challenged Child

Families with a challenged child have different observable characteristics from families without a challenged child, as the evidence in columns 1-3 of Table 2 shows. For example, the mean years of schooling of the father and the mother in the latter group are higher. The father's years of schooling are higher by half a year and the mother's by a third. Interestingly, these means are identical in the sample of families without a challenged child or a gifted child.

However, for families with a challenged child and two or more children, there are no significant observable differences between those whose first-born is challenged and those whose second-born is challenged (columns 4-6). The mean years of schooling of the father in these two groups are 12.132 and 12.202, the difference, -0.0699 (SE=0.152), not statistically different from zero. Mothers' respective means are 12.345 and 12.313; their difference is 0.033 (SE=0.137). The two samples of families with three or more children, with either the second or the third being challenged, are similarly well-balanced. This balance of observable characteristics across the groups in each quasi-experiment supports our assumption that among families with at least two children, whether the first- or second-born child is challenged is quasi-random. The evidence presented in columns (7) and (8) of Table 2 supports the parallel assumption we make regarding families with at least three children and a second- or third-born challenged child.

Similarly to families with a gifted child, our second identification assumption in each quasi-experiment – the fact a child is challenged does not affect parents' decision on the next child – is supported by the small space between births in our study samples (Table 2). The distributions presented in Figure A1 demonstrate that the vast majority of families in each quasi-experimental sample typically do not identify the endowment of their challenged child while the decision on having another child is made.

## 5 Results

### 5.1 Positive Endowment Shock

Table 3 presents the main results regarding the effect of high-endowment children on demand for children. Panel A shows evidence of the first quasi-experiment when the first or second child is gifted. Panel B shows evidence based on the second quasi-experiment when the second or the third child is gifted. We run all regressions with two primary outcomes and the two specifications. The outcomes are the probability of having a third child and the number of siblings. The first specification includes no controls. In the second specification, we add as controls the child's age, gender, and parents' years of education.

In columns 1-2, we present the regression estimates where we include all families with at least two children in the control group, regardless of having a gifted child. This 'non-experimental' model yields a 'naïve' and potentially biased estimate. The estimates in column 1 are negative for both outcomes and experiments. The estimate on the likelihood of a third child in panel A is -0.134 with a t-ratio over 20. The estimate in the regression of the number of children is -0.698 with a t-ratio of over 40. It implies that having a gifted first child is associated with a decline in fertility of about 0.7 children. The estimates based on the second quasi-experiment are similar: having a gifted second child is associated with a 23 percent decline in the likelihood of a fourth child and a reduction in fertility of about 0.8 children. Controlling for parental education somewhat lowers these estimates, but the strong negative association between high child endowment and future births is robust.

In columns 3-4, we present the experimental estimates. Remarkably the estimates in these two columns are positive, opposite to the negative sign of the simple OLS estimates in columns 1-2. We also note that estimates in columns 3-4 are identical, implying that controlling for child characteristics and parental education does not move the estimates. This result is unsurprising given the perfect balancing of the treatment and control groups regarding these characteristics, especially parental education. The estimates in column 4 of panel A imply that having a gifted child

first-born increases the likelihood of a third child by 5.3 percent against a benchmark of 51.5 percent. This is a 10 percent effect. We note that the impact of 5.3 percent is similar to the effect size of having same-sex first and second-born children on the probability of having a third child (Angrist and Evans 2002, Angrist, Lavy, and Schlosser 2010).

The estimated effect on total fertility is an increase of a tenth child. The magnitude of this effect depends on the benchmark against which it is evaluated. For example, against a benchmark of an average number of children in the control group, 2.65, it is a small effect size of a 4 percent increase. However, given all families in the sample have two children, an increase of a tenth child could be evaluated against the average number of additional children in the control group, which is 0.65. In this case, the effect of a gifted child amounts to a 15 percent increase in the number of additional children beyond the first two. To put this estimate in perspective, we note that the effect size of other relevant interventions is in the same ballpark.

The experimental regression reported in panel B reverses the sign of the estimates in columns 1-2, but they are small and not precise. However, we note that the likelihood of having a fourth child conditional on having three children is 47 percent. So the effect size is not that small but not statistically significant.

Note the difference between the two outcomes we consider, the effect on the probability of an additional child and the effect on the number of children. While the existence of an additional child is the clean experimental outcome of the intervention, we interpret the effect on the number of children as a “policy” parameter or a general equilibrium effect. That is, the effect on family size reflects the size of the impact on the third child. Still, it also captures the follow-up behavioral responses of the families that experience a higher probability of having a third child. For example, a family with a gifted first child may re-optimize its trade-off between quantity and quality following the birth of a third child (induced by the gifted child). In other words, the effect on the number of children reflects the partial effect of the gifted child and the family’s endogenous response to that child’s effects.

The positive effect of a gifted child on fertility choices is consistent with the

model's results presented in section 2. In the model, the impact of a positive endowment shock is driven by price and income effects. The price effect is triggered by parents updating their expected common family component of child endowment. The findings we present suggest that this updating by parents indeed takes place. Even though we cannot decompose the positive effect on fertility by these two mechanisms, the fact parents respond to a gifted child by having more children indicates that they come to believe that additional children are cheaper than they initially expected.

***Effect by parental education:*** Table 4 presents the results from the same estimation models of columns 3-4 of Table 3, by two sub-samples defined by parental education. First, we divide the sample based on the median education in the population, which is 12 years of schooling. Then, using both parents' years of schooling, the first group consists of families where the father and the mother are above this median. The second group includes families whose parents' years of schooling are at or below the population's median. We leave out from the sample families whose parental education is missing or if one parent has years of schooling above the median and the other at or below the median.

As noted earlier, our prior is that the effect of child endowment on fertility decisions is more evident and more substantial among educated parents. First, educated parents might be more observant and aware of the signs of giftedness in their child. For example, a knowledgeable parent engages their child more with educational games and activities, such as reading books or solving puzzles, which provide more opportunities to notice exceptional talent. Second, educated parents may be specifically sensitive to their child's cognitive ability, such that they derive higher utility from a gifted child than parents with below-median education. Hence, their fertility will respond more strongly to signals of child giftedness.

The estimates in Table 4 confirm that the effect of child endowment on fertility is driven mainly by educated parents. The estimated impact on the likelihood of a third child in the first experiment is 0.0623 (t ratio of about 3) among educated parents and practically zero among the less educated. The effect size implied by this



estimate is larger than the average effect, mainly because the counterfactual average probability of such an event is much lower. Therefore this estimate implies a twice as large effect size compared to the average effect estimated based on the whole sample of two plus births when the first-born is gifted.

The estimates on the number of siblings show the same pattern, a significant positive effect in the educated sample and zero effect among the less educated. The estimate of 0.110 relatives to the mean number of siblings also implies an effect size larger than obtained from the full sample.

Again, adding parental education as a control in the regressions does not move the estimates in both samples. For example, the estimated effect on the number of siblings is 0.110 in column 1 and in column 2.

In panel B of Table 4, we present estimates derived from the second quasi-experiment. Beyond providing additional evidence about the effect of child endowment on family size decisions, these results are important because the number of gifted children who are second or third-born is not different in this experiment. Therefore, alleviating the concern about the birth order effect that shadowed to some extent the evidence derived from the first experiment.

While the second quasi-experiment full sample setup did not yield precise estimates, those we obtained from the higher parental education sample are consistent with child endowment's impact on future fertility. The effect of a second-born gifted child on the likelihood of a fourth child is positive and significant, 0.0566 ( $se=0.0283$ ). The implied effect size is similar to that derived from the first experiment. The effect on the number of siblings is 0.0634 (0.0333). The estimates from the low-education sample are not statistically different than those from the higher-education sample. Still, they are much less precise, likely because the sample size is much smaller.

***Effect by child gender:*** Next, we turn to present in Table 5 evidence when we stratify the sample by the experimental gifted child (the first-born in the first quasi-experiment). Again, we note the smaller number of female students enrolled in gifted children's programs. This disparity is not unique to the samples we use in this study as they are evident throughout the years among all participants in gifted

children's programs in Israel. The estimates in columns 1-2 are for the boys' sample, and columns 3-4 are for girls. Panel A is based on giftedness defined according to participation in gifted children's programs. The effect of a first child gifted is the same for boys and girls. In both samples, the treatment increases the likelihood of a third child by just over five percentage points. The effect size implied by this estimate is the same, given that the mean counterfactual is the same for boys and girls. The effect on the number of siblings is higher for girls, 0.114 versus 0.087 for boys. Both estimates are statistically significant, for boys at a 5 percent significance level and girls at 1 percent, but they are not statistically different. Adding parental schooling as a control in the regression does not move the estimates in both samples.

We conclude from these results that parents' reaction regarding future fertility to the birth of a gifted child is identical regardless of whether it is a boy or a girl. However, we used a perhaps weaker signal of ability to assess how robust this result is to the strength of the sign about the child's ability. Therefore, we used test scores in 5th and 8th grade in four subjects (English, math, Hebrew, and science) and selected the students in the top percentile of the test score distribution in each subject as having exceptional abilities. The sample included over 5,400 boys and over 6,300 girls. Note that the gender imbalance in the sample of gifted children is reversed, in line with considerable evidence about the superior academic performance of girls in primary and secondary education.

In panel B, we present evidence when the treatment of first versus second child gifted is based on exceptional talent determined by being at the top percentile of the Meitzav test scores in 5th or 8th grade. This sample is twice the size of the sample based on participation in gifted children's programs. Again, the effect of first-child exceptionally talented is positive and significant in the boys' sample and zero in the girls' sample. This pattern contrasts sharply with that seen in panel A, where we have seen no gender differences in the treatment effect. A possible explanation for this difference is that the alternative measure based on the Meitzav test score is a weaker signal of exceptional ability than being formally identified as a gifted child. The zero treatment effect of girls is consistent with the stereotypical view of extraordinary academic success: if it is a boy, it is associated with 'genius', and if

it is a girl, it is associated with ‘hard work’ and ‘effort’. Such prejudiced thinking is evident among parents (Zhao, Setoh, Storage, and Cimpian, 2022) and teachers (Storage, Horne, Cimpian, and Leslie, 2016). However, this bias, denoted in the literature by Gender-Brilliance Stereotype, ‘caves in’ when the signal is strong and unmistakable.

## 5.2 Negative Endowment Shock

Table 6 presents the main results regarding the effect of a low-endowment child on parents’ demand for children. Panel A shows results based on the first quasi-experiment when the first or the second child is challenged. Panel B shows the results based on the second quasi-experiment when the second or the third child is challenged. In columns 1-2, we present the regression estimates, including all families with at least two children in the control group, regardless of having a challenged child. As discussed above, this ‘non-experimental’ model yields potentially biased estimates since families with a challenged child differ from those without one, as seen in columns 1-2 of Table 2.

The estimates in column 1, panel A, are negative for both outcomes but are not measured precisely. However, adding parental controls changes, as expected, the estimates and their precision because the treated group includes a selective sample. We present similar evidence in panel B based on the second quasi-experiment. However, the experimental sample results in columns 3-4 differ. The treatment effects in panel A are still close to zero but are negative and statistically significant in panel B. The estimate on the likelihood of a fourth child is  $-0.0763$  ( $se=0.0314$ ). The effect on the number of siblings is  $-0.126$  ( $0.0736$ ). The effect size of this estimate is a reduction of 18 percent. Families that experience the birth of a challenged child at first birth do not reduce their willingness to have a third child even though the quantity-quality mechanism might be at play. The reason might be another mechanism not explicitly incorporated in the Becker QQ model: families whose first child is challenged might want to have a “regular endowment” child, which motivates an increase in the likelihood of a third child, which offsets in this context the QQ negative effect. On the

other hand, families that experienced the birth of a challenged child at second birth will likely not have this motive of ‘replacement’ because they already have a regular endowment child, their first-born child. Therefore, the second quasi-experiment of a challenged child captures more cleanly the quantity-quality trade-off when a family encounters a negative endowment shock.

The negative effect of a challenged child on demand for children is substantial. The estimated effect of -0.0763, which does not change much when parental education is added as a control in the regression, implies an 18 percent effect size, given a 0.43 counterfactual. Likewise, the estimated effect of -0.126, also not changing when parental education is added as a control, implies an 18 percent effect size, given a 0.7 counterfactual.

## **6 Giftedness, Birth Order, and Investment in Human Capital**

The evidence we presented from the first quasi-experiment about the effect of a first-born gifted child is shadowed by the drop in the number of children in gifted children programs from birth order two. However, we have shown evidence from the second quasi-experiment that alleviated this concern because there is no such drop beyond birth order two. Yet, the evidence from both quasi-experiments is much the same. In this section, we add evidence that further supports the results from the first quasi-experiment as unbiased. To this end, we use the identification of exceptionally talented children based on the 5th and 8th national Meitzav test scores. We single out high-ability students in the top percentile in the test score distribution of at least one subject. Furthermore, we merge this data with information from a student survey that provides information on parental children’s human capital investments. We show that parents do not treat a highly talented first-born child more favorably regarding human capital investment than a highly talented second-born child.

In Table 7, we present estimates from regression where the dependent variable is a dummy variable indicator of whether a child has a private tutor in a subject. We

run separate regressions for each subject: English, Hebrew, math, and science. Two main patterns emerge from the table. First, if any, a first-born talented child receives less and not more private tutoring than a second-born talented child. Second, the negative effect on the first child is much smaller in a sample of families where we observe multiple children. This allows a within-estimation model with a family-fixed effect. For example, 17.7 percent of the children receive private tutoring in math, while among top percentile first-borns, only 8 percent. In the within-family sample, these two rates are 12 and 7 percent, the latter significantly different from the first. In English, 27.5 percent of the children receive private tutoring, while among top percentile first-borns, 18.5 percent. In the within-family sample, these two rates are 24.4 and 18.8 percent, the latter being significantly different from the first.

In Table 8, we examine the following children's human capital investment. Hours spent doing homework per week (sample mean 9.2 hours). Whether having a computer at home (sample mean - 98.8 percent). Whether having internet at home (sample mean - 86.5 percent) and the number of school subjects with a private tutor (sample mean - 0.357 subjects). The sample includes all children first or second-born in the top percentile of the test score distribution in one of the four subjects. The purpose of this table is to show that first and second-born children are not exposed to differential human capital investments. The differences between top-percentile first-borns and second-borns are practically zero and not statistically significant in all four outcomes.

Table 9 examines whether families of second-born gifted children invest more in their children than families with a first-born gifted child. Namely, the purpose is to investigate if the first type of families is more pro-child quality than the second type. Therefore, we include all children of these families, those in the top percentile and others, in the sample we use in the regressions presented in Table 9. The estimates in the table do not show any gap in human capital investment in favor of families whose second-born is gifted. On the contrary, the only statistically significant estimate (homework hours) is positive, and the other three are practically zero.

Tables A2 and A3 show additional important evidence that first- and second-

born gifted children are indistinguishable regarding their prime and middle school achievements. Furthermore, the effect of parental education on the outcomes of the groups is not different. This evidence starkly contrasts the non-gifted children population, revealing a sharp decline in test scores from the first to the second child. In addition, this effect declines with parental education. These results further alleviate the concern that birth order effects drive the effect of a first-born gifted child on demand for children.

## 7 Conclusion

This paper studies the effect of child intellectual endowment on parents' fertility choices. To isolate endowment, we focus on intellectually gifted and intellectually disabled children with an endowment level independent of parental investment. Using quasi-experiments that use the timing of the birth of such children within the family life cycle, we show that parents respond to a positive quality shock by choosing higher fertility and a negative quality shock by choosing less fertility. The large magnitude of the effects we find, between 10 and 22 percent, suggests the effect of endowment on family size is important to understanding fertility choice.

In addition, the heterogeneity analysis we present indicates that it is not (necessarily) a child's endowment that affects fertility but rather the realization of the child's endowment by the parents that causes this effect. Hence, when the endowment signal of a child is noisy, different biases that can distort the interpretation of the signal become relevant. As such, high-ability girls barely affect parents' fertility choice because girls' ability is typically treated as a result of investment and not as reflective of an endowment. Similarly, the population of educated parents drives the effect of gifted children on fertility, likely because they can recognize their child's giftedness.

Using roughly the same data set as we do in this paper, Angrist et al. (2010) have estimated the effect of an exogenous increase in quantity on child quality. Their results show no trade-off between quantity and quality occurs following such a quantity

shock. However, the results shown in the current study, according to which a quality shock indeed triggers a QQ-induced effect, suggest that different types of shocks may have different effects in reality despite coming from the same model. This difference calls for more research on how quantity shocks and quality shocks compare to each other.

## References

Aizer, Anna, and Flávio Cunha. 2012. “The Production of Human Capital: Endowments, Investments and Fertility.” w18429. Cambridge, MA: National Bureau of Economic Research.

Angrist, Joshua, Victor Lavy, and Analia Schlosser. 2010. “Multiple Experiments for the Causal Link between the Quantity and Quality of Children.” *Journal of Labor Economics* 28 (4): 773–824.

Barro, R., and Becker, G. (1989). Fertility choice in a model of economic growth. *Econometrica*, 57 (2), 481—501.

Becker, G., Lewis, H. G. (1973). On the interaction between the quantity and quality of children. *Journal of Political Economy*, 81 (2), S279—S288.

Becker, G., Murphy, K., and Tamura, R. (1990). Human capital, fertility, and economic growth. *Journal of Political Economy*, 98 (5), S12—S37.

Becker, Gary S. 1960. “An Economic Analysis of Fertility.” In *Demographic and Economic Change in Developed Countries*. Princeton University Press.

Becker, Gary S., and Nigel Tomes. 1976. “Child Endowments and the Quantity and Quality of Children.” *Journal of Political Economy* 84 (4, Part 2): S143–62.

Becker, Gary Stanley. 1998. *A Treatise on the Family*. Enl. ed., 1. paperback ed., 4. print. Cambridge, Mass.: Harvard Univ. Press.

Becker, S., Cinnirella, F., and Woessmann, L. (2010). The trade-off between fertility and education: Evidence from before the demographic transition. *Journal of Economic Growth*, 15 (3), 177—204.

Black, S. E., Devereux, P. J. and Salvanes, K. G. (2008), Staying in the Classroom and out of the maternity ward? The effect of compulsory schooling laws on teenage births. *The Economic Journal*, 118: 1025–1054.

Black, S. E., P. J. Devereux, and K. G. Salvanes. 2005. “The More the Merrier? The Effect of Family Size and Birth Order on Children’s Education.” *The Quarterly Journal of Economics* 120 (2): 669–700.

Bleakley, H., and Lange, F. (2009). Chronic disease burden and the interaction of



education, fertility, and growth. *Review of Economics and Statistics*, 91 (1), 52—65.

Clark, Barbara. 2002. *Growing up Gifted: Developing the Potential of Children at Home and at School*. 6th ed. Upper Saddle River, N.J: Merrill/Prentice Hall.

Cohen, Alma, Rajeev Dehejia and Dmitri Romanov (2009). “Chronic disease burden and the interaction of education, fertility, and growth”. *Review of Economics and Statistics*, 95 (1), 1—20.

Davis, G. A., and Rimm, S. B. (2004). *Education of the Gifted and Talented*. Boston, MA: Pearson Education Press.

Delventhal, Matthew, Jesús Fernández-Villaverde, and Nezih Guner. 2021. “Demographic Transitions Across Time and Space.” w29480. Cambridge, MA: National Bureau of Economic Research.

Dembinski, R. J., and Mauser, A. J. (1978). Parents of the gifted: Perceptions of psychologists and teachers. *Journal for the Education of the Gifted*, 1, 5-14.

Doepke, M. (2004). Accounting for fertility decline during the transition to growth. *Journal of Economic Growth*, 9 (3), 347—383.

Doepke, Matthias, Anne Hannusch, Fabian Kindermann, and Michèle Tertilt. 2022. “The Economics of Fertility: A New Era.” w29948. Cambridge, MA: National Bureau of Economic Research.

Galor, O. (2012). The demographic transition: Causes and consequences. *Cliometrica*, 6(1), 1—28.

Galor, O., and Weil, D. (1996). The gender gap, fertility, and growth. *American Economic Review*, 86 (3), 374—387.

Galor, O., and Weil, D. (2000). Population, technology, and growth: From Malthusian stagnation to the demographic transition and beyond. *American Economic Review*, 90 (4), 806—828.

Grätz, Michael, and Florencia Torche. 2016. “Compensation or Reinforcement? The Stratification of Parental Responses to Children’s Early Ability.” *Demography* 53 (6): 1883–1904.

Jones, Charles I. 2022. “The End of Economic Growth? Unintended Consequences of a Declining Population.” *American Economic Review* 112 (11): 3489–3527.

Juhn, Chinhui, Yona Rubinstein, and C. Andrew Zuppann. 2015. “The Quantity-Quality Trade-off and the Formation of Cognitive and Non-cognitive Skills” w21824. Cambridge, MA: National Bureau of Economic Research.

Juhn, Chinhui, Yona Rubinstein, and C. Andrew Zuppann. 2020. “Early Childhood Investments and the Quantity-Quality Trade-off”. Working Paper.

Liu, Haoming. 2015. “The Quantity-Quality Fertility-Education Trade-Off.” IZA World of Labor, vol. 143.

Manning, Sandra. 2006. “Recognizing Gifted Students: A Practical Guide for Teachers.” Kappa Delta Pi Record 42 (2): 64–68.

Manski, Charles F., and Joram Mayshar. 2003. “Private Incentives and Social Interactions: Fertility Puzzles in Israel.” Journal of the European Economic Association 1 (1): 181–211.

McCrary, Justin, and Heather Royer. 2011. The Effect of Female Education on Fertility and Infant Health: Evidence from School Entry Policies Using Exact Date of Birth. American Economic Review, 101(1): 158–95.

Moav, Omer. 2005. “Cheap Children and the Persistence of Poverty.” The Economic Journal 115 (500): 88–110.

Mogstad, Magne, and Matthew Wiswall. 2016. “Testing the Quantity-Quality Model of Fertility: Estimation Using Unrestricted Family Size Models: Testing the Quality-Quantity Model of Fertility.” Quantitative Economics 7 (1): 157–92.

Monks, Franz J., and Michael W. Katzko. 2005. “Giftedness and Gifted Education.” In Conceptions of Giftedness. Princeton University Press.

Qian, N. (2009). Quantity-quality and the one-child policy: The positive effect of family size on school enrollment in China. Working paper, National Bureau of Economic Research.

Renzulli, Joseph S. 2002. “Emerging Conceptions of Giftedness: Building a Bridge to the New Century.” Exceptionality 10 (2): 67–75.

Rogers, M. T., and Silverman, L. K. (1988). Recognizing giftedness in young children. Understanding Our Gifted, 1(2), 5, 16-17, 20.

Rosenzweig, Mark R, and Kenneth I Wolpin. 1980. “Testing the Quantity-

Quality Fertility Model: The Use of Twins as a Natural Experiment.” *Econometrica* 48 (1): 227–40.

Rosenzweig, Mark, and Junsen Zhang. 2009. “Do Population Control Policies Induce More Human Capital Investment? Twins, Birth Weight, and China’s ‘One Child’ Policy.” *The Review of Economic Studies* 76 (3): 1149–1174.

Savelyev, Peter A., Benjamin C. Ward, Robert F. Krueger, and Matt McGue. 2022. “Health Endowments, Schooling Allocation in the Family, and Longevity: Evidence from US Twins.” *Journal of Health Economics* 81 (January): 102554.

Schalock, Robert L., Ruth Luckasson, and Marc J. Tassé. 2021. *Intellectual Disability: Definition, Diagnosis, Classification, and Systems of Supports*. 12th edition. Silver Spring, MD: aaid.

Schultz, T. P. (1985). Changing world prices, women’s wages, and the fertility transition: Sweden, 1860-1910. *Journal of Political Economy*, 93 (6), 1126—1154.

Silverman, L. K. (1981). Early indications of superior ability as reported by 40 parents. Unpublished raw data. Denver, CO: Gifted Child Development Center.

Strauss, John, and Duncan Thomas, “Human Resources: Empirical Modeling of Household and Family Decisions,” in J. Behrman and T.N. Srinivasan, eds., *The Handbook of Development Economics*, Vol. 3A, Amsterdam: Elsevier, 1995.

Table 1: Descriptive Statistics and Balancing Tests for Families with a Gifted Child

	Families without a gifted child	Families with a gifted child	Difference	Families with 2+ children and a firstborn gifted child	Families with 2+ children and a secondborn gifted child	Difference	Families with 3+ children and a secondborn gifted child	Families with 3+ children and a thirdborn gifted child	Difference
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
<b>Panel A: Family Background</b>									
Father Education Years	12.461 (4.162)	14.808 (4.356)	-2.347***	15.075 (4.134)	15.097 (4.119)	-0.0216	15.015 (4.144)	15.129 (3.800)	-0.114
Mother Education Years	12.375 (3.736)	14.750 (4.192)	-2.376***	15.024 (4.016)	14.898 (3.944)	0.126	14.673 (4.005)	15.083 (3.664)	-0.410*
Ethnic Origin: Asia	0.327 (0.469)	0.280 (0.449)	0.0472***	0.281 (0.450)	0.283 (0.451)	-0.00155	0.193 (0.395)	0.191 (0.393)	0.00198
Ethnic Origin: Africa	0.207 (0.405)	0.091 (0.287)	0.117***	0.093 (0.290)	0.083 (0.276)	0.00974	0.122 (0.328)	0.106 (0.308)	0.0163
Ethnic Origin: Europe	0.133 (0.339)	0.219 (0.414)	-0.0862***	0.224 (0.417)	0.234 (0.424)	-0.0104	0.243 (0.429)	0.209 (0.407)	0.0340
Ethnic Origin: America	0.048 (0.213)	0.067 (0.249)	-0.0191***	0.065 (0.246)	0.076 (0.266)	-0.0117	0.076 (0.265)	0.062 (0.241)	0.0143
Ethnic Origin: Israel and Other	0.028 (0.451)	0.343 (0.475)	-0.0587***	0.337 (0.473)	0.323 (0.468)	0.0139	0.366 (0.480)	0.432 (0.496)	-0.0666***
<b>Panel B: Family-level Outcomes</b>									
Mother age at birth of first child	24.382 (4.323)	26.723 (4.306)	-2.341***	26.862 (3.882)	26.073 (3.713)	0.789***	25.697 (3.232)	25.034 (3.207)	0.663***
Years between birth of first child and conception of second child	2.766 (2.673)	3.013 (2.619)	-0.247***	2.957 (2.537)	3.605 (2.970)	-0.648***	2.573 (1.834)	2.405 (2.122)	0.168
Years between birth of first child and conception of third child	6.834 (3.633)	7.457 (3.296)	-0.623***	7.243 (3.332)	7.586 (3.062)	-0.343**	7.586 (3.062)	8.313 (3.364)	-0.727***
Number of children	3.236 (1.816)	2.708 (0.940)	0.528***	2.745 (0.797)	2.652 (0.751)	0.0930***	3.268 (0.561)	3.234 (0.568)	0.0342
Family has at least two children	0.902 (0.298)	0.922 (0.268)	-0.0206***	1	1	0	1	1	0
Family has at least three children	0.645 (0.479)	0.581 (0.493)	0.0632***	0.566 (0.496)	0.515 (0.500)	0.0512***	1	1	0
Family has at least four children	0.301 (0.459)	0.165 (0.371)	0.137***	0.148 (0.355)	0.115 (0.319)	0.0332***	0.223 (0.417)	0.196 (0.398)	0.0267
Family has at least five children	0.141 (0.348)	0.028 (0.166)	0.112***	0.024 (0.152)	0.017 (0.129)	0.00679	0.033 (0.178)	0.025 (0.155)	0.00808
Observations	671,569	5,491		2,662	1,481		762	728	

*Notes:* This table presents means and standard deviations of the variables listed on the left. Except for columns 3, 6, and 9, each column is a different sample, as specified at the top of each column. The unit of observation is a family, defined as a unique combination of two parents. Gifted children are defined by being in a class for gifted children in elementary and high school. Ethnic origin is based on parents' place of birth. If parents were born in Israel, it is based on grandparents' place of birth. Columns 3, 6, and 9 present coefficients from a regression estimated using samples 1-2, 4-5, and 7-8, respectively. The dependent variable in the regression is the variable on the left of the table, and the independent variable is whether the family belongs to sample 1, 4, and 7, respectively. Standard errors in parentheses. \*  $p < 0.1$  \*\*  $p < 0.05$  \*\*\*  $p < 0.01$ .

Table 2: Descriptive Statistics and Balancing Tests for Families with a Challenged Child

	Families without a challenged child	Families with a challenged child	Difference	Families with 2+ children and a firstborn challenged child	Families with 2+ children and a secondborn challenged child	Difference	Families with 3+ children and a secondborn challenged child	Families with 3+ children and a thirdborn challenged child	Difference
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
<b>Panel A: Family Background</b>									
Father Education Years	12.483 (4.173)	11.962 (3.015)	0.523***	12.132 (2.338)	12.202 (2.506)	-0.0699	11.936 (2.417)	11.766 (2.257)	0.169
Mother Education Years	12.396 (3.750)	12.073 (2.667)	0.318***	12.345 (2.287)	12.313 (2.283)	0.0330	12.144 (2.252)	12.231 (2.294)	-0.0866
Ethnic Origin: Asia	0.327 (0.469)	0.279 (0.449)	0.0482***	0.308 (0.462)	0.285 (0.452)	0.0222	0.271 (0.445)	0.264 (0.441)	0.00734
Ethnic Origin: Africa	0.206 (0.404)	0.295 (0.456)	-0.0893***	0.291 (0.454)	0.275 (0.447)	0.0151	0.299 (0.458)	0.292 (0.455)	0.00790
Ethnic Origin: Europe	0.134 (0.340)	0.121 (0.326)	0.0127**	0.128 (0.335)	0.140 (0.347)	-0.0119	0.137 (0.345)	0.119 (0.324)	0.0186
Ethnic Origin: America	0.048 (0.213)	0.070 (0.256)	-0.0226***	0.056 (0.231)	0.079 (0.271)	-0.0231*	0.068 (0.252)	0.065 (0.247)	0.00265
Ethnic Origin: Israel and Other	0.285 (0.452)	0.234 (0.424)	0.0511***	0.217 (0.413)	0.220 (0.414)	-0.00233	0.224 (0.417)	0.261 (0.439)	-0.0365
<b>Panel B: Family-level Outcomes</b>									
Mother age at birth of first child	24.402 (4.327)	24.525 (4.587)	-0.124	25.361 (4.449)	24.693 (4.259)	0.668***	24.008 (3.730)	23.718 (3.673)	0.290
Years between birth of first child and conception of second child	2.770 (2.674)	2.335 (2.238)	0.435***	1.885 (2.679)	2.047 (2.297)	-0.162	1.681 (2.011)	1.311 (1.736)	0.370***
Years between birth of first child and conception of third child	6.840 (3.632)	6.449 (3.453)	0.391***	6.029 (3.763)	6.421 (3.557)	-0.392*	6.421 (3.557)	6.195 (3.243)	0.225
Number of children	3.231 (1.812)	3.527 (1.687)	-0.296***	3.137 (1.313)	3.036 (1.134)	0.101	3.573 (1.053)	3.712 (1.165)	-0.139**
Family has at least two children	0.902 (0.298)	0.946 (0.226)	-0.0443***	1	1	0	1	1	0
Family has at least three children	0.644 (0.479)	0.754 (0.431)	-0.110***	0.651 (0.477)	0.659 (0.474)	-0.00829	1	1	0
Family has at least four children	0.300 (0.458)	0.410 (0.492)	-0.110***	0.279 (0.449)	0.238 (0.426)	0.0406*	0.362 (0.481)	0.430 (0.495)	-0.0684**
Family has at least five children	0.140 (0.347)	0.183 (0.387)	-0.0436***	0.099 (0.299)	0.071 (0.257)	0.0288**	0.107 (0.310)	0.140 (0.347)	-0.0327*
Observations	674,240	2,820		764	806		531	614	

*Notes:* This table presents means and standard deviations of the variables listed on the left. Except for columns 3, 6, and 9, each column is a different sample, as specified at the top of each column. The unit of observation is a family, defined as a unique combination of two parents. Challenged children are defined by being in a class for intellectually disabled children, or in a class for children with severe learning disorders, in elementary and high school. Ethnic origin is based on parents' place of birth. If parents were born in Israel, it is based on grandparents' place of birth. Columns 3, 6, and 9 present coefficients from a regression estimated using samples 1-2, 4-5, and 7-8, respectively. The dependent variable in the regression is the variable on the left of the table, and the independent variable is whether the family belongs to sample 1, 4, and 7, respectively. Standard errors in parentheses. \*  $p < 0.1$  \*\*  $p < 0.05$  \*\*\*  $p < 0.01$ .

Table 3: Effect of a Positive Endowment Shock on Fertility Choices

	<b>Non-Experimental</b>		<b>Experimental</b>	
	(1)	(2)	(3)	(4)
<b>Panel A: First-Born Gifted Child</b>				
Probability of third child	-0.134*** (0.00865)	-0.0996*** (0.00921)	0.0512*** (0.0162)	0.0529*** (0.0171)
Number of siblings	-0.698*** (0.0146)	-0.514*** (0.0171)	0.0930*** (0.0249)	0.0983*** (0.0261)
Observations	610,673	541,778	4,143	3,722
<b>Panel B: Second-Born Gifted Child</b>				
Probability of fourth child	-0.230*** (0.0125)	-0.154*** (0.0136)	0.0267 (0.0211)	0.0193 (0.0226)
Number of siblings	-0.782*** (0.0189)	-0.595*** (0.0238)	0.0342 (0.0292)	0.0158 (0.0310)
Observations	382,981	337,794	1,490	1,325
Parents education years		Yes		Yes

*Notes:* Presented above are coefficients from regressions in which the dependent variable is listed on the left, and the independent variable is specified in the title of each panel. The unit of observation is a family. In columns 1-2, the sample is the entire population of families with two children or more. In columns 3-4, the sample is the population of families with two children or more, who one of them is gifted. Controls are indicated at the bottom of the table. Robust standard errors in parentheses. \*  $p < 0.1$  \*\*  $p < 0.05$  \*\*\*  $p < 0.01$ .

Table 4: Effect of a Positive Endowment Shock on Fertility Choices, by Parents' Education

	<b>Parents' Education &gt; 12</b>		<b>Parents' Education ≤ 12</b>	
	(1)	(2)	(3)	(4)
<b>Panel A: First-Born Gifted Child</b>				
Probability of third child	0.0618*** (0.0217)	0.0623*** (0.0217)	0.01000 (0.0403)	0.0104 (0.0405)
Number of siblings	0.110*** (0.0325)	0.110*** (0.0326)	-0.00700 (0.0689)	-0.00404 (0.0694)
Observations	2,358	2,358	637	637
<b>Panel B: Second-Born Gifted Child</b>				
Probability of fourth child	0.0567** (0.0282)	0.0566** (0.0283)	0.0488 (0.0544)	0.0481 (0.0543)
Number of siblings	0.0636* (0.0333)	0.0634* (0.0333)	0.0629 (0.0838)	0.0572 (0.0859)
Observations	798	798	267	267
Parents' education years		Yes		Yes

*Notes:* presented above are coefficients from regressions in which the dependent variable is listed on the left, and the independent variable is specified in the title of each panel. The unit of observation is a family. The original sample for this table is the population of families with two children or more, who one of them is gifted. Columns 1-2 include only families in which both parents' education years exceed 12. Columns 3-4 include families in which both parents' education years is below, or equal to, 12. Controls are indicated at the bottom of the table. Robust standard errors in parentheses. \*  $p < 0.1$  \*\*  $p < 0.05$  \*\*\*  $p < 0.01$

Table 5: Effect of a Positive Endowment Shock on Fertility Choices, by Gender and Measures of High Endowment

	Boys		Girls		Full Sample	
	(1)	(2)	(3)	(4)	(5)	(6)
<b>Panel A: Gifted Children</b>						
Probability of third child	0.0573*** (0.0206)	0.0526** (0.0218)	0.0415 (0.0260)	0.0507* (0.0274)	0.0512*** (0.0162)	0.0529*** (0.0171)
Number of siblings	0.0948*** (0.0320)	0.0870** (0.0339)	0.0903** (0.0396)	0.114*** (0.0411)	0.0930*** (0.0249)	0.0983*** (0.0261)
Observations	2,543	2,280	1,600	1,442	4,143	3,722
<b>Panel B: Top Percentile of Meitzav Scores</b>						
Probability of fourth child	0.0470*** (0.0133)	0.0478*** (0.0134)	0.00211 (0.0125)	0.000853 (0.0125)	0.0228** (0.00911)	0.0227** (0.00916)
Number of siblings	0.0578*** (0.0203)	0.0575*** (0.0202)	0.00306 (0.0194)	0.00188 (0.0193)	0.0283** (0.0140)	0.0279** (0.0140)
Observations	5,560	5,429	6,450	6,330	12,010	11,759
Parents' education years		Yes		Yes		Yes

*Notes:* presented above are coefficients from regressions in which the dependent variable is listed on the left, and the independent variable is specified in the title of each panel. The unit of observation is a family. Each Panel uses a different measure of high endowment. The sample in Panel A is the population of families with two children or more, who one of them is gifted. The sample in Panel B is the population of families with two children or more, where one of them has scored in the top percentile in Israel's national tests. Columns 1-2 include only families in which the high-endowment child is a boy. Columns 3-4 include families in which the high-endowment child is a girl. Columns 5-6 include both boys and girls. Controls are indicated at the bottom of the table. Robust standard errors in parentheses. \*  $p < 0.1$  \*\*  $p < 0.05$  \*\*\*  $p < 0.01$ .



Table 6: Effect of a Negative Endowment Shock on Fertility Choices

	<b>Non-Experimental</b>		<b>Experimental</b>	
	(1)	(2)	(3)	(4)
<b>Panel A: First-Born Challenged Child</b>				
Probability of third child	-0.00622 (0.0141)	0.0368** (0.0151)	-0.00829 (0.0240)	-0.00719 (0.0258)
Number of siblings	-0.0716 (0.0459)	-0.0574 (0.0526)	0.101 (0.0621)	0.101 (0.0701)
Observations	610,675	541,796	1,570	1,301
<b>Panel B: Second-Born Challenged Child</b>				
Probability of fourth child	-0.0187 (0.0181)	-0.0197 (0.0197)	-0.0684** (0.0289)	-0.0763** (0.0314)
Number of siblings	-0.271*** (0.0460)	-0.299*** (0.0543)	-0.139** (0.0656)	-0.126* (0.0736)
Observations	382,981	337,797	1,145	968
Parents education years		Yes		Yes

*Notes:* presented above are coefficients from regressions in which the dependent variable is listed on the left, and the independent variable is specified in the title of each panel. The unit of observation is a family. In columns 1-2, the sample is the entire population of families with two children or more. In columns 3-4, the sample is the population of families with two children or more, who one of them is challenged. Controls are indicated at the bottom of the table. Robust standard errors in parentheses. \*  $p < 0.1$  \*\*  $p < 0.05$  \*\*\*  $p < 0.01$ .

**Table 7: High Endowment and Parental Investment**

Outcome Variable:	Private tutor in Mathematics			Private tutor in Science			Private tutor in English			Private tutor in Hebrew		
	Entire Sample	Families with variation in independent variable		Entire Sample	Families with variation in independent variable		Entire Sample	Families with variation in independent variable		Entire Sample	Families with variation in independent variable	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Child in top percentile of any test subject	-0.0968*** (0.00294)	-0.0479*** (0.00683)	-0.0459*** (0.00615)	-0.0268*** (0.00160)	-0.0126*** (0.00330)	-0.0134*** (0.00307)	-0.0900*** (0.00347)	-0.0561*** (0.00946)	-0.0558*** (0.00724)	-0.0484*** (0.00197)	-0.0271*** (0.00424)	-0.0276*** (0.00390)
Mean in comparison group	0.177 (0.382)	0.119 (0.324)	0.119 (0.324)	0.045 (0.208)	0.027 (0.161)	0.027 (0.161)	0.275 (0.446)	0.244 (0.429)	0.244 (0.429)	0.070 (0.255)	0.048 (0.213)	0.048 (0.213)
Observations	237,048	7,966	7,990	235,164	7,888	7,912	236,932	7,966	7,989	235,383	7,898	7,922
Number of Families	203,200	3,818	3,818	201,776	3,781	3,781	203,117	3,816	3,816	201,918	3,788	3,788
Father education years	Yes	Yes		Yes	Yes		Yes	Yes		Yes	Yes	
Mother education years	Yes	Yes		Yes	Yes		Yes	Yes		Yes	Yes	
Father country of birth	Yes	Yes		Yes	Yes		Yes	Yes		Yes	Yes	
Mother country of birth	Yes	Yes		Yes	Yes		Yes	Yes		Yes	Yes	
Child birth year	Yes	Yes		Yes	Yes		Yes	Yes		Yes	Yes	
City	Yes	Yes		Yes	Yes		Yes	Yes		Yes	Yes	
Family			Yes			Yes			Yes			Yes

Notes: each column is a separate regression, where the independent variable is specified on the left of the table. The dependent variable is specified at the top of the column, e.g., for columns 1-3 the dependent variable is whether the student has a private tutor in mathematics. The sample used for the regression is specified below the dependent variable. Controls are indicated at the bottom of the table. Robust standard errors in parentheses. \*\*\* p<0.01, \*\* p<0.05, \* p<0.1.

**Table 8: Comparing Parental Investment between First- and Second-born High Ability Children**

Outcome Variable:	Hours Spent Doing Homework per Week			Has Computer at Home			Has Computer with Internet at Home			Number of School Subjects with Private Tutor		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
First-born Meitzav Top Percentile Child	-0.238 (0.249)	-0.235 (0.249)	-0.150 (0.248)	-0.00474 (0.00580)	-0.00493 (0.00576)	-0.00618 (0.00587)	-0.0257 (0.0176)	-0.0259 (0.0176)	-0.0309* (0.0175)	0.0237 (0.0359)	0.0240 (0.0360)	0.0344 (0.0356)
Mean of dependent variable		9.199			0.988			0.865			0.357	
Parents' education years		Yes	Yes		Yes	Yes		Yes	Yes		Yes	Yes
Parents' country of birth			Yes			Yes			Yes			Yes
Observations	1,634	1,634	1,634	1,631	1,631	1,631	1,631	1,631	1,631	1,628	1,628	1,628

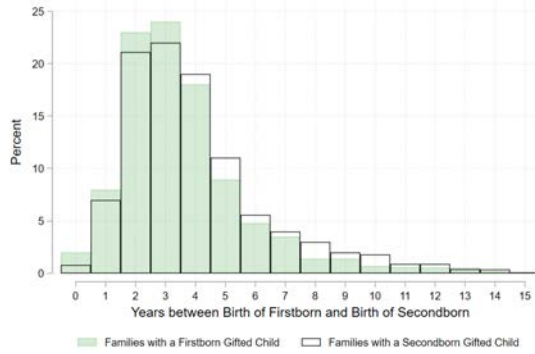
Notes: Each column is a separate regression. The sample in all columns contains first- or second-born children whose Meitzav scores are in the top percentile of the respective cohort, and whose families have at least two children. Controls, when used, are specified at the bottom of the table. Robust standard errors are in parentheses. \*\*\*  $p < 0.01$ , \*\*  $p < 0.05$ , \*  $p < 0.1$ .

**Table 9: Comparing Parental Investment between Families with First-born and Second-born Meitzav Top Percentile Children**

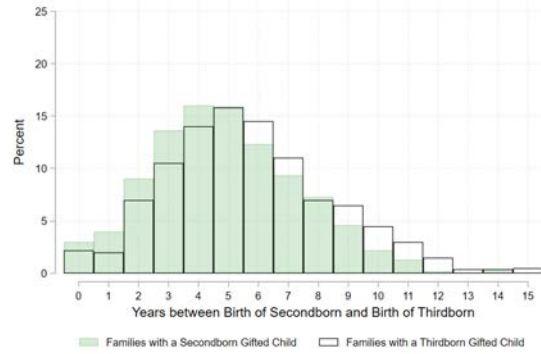
Outcome Variable:	Hours Spent Doing Homework per Week			Has Computer at Home			Has Computer with Internet at Home			Number of School Subjects with Private Tutor		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Family with First-born Meitzav Top Percentile Child	0.466** (0.199)	0.461** (0.199)	0.474** (0.198)	0.000957 (0.00512)	0.000840 (0.00511)	0.000641 (0.00511)	-0.0123 (0.0142)	-0.0120 (0.0142)	-0.0121 (0.0141)	0.00300 (0.0306)	0.00257 (0.0307)	0.00332 (0.0306)
Mean of dependent variable		8.805			0.982			0.854			0.415	
Parents' education years		Yes	Yes		Yes	Yes		Yes	Yes		Yes	Yes
Parents' country of birth			Yes			Yes			Yes			Yes
Observations	2,572	2,572	2,572	2,569	2,569	2,569	2,569	2,569	2,569	2,562	2,562	2,562

Notes: Each column is a separate regression. The sample in all columns contains children from families with at least two children, and a first- or second-born child whose Meitzav scores are in the top percentile of the respective cohort. Controls, when used, are specified at the bottom of the table. Robust standard errors are in parentheses. \*\*\* p<0.01, \*\* p<0.05, \* p<0.1.

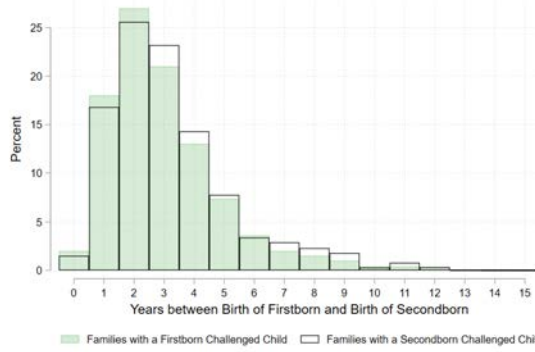
# Appendix



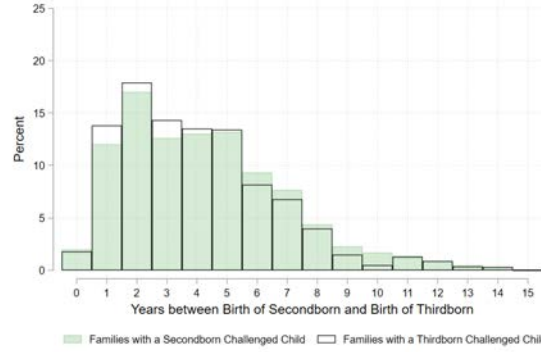
(a) Families with 2+ Children



(b) Families with 3+ Children



(c) Families with 2+ Children



(d) Families with 3+ Children

**Figure A1:** Distribution of Space between Children in Quasi-Experimental Samples

*Notes:* Each plot presents the distribution of the space in years between the birth of two adjacent children within a family. Panel (a) does so for the space between first- and second-born children in families with at least two children, and either a first- or second-born gifted child; (b) for the of space between the second- and third-born children in families with at least three children, and either a second- or third-born gifted child; (c) does so for the space between first- and second-born children in families with at least two children, and either a first- or second-born challenged child; and (d) for the of space between the second- and third-born children in families with at least three children, and either a second- or third-born challenged child.

**Table A1: Child Ability and Parental Investment - Additional Definitions of Child Ability**

	Private tutor in Mathematics			Private tutor in Science			Private tutor in English			Private tutor in Hebrew		
	Entire Sample	Families with variation in independent variable		Entire Sample	Families with variation in independent variable		Entire Sample	Families with variation in independent variable		Entire Sample	Families with variation in independent variable	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Child in top percentile of the test subject taught by the tutor	-0.127*** (0.00737)	-0.0481*** (0.0139)	-0.0424*** (0.0126)	-0.0257*** (0.00308)	-0.00945 (0.00654)	-0.012** (0.00541)	-0.0933*** (0.00435)	-0.0537*** (0.0121)	-0.0557*** (0.00882)	-0.0614*** (0.00530)	-0.0418*** (0.00834)	-0.0422*** (0.00816)
Mean in comparison group	0.171 (0.377)	0.090 (0.286)	0.090 (0.286)	0.044 (0.205)	0.024 (0.153)	0.024 (0.153)	0.273 (0.445)	0.233 (0.423)	0.233 (0.423)	0.067 (0.250)	0.042 (0.202)	0.042 (0.202)
Observations	237,048	1,408	1,419	235,164	2,314	2,329	236,932	4,913	4,931	235,383	1,304	1,314
Number of Families	203,200	673	673	201,776	1,120	1,120	203,117	2,355	2,355	201,918	628	628
Child in top percentile of a test subject other than the subject taught by the tutor	-0.0926*** (0.00309)	-0.0425*** (0.00726)	-0.0424*** (0.00649)	-0.0270*** (0.00174)	-0.0127*** (0.00346)	-0.0133*** (0.00325)	-0.0882*** (0.00485)	-0.0544*** (0.0129)	-0.0539*** (0.00984)	-0.0465*** (0.00205)	-0.0239*** (0.00447)	-0.0239*** (0.00405)
Mean in comparison group	0.176 (0.381)	0.119 (0.323)	0.119 (0.323)	0.045 (0.208)	0.025 (0.157)	0.025 (0.157)	0.272 (0.445)	0.244 (0.430)	0.244 (0.430)	0.070 (0.255)	0.046 (0.210)	0.046 (0.210)
Observations	237,048	7,216	7,237	235,164	6,612	6,638	236,932	4,441	4,457	235,383	7,236	7,260
Number of Families	203,200	3,464	3,464	201,776	3,168	3,168	203,117	2,129	2,129	201,918	3,471	3,471
Father education years	Yes	Yes		Yes	Yes		Yes	Yes		Yes	Yes	
Mother education years	Yes	Yes		Yes	Yes		Yes	Yes		Yes	Yes	
Father country of birth	Yes	Yes		Yes	Yes		Yes	Yes		Yes	Yes	
Mother country of birth	Yes	Yes		Yes	Yes		Yes	Yes		Yes	Yes	
Child birth year	Yes	Yes		Yes	Yes		Yes	Yes		Yes	Yes	
City	Yes	Yes		Yes	Yes		Yes	Yes		Yes	Yes	
Family			Yes			Yes			Yes			Yes

Notes: each column is a separate regression, where the independent variable is specified on the left of the table. The dependent variable is specified at the top of the column, e.g., for columns 1-3 the dependent variable is whether the student has a private tutor in mathematics. The sample used for the regression is specified below the dependent variable. Controls are indicated at the bottom of the table. Robust standard errors in parentheses. \*\*\* p<0.01, \*\* p<0.05, \* p<0.1.

**Table A2: Relationship between Parental Education and Child Success, First-born vs. Second-born Gifted Children**

Outcome Variable:	Average Meltzav Scores						Total Psychometry Scores					
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Second-born child	0.0672 (0.179)	-0.160 (0.184)	0.0395 (0.208)	-0.0522 (0.0690)	-0.115* (0.0678)	-0.0980 (0.0869)	-0.0349 (0.0921)	0.0583 (0.0939)	0.0109 (0.0999)	-0.0443 (0.0482)	-0.0284 (0.0486)	-0.00735 (0.0582)
Father education years	0.0370*** (0.00698)						0.0224*** (0.00349)					
Second-born child * Father education years	-0.00881 (0.0113)						-0.000825 (0.00589)					
Mother education years		0.0267*** (0.00705)						0.0215*** (0.00357)				
Second-born child * Mother education years		0.00557 (0.0116)						-0.000691 (0.00606)				
Sum of Parents education years			0.0226*** (0.00413)						0.0126*** (0.00190)			
Second-born child * Sum of Parents education years			-0.00362 (0.00660)						-0.00202 (0.00322)			
Father above median education				0.274*** (0.0490)						0.192*** (0.0340)		
Second-born child * Father above median education				-0.0221 (0.0793)						0.00416 (0.0562)		
Mother with above median education					0.229*** (0.0484)						0.200*** (0.0343)	
Second-born child * Mother above median education					0.0674 (0.0780)						-0.0144 (0.0563)	
Both Parents above median education						0.365*** (0.0608)						0.246*** (0.0402)
Second-born child * Both Parents above median education						0.0318 (0.0965)						-0.0324 (0.0656)
Observations	872	901	865	872	901	718	3,425	3,479	3,371	3,425	3,479	2,808

Notes: Each column is a separate regression. The sample in all columns contains gifted children who are either first- or second-born, from families with at least two children. All dependent variables are z-scores. Meltzav scores are from tests taken either during 5th or 8th grade, where an indicator for the grade is included in the regressions. Robust standard errors are in parentheses. \*\*\* p<0.01, \*\* p<0.05, \* p<0.1.



**Table A3: Relationship between Parental Education and Child Success, First-born vs. Second-born Non-Gifted Children**

Outcome Variable:	Average Meitzav Scores						Total Psychometry Scores					
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Second-born child	-0.213*** (0.0271)	-0.196*** (0.0281)	-0.216*** (0.0308)	-0.148*** (0.00742)	-0.144*** (0.00744)	-0.154*** (0.00835)	-0.0633*** (0.0128)	-0.0806*** (0.0136)	-0.0982*** (0.0142)	-0.00409 (0.00480)	0.00263 (0.00486)	-0.00781 (0.00552)
Father education years	0.0984*** (0.00135)						0.0642*** (0.000591)					
Second-born child * Father education years	0.00608*** (0.00198)						0.00429*** (0.000910)					
Mother education years		0.103*** (0.00138)						0.0644*** (0.000626)				
Second-born child * Mother education years		0.00535*** (0.00203)						0.00633*** (0.000972)				
Sum of Parents education years			0.0614*** (0.000768)						0.0373*** (0.000329)			
Second-born child * Sum of Parents education years			0.00324*** (0.00112)						0.00346*** (0.000510)			
Father above median education				0.534*** (0.00771)						0.506*** (0.00440)		
Second-born child * Father above median education				0.0342*** (0.0113)						0.00816 (0.00668)		
Mother with above median education					0.533*** (0.00751)						0.481*** (0.00438)	
Second-born child * Mother above median education					0.0411*** (0.0111)						0.0133** (0.00667)	
Both Parents above median education						0.665*** (0.00869)						0.635*** (0.00499)
Second-born child * Both Parents above median education						0.0515*** (0.0128)						0.0127* (0.00758)
Observations	105,563	110,133	102,240	105,563	110,133	81,260	335,532	340,940	328,023	335,532	340,940	256,753

Notes: Each column is a separate regression. The sample in all columns contains non-gifted children who are either first- or second-born, from families with at least two children. All dependent variables are z-scores. Meitzav scores are from tests taken either during 5th or 8th grade, where an indicator for the grade is included in the regressions. Robust standard errors are in parentheses. \*\*\* p<0.01, \*\* p<0.05, \* p<0.1.

**Table A4: Comparing Parental Investment between First-born and Second-born Children**

Outcome Variable:	Hours Spent Doing Homework per Week			Has Computer at Home			Has Computer with Internet at Home			Number of School Subjects with Private Tutor		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
First-born Child	-0.366*** (0.0508)	-0.367*** (0.0508)	-0.341*** (0.0508)	-0.00990*** (0.00251)	-0.0103*** (0.00250)	-0.0114*** (0.00251)	-0.0459*** (0.00479)	-0.0461*** (0.00479)	-0.0493*** (0.00479)	-0.00751 (0.0109)	-0.00759 (0.0109)	-0.00709 (0.0109)
Mean of dependent variable		9.578			0.938			0.671			0.642	
Parents' education years		Yes	Yes		Yes	Yes		Yes	Yes		Yes	Yes
Parents' country of birth			Yes			Yes			Yes			Yes
Observations	40,388	40,388	40,388	39,624	39,624	39,624	39,624	39,624	39,624	40,493	40,493	40,493

Notes: Each column is a separate regression. The sample in all columns contains first- or second-born children whose families have at least two children. Controls, when used, are specified at the bottom of the table. Robust standard errors are in parentheses. \*\*\* p<0.01, \*\* p<0.05, \* p<0.1.

**Table A5: Academic Success - Gifted, Challenged, and Regular-Class Students**

	Gifted Students	Regular-Class Students	Challenged Students
	(1)	(2)	(3)
Average Meitzav Percentile	82.35 (13.82) 510	51.79 (23.62) 81,677	26.45 (18.98) 51
Average Meitzav Math and Science Percent	83.63 (15.94) 510	52.02 (25.55) 81,677	25.40 (21.56) 51
Completed Bagrut Credits	28.53 (7.40) 6,059	13.15 (13.01) 1,350,420	2.42 (6.91) 2,900
Bagrut Credits in Math and Science	11.82 (4.99) 6,059	4.05 (4.36) 1,350,422	0.88 (1.42) 2,900
Bagrut Advanced Math	0.92 (0.27) 6,022	0.37 (0.48) 1,024,872	0.02 (0.15) 1,261
Bagrut Diploma	0.95 (0.21) 6,059	0.52 (0.50) 1,350,422	0.11 (0.31) 2,900
UPET Percentile	85.74 (17.59) 4,879	50.01 (28.74) 519,243	29.13 (27.13) 98

*Notes:* This table presents means, standard deviations, and number of observations of the variables listed on the left. Each column is a different sample, as specified at the top of each column. Gifted children are defined by being in a class for gifted children in elementary and high school. Challenged children are defined by being in a class for intellectually disabled children, or in a class for children with severe learning disorders, in elementary and high school.

**Table A7: Effect of a Gifted Child on Family Size, Robustness**

	Only Families with a Single Gifted Child		Only First-Marriage Families	
	(1)	(2)	(3)	(4)
<b>Panel A: First-Born Gifted Child</b>				
Probability of third child	0.0587*** (0.0170)	0.0660*** (0.0184)	0.0556*** (0.0164)	0.0602*** (0.0177)
Number of siblings	0.109*** (0.0255)	0.116*** (0.0275)	0.0949*** (0.0253)	0.101*** (0.0272)
Observations	3,653	3,152	4,045	3,498
<b>Panel B: Second-Born Gifted Child</b>				
Probability of Fourth child	0.0266 (0.0211)	0.0322 (0.0231)	0.0333 (0.0213)	0.0334 (0.0232)
Number of siblings	0.0314 (0.0296)	0.0295 (0.0317)	0.0427 (0.0296)	0.0345 (0.0316)
Observations	1,388	1,191	1,463	1,262
Parents education years		Yes		Yes

*Notes:* presented above are coefficients from regressions in which the dependent variable is listed on the left, and the independent variable is specified in the title of each panel. The unit of observation is a family. In columns 1-2, the sample is the population of families with two children or more and one gifted child who is either the first- or second-born. In columns 3-4, the sample is the population of first-marriage families with two children or more, who one of them is gifted. Controls are indicated at the bottom of the table. Robust standard errors in parentheses. \*\*\* p<0.01, \*\* p<0.05, \* p<0.1.

**Table A8: Effect of a Challenged Child on Family Size, Robustness**

	Only Families with a Single Challenged Child		Only First-Marriage Families	
	(1)	(2)	(3)	(4)
<b>Panel A: First-Born Challenged Child</b>				
Probability of third child	-0.00801 (0.0247)	-0.00860 (0.0266)	0.00262 (0.0244)	0.00433 (0.0262)
Number of siblings	0.119* (0.0643)	0.119 (0.0726)	0.132** (0.0628)	0.131* (0.0709)
Observations	1,506	1,245	1,508	1,252
<b>Panel B: Second-Born Challenged Child</b>				
Probability of Fourth child	-0.0670** (0.0292)	-0.0740** (0.0317)	-0.0649** (0.0294)	-0.0679** (0.0320)
Number of siblings	-0.112* (0.0653)	-0.0941 (0.0732)	-0.145** (0.0654)	-0.124* (0.0737)
Observations	1,116	944	1,100	926
Parents education years		Yes		Yes

*Notes:* presented above are coefficients from regressions in which the dependent variable is listed on the left, and the independent variable is specified in the title of each panel. The unit of observation is a family. In columns 1-2, the sample is the population of families with two children or more and one challenged child who is either the first- or second-born. In columns 3-4, the sample is the population of first-marriage families with two children or more, who one of them is challenged. Controls are indicated at the bottom of the table. Robust standard errors in parentheses. \*\*\* p<0.01, \*\* p<0.05, \* p<0.1.