

ECONOMICS, LABOR & BUSINESS

The West's Population Bust

"Labor Supply Prospects in 16 Developed Countries, 2000–2050" by Peter McDonald and Rebecca Kippen, in *Population and Development Review* (Mar. 2001), Population Council, One Dag Hammarskjöld Plaza, New York, N.Y. 10017.

Latter-day Malthusians, warning about the dire impact of the global population explosion, have been crusading for decades to depress birthrates around the world. Now it turns out that low fertility also can present a problem: not enough workers in an aging population to sustain economic growth.

In the coming decades, if current demographic and labor force trends continue, the size of the work force in most economically advanced countries will either become stagnant or shrink, predict McDonald and Kippen, demographers at Australian National University. The United States, however, with a relatively high fertility rate near the population "replacement level" of 2.1 births per woman, is likely to fare better than most. Without any changes in the current levels of fertility or immigration, or the proportion of the populace working, they say, the United States "can maintain a fairly brisk growth" in its labor force over the next half-century, from 142 million to 176 million. Further expansion could be achieved by inducing older workers to retire later. Yet with increasing demand for a much more skilled work force, and with the consequent need for education taking people out of the work force, even the United States may face very tight labor markets in the coming decades.

The outlook for many other developed nations is much less sanguine. Of the 16 countries McDonald and Kippen examined, Japan faces the worst situation. "Its labor force participation rates for men are already high, offering little scope for increase," and the nation has

long discouraged immigrants. If net immigration remains close to zero and the fertility rate stays low, the authors project that Japan's labor supply will fall from 67 million to 45 million over the next 50 years. Although increased fertility would help somewhat in the long term, the "most effective" short-term solution, they say, would be to get more women into the work force. But it runs counter to Japanese tradition for mothers to work.

Major cultural changes would be required in some other countries, too. In Italy, for instance, with low fertility, current net immigration of 100,000 per year, and low labor force participation, the labor supply is projected to fall from the present 23 million to 14 million in 2050. Like Greece, Spain, and the Netherlands, Italy will need both more women in the work force and, as a long-term solution, increased fertility—a combination, note McDonald and Kippen, that "would require substantial cultural adjustments, as would the acceptance of much larger numbers of immigrants."

Just maintaining services in the economically advanced countries at their current levels in the coming decades, say the authors, is likely to produce "a demand for immigrant labor on a scale never seen" except in the United States and other nations traditionally receptive to immigrants. For a long-term solution, however, many countries will need to consider "policies capable of arresting or reversing the fall in fertility."

SUVs Save Lives!

"The Truth about Light Trucks" by Douglas Coate and James VanderHoff, in *Regulation* (Spring 2001), Cato Institute, 1000 Massachusetts Ave., N.W., Washington, D.C. 20001.

Critics say that thousands of lives could be saved every year if sport utility vehicles (SUVs) and other light trucks that crowd the nation's roads were replaced by cars. Various studies seem to bear the critics out, note Rutgers

University economists Coate and VanderHoff. But there's something that such studies ignore: the difference between rural and urban driving conditions. When this is taken into account, the reviled SUV appears in a far better light.