

## **Abstract**

Conventional wisdom suggests that in developed countries income and fertility are negatively correlated. We present new evidence that between 2001 and 2009 the cross-sectional relationship between fertility and women's education in the U.S. is U-shaped. At the same time, average hours worked increase monotonically with women's education. This pattern is true for all women and mothers to newborns regardless of marital status. In this paper, we advance the marketization hypothesis for explaining the positive correlation between fertility and female labor supply along the educational gradient. In our model, raising children and home-making require parents' time, which could be substituted by services bought in the market such as baby-sitting and housekeeping. Highly educated women substitute a significant part of their own time for market services to raise children and run their households, which enables them to have more children and work longer hours.