

INVESTMENT UPDATE

Since it's late summer, we thought we might give our readers a little summertime break from the heavy financial reading that usually runs off the Agincourt printing press (it's actually just a laser printer, but hey). We've been paging through *The Economist World in Figures*, a condensed almanac of data comparing demographic and economic figures from around the world. If not exactly "fun" summertime reading, it's at least an interesting alternative to "bond talk". Here are some highlights:

With a 2000 population of 283 million, the US is the world's third most populous country, but is far behind both China (1.3 billion) and India (1.0 billion). Among the world's largest countries, India, Pakistan, Bangladesh, Nigeria, Mexico, the Philippines, Ethiopia, Vietnam and Congo will experience population growth of more than 25% over the next 20 years. Populations are expected to decline over the next two decades in Russia, Japan, Germany and Italy.

Even with the population explosion in the less developed countries, there are still places of vast emptiness. Based on land mass, the former Soviet state of Kazakhstan is one of the world's ten largest countries (#9), yet the size of its population doesn't even place it in the top 50 (tied with Syria at #55). When it comes to population density, however, Australia, Namibia and Mongolia are the kings of the wide-open spaces, at only 2 people per square kilometer. The country with the highest population density is Macau, at almost 25,000 people per square kilometer, but it's a small island (as are ultra-dense Hong Kong, Singapore and Malta); among "non-island" nations, Bangladesh is the most crowded with 954 people per square kilometer. By comparison, the US has approximately 30 people per square kilometer.

With a population of 26.4 million, Tokyo is still the world's largest city, but some of the other cities in the top ten are not exactly household names: Mumbai, India is tied with Mexico City as the world's second largest city (18.1 million), while Lagos, Nigeria is sixth and Kolkata, India is tied with Shanghai for eighth. Chicago, once America's "Second City", is now only the world's 29th largest city.

As we discussed a couple of months ago in our comparison of the US and Japanese economies, there are

developed countries whose aging populations and low birth rates place added pressure on their social welfare systems and act as a drag on their economies. We singled out Japan (with the world's highest median age of 41.2 years), but the real story may be in Europe: Italy, Switzerland and Germany each have populations whose median age is over 40. Of the 25 countries with the highest median age, 24 are European. Furthermore, by 2020, ten of these 25 countries are expected to have populations with an average age exceeding 45 years, with Switzerland's topping the list at 48.9 years.

At the other end of the spectrum are the developing countries with extremely high birth rates and short expected life spans, resulting in very young populations. Most of these are Central African countries, whose populations have been ravaged by disease (including AIDS) and brutal civil wars. Countries such as Niger, Uganda, Congo, Angola, Burundi and Somalia all have populations with average ages of 16 years or less. Given current projections, these countries will continue to have very large populations that are "dependent", as none are expected to have a median age of more than 17.5 by the year 2020.

The "birth dearth" in Europe and other developed countries is dramatic. In order for a population to grow (assuming static immigration, and under conditions of monogamy) the average woman must have slightly more than two children (one to replace her, one to replace her husband when each dies), but in the "Western" world, the numbers fall far short: 18 of the 20 countries with the lowest national fertility rates are European, and none of the 20 have a fertility rate above 1.29.

Conversely, essentially all of the highest fertility rates belong to African countries, with the average woman in Niger producing eight children in her childbearing years. Even in Mauritania, with the 17th highest fertility rate, the average woman will give birth six times. By comparison, the fertility rate in the US is 1.93.

Taken together, these population statistics point to trouble: in the developed world, especially in Europe, one has to wonder who is going to support all those retirees in a few years. In Africa, there will continue to be a massive imbalance at the other end of the demographic spectrum, with a too-young population, and



societal and economic pressures likely to continue to force older children into the workforce.

You may have heard last month's "entertaining" exchange between Representative Bernie Sanders of Vermont and Alan Greenspan, as Sanders took issue with the Fed Chairman's statement before Congress that the US enjoys the world's highest standard of living. "No, we do not!" hollered Sanders, "You go to Scandinavia, and you will find that people have a much higher standard of living, in terms of education, health care and decent paying jobs! Wrong, Mister!"

Greenspan attempted to clarify his remarks by saying that the US economy was the envy of the world, and the strongest among major industrialized countries, but the gauntlet had been thrown down. So, what does *The Economist World in Figures* say on the matter? The US does have the world's largest economy, representing approximately 30% of global GDP. But on a per capita basis, the US ranks fifth at \$34,940, behind Luxembourg and Bermuda (both with per capita GDP of approximately \$43,000), Japan and Norway. Rounding out the top ten are Switzerland, Denmark, Iceland, Sweden, Ireland and Qatar. Scandinavia is well represented in the top ten.

If we score economic wealth using the more Sanders-friendly UN Human Development Index (which also takes into account adult literacy and life expectancy), we see similar results: the US ranks sixth, behind Norway, Australia, Canada, Sweden and Belgium. Bottom line: the US economy is still the main driver of global commerce, but there are a handful of economies (not all of them Scandinavian) that produce more goods and services per capita than the US.

The fastest growing economies in the 1990's were largely comprised of second- and third-tier economic powers, including Bosnia, China, Lebanon, Cyprus and Singapore. On the other hand, the five slowest growing economies in the 90's were all former Soviet republics: Georgia, Moldova, Tajikistan, Ukraine and Azerbaijan each produced negative growth of more than 5% annually during the decade. By comparison, even Japan, the weakest of the major global economies, produced positive annual growth of 1.8% in the 1990's.

When it comes to debt, no one does it quite as well as the Latin Americans and West Africans. Guinea-Bissau (they're just south of Senegal, if that helps), Nicaragua, Angola, Congo-Brazzaville, Sudan and Zambia all have foreign debt of more than 150% of their annual GDP. Measured differently, by debt service ratio (principal and interest payments as a percent of exports) Latin America gets top honors with Brazil

(97%), Argentina (75%), Bolivia (48%) and Peru (46%) having the heaviest debt burdens.

It's well known that the US economy is now dominated by service industries (77%), but we were surprised to learn that only 1.4% of US GDP comes from agriculture. Only the city-states of Hong Kong and Singapore, as well as tiny island kingdom Bahrain, and Luxembourg, the UK and Germany have less dependence on agriculture as a percent of their domestic total output. Yet, due to our huge GDP, the US is still the world's second-largest producer of cereals and meat, ranks third in vegetable production and fourth in output of fruit. As any farmer will tell you, agriculture is a low-margin business; it's no coincidence that countries that are the least dependent on agriculture are among the world's wealthiest.

There is a host of less important, but equally fascinating statistics relating to consumer activity, lifestyle, travel, etc. For instance, the US is considered a "car culture", but at 481 cars per 1000 people, we rank only 12th (Lebanon is first, with a reading of 732). When not driving, Americans spend an inordinate amount of time in the air; based on daily take-offs and landings, 13 of the 14 busiest airports in the world are in the US. Rail travel is most popular in Europe (16 of the top 20 countries are European) and in Japan, where the average person travels more than 850 miles per year by train.

The US prides itself on being "wired" into technology, but this is where the Scandinavians really have the edge: the US ranks fifth in the ICT Index (which measures per capita telephone lines, internet usage, PC's and cell phones) behind Finland, Iceland, Sweden and Singapore; Norway and Denmark are just behind us. Closer inspection reveals that the US leads the way, however, in both computers per capita and website hosting.

The US spends more per capita than anyone else on health care, but we rank 28th in life expectancy. Italy has more than twice the doctors per capita that we have in the US, but Italians spend only 2/3 as much (as a share of their GDP) on health care. The US has the highest divorce rates, but we spend more than anyone else on music and books. More than 1/4 of North Korea's population is in the active or reserve armed forces...

In all, the data presented by *The Economist* reveals a few surprises while supporting the notion that the US continues to be the driving economic force in the world. It even shines a little light on some of the globe's more troubling social issues. Not bad for a little booklet that easily slips into your beach bag.

