

Low fertility and economic growth

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Motivation of the paper

Stylized fact of

- low fertility leading to population aging and population decline

What are the economic implications of these demographic transitions?

⇒ How much are standards of living threatened by dropping fertility?

So far, the paper focuses on

- presenting recent trends in support ratios for a cross section of countries (motivated by the close relationship between income and support ratios)
- revealing the role of the economic life cycle for cross country differences in support ratios
- investigating support ratio maximizing levels of fertility
- discussing consumption maximizing levels of fertility

Main findings I

Based on a new set of economic accounts (National Transfer Accounts (NTA)) capturing intergenerational flows for 23 countries the authors find

- evidence for a period of “dependency” at both the end and the beginning of the life cycle for most countries
- evidence for rising support ratios (starting in the 1960s/1970s for most countries) with considerable variations of the duration and the extent across countries
- incipient (moderate) population aging as measured by declining support ratios
- key role of cross-country differences in the economic life cycle for explaining variations in the support ratios (as compared to differences in the population age structure)

Main findings II

- Support ratio is maximized with respect to population growth where weighted mean age of consumers and workers is equalized
 - a relatively old population is advantageous in countries in which dependency is relatively high at young ages and relatively low at old ages and vice versa
- Population growth rate changes affect life cycle consumption both via the capital dilution effect and via the difference in the mean age of consumers and workers
 - fertility rate that maximizes the support ratio differs from lifetime consumption maximizing fertility \Rightarrow adverse economic effects of low fertility might be exaggerated!

Comments and suggestions

- descriptive statistics based on NTA revealing and convincing
- investigate more thoroughly the mechanisms at work when looking at the dynamics of the support ratio (e.g. changes in fertility vs. changes in the economic life cycle)
- add theoretical framework to the analysis (OLG growth model with endogenous capital and intergenerational transfers)
 - recalculate lifetime consumption maximizing fertility rate in a setting where both capital and the savings rate are endogenous (Ramsey framework) to reassess economic effects of low fertility
 - aim at deriving theoretical predictions that can be tested using the NTA
- investigate differential impact of fertility on the various standards of living measures (e.g. income, consumption etc.) in more detail
- provide more theoretical and empirical evidence for relationship between income and support ratios

Thank you!

Your questions and remarks...