



**NEGATIVE
POPULATION
GROWTH**

THE NPG FORUM

Too Many Old People or Too Many Americans? Thoughts About The Pension Panic

by Lindsey Grant

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The country has been treated to recurrent speculation that, because the population is aging, we must encourage higher fertility or more immigration to provide workers to support the old people on Social Security.

Let me offer some reasons for thinking that the fears may be unfounded.

The Dependency Ratio

The aged are not the only dependents. Children make demands upon society that may be higher than those made by the old. To make a somewhat imprecise comparison: total school expenditures (excluding kindergartens, nurseries and creches) in 1986 were estimated at \$261.5 billion—spent, of course, overwhelmingly on the young. This is 66 per cent more than total Social Security payments to the aged in that year, and it is almost identical with the estimate of total federal benefits to the aged that year, including their share of Social Security, Medicare, Medicaid, all federal military and civilian retirement programs, food stamps and subsidized housing. Beyond these statistics, there is another point to be made for the old: by and large, they are living on their savings, while the support of the young is a direct charge on parents and on society.

There are about twice as many young people (depending upon how you define them) as old ones, and the cost of rearing them is a major element of the economy. An Urban Institute study suggests that, in 1981 dollars and depending upon the education provided and whether the mother was working, it cost roughly \$75,000 to \$125,000 to raise a child. With 72 million children that year, this translated very roughly into something like 10-16 per cent of GNP. A maturing population will mitigate these costs, as it increases the expenditures by and for the old.

As a first step, we should compare the total working age population with the total population of the young and the old—a comparison somewhat loosely called the “dependency ratio.” The proportion of the population in the working ages has been rising and, barring another “baby boom,” it will continue to rise for another generation. The working age population, defined rather arbitrarily as 15-64 years old (a convention popular with demographers) has constituted the following percentage of the total population in recent decades:

1940 - 65%
1950 - 65%
1960 - 61%
1970 - 62%
1980 - 66%
1985 - 66%

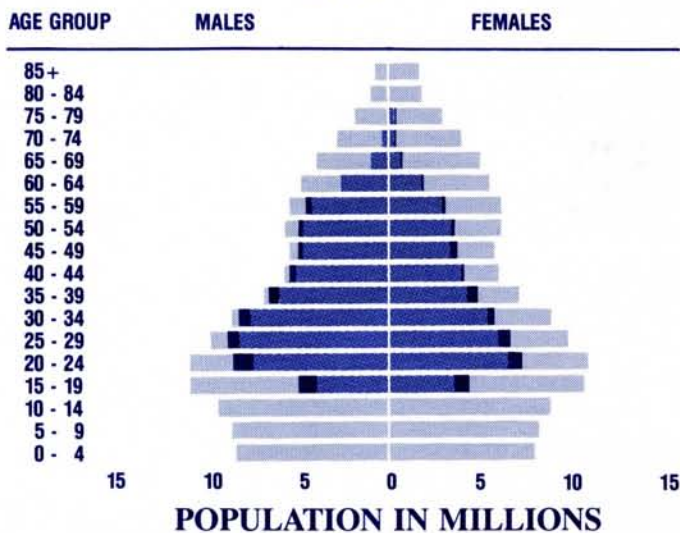
If fertility stays about as it is now, that proportion is expected to rise to 69 per cent by 2010 and then begin to decline to 63 per cent in 2025.

The point is that the dependency ratio has moved down and up, without any clear correlation with economic well-being. If it is important to you, take comfort in the fact that the nation faces a long period with an improving ratio. In a stable population, by the way—with low mortality and after the demographic wobbles had been sorted out—about 61 per cent of the population would be 15-64.

The Trouble With That Ratio

Such an analysis offers a rather simple version of the world, in which those of working age are supporting those who are not. A look at this graph should dispel that simplicity.

POP./LABOR FORCE/EMPLOYMENT: 1988



The people in that central grey area are working. Those in the black stubs are unemployed—and unemployment compensation totals about \$20 billion each year. At those lighter ends of the bars are other dependents: students, the discouraged workers no longer looking for work, the idle rich, housewives, retirees and family members and widow(er)s of those on retirement programs. Some of them are on AFDC (aid to families with dependent children), which costs the nation \$14.5 billion per year. There are disabled workers on Social Security receiving, in total, \$18 billion per year.

The real proportion of working to non-working is much lower than the “dependency ratio” would suggest. At present, about 45 per cent of the total population works. This is the true measure of dependency. Every worker supports about 1.2 non-workers.

If indeed we need more workers, there are ways of improving the ratio. Bring unemployment down. Find ways of bringing labor and jobs together. Improve job safety. Find ways of enlisting the discouraged workers. Encourage more women to seek jobs. Employ the elderly through programs such as shared jobs.

How Much Labor Do We Need?

Those who worry about dependency ratios may be worrying about precisely the wrong problem. Now and for the foreseeable future, the problem seems to be, not a shortage of labor, but rather a redundancy of labor of the wrong types, in the wrong places.

Along with the rest of the industrial world, the country is in the midst of a technological revolution. Computerization, automation, genetics, the systematic organization of production—all of these are multiplying the productivity of labor—assuming only that there is capital to mobilize the technology.

There are immense gains from this process. There are also two very apparent penalties. One of them is unemployment, which has been inching up from 4.5 per cent of the labor force in the 1950s to 8 per cent so far in the 1980s.

The other result is the reappearance of the sweatshop—the disenfranchised accepting third world employment conditions to compete with the better-capitalized firms. One sees an image, like multiple mirrors, of millions of John Henrys struggling to win their races against the steam hammer.

The nation that gave the “American Dream” to the world should look to its own tradition. If more labor is cheap labor, it may be leading to a two tier system of wealth and poverty that is closer to traditional societies than to any dream of the future.

If we recognize the implications of technological change, the country should be asking how much labor it needs, and of what kinds, to mobilize capital and take advantage of the new opportunities. In that society, the multiplication of entry-level labor, with the concomitant social and welfare costs, is probably an object to be avoided rather than pursued.

We have seen enough history to recognize that the “baby bust” children of the 1930s could find better jobs, with less dislocation, than could their “baby boom” successors of the 1950s.

Perhaps we should be studying how to save and invest enough to put the labor force to work rather than spending the money on raising more children to meet an imagined need some forty years away.

Our Crowded Future

Kenneth Boulding, the economist, coined the wonderful epigram:

Anyone who believes exponential growth can go on forever in a finite world is either a madman or an economist.

How better could one dispose of the tons of garbage that have been written on the topic of growth?

To propose more children or more immigration to maintain a high proportion of the working age population to the old is — on a gigantic scale — akin to proposing a little drink to cure a hangover. We are presently working off the baby boom. I have argued that there are various ways to accommodate the aging of that cohort without resorting to population inflation. Do we want to “solve” an anticipated problem that may not materialize when the baby boomers grow old, by generating more rapid population growth?

Before World War II, demographers — looking at then-current fertility figures — anticipated that the United States’ population would stabilize about now, somewhere in the vicinity of 150 million. Then came the baby boom.

At some stage, one must ask the question: “How many of us do we want?” There is no precise mathematical formula that can give us the answer, but in retrospect 150 million doesn’t look too bad. That was the level in 1950, before the creation of most of the huge chemical dumps, before CFCs, when carbon dioxide in the atmosphere was

just beginning its rise to problem levels, before acid rain, when nuclear energy was new enough to seem wholly benign, when suburbs were within commuting distance of the cities, and when the cities themselves seemed attractive places to live. 1950 was no idyll. We were already pursuing the habits that led to the environmental issues with which we are now dealing. But wouldn't it be attractive to face our present problems with that population?

This sounds like nostalgia, but can anybody who was here then deny a certain regret at what has been lost?

Several demographers have projected the population a century from now. Using very conservative assumptions—fertility does not rise despite the rising proportion of high-fertility groups such as Hispanics; there is no illegal immigration, and legal immigration stops rising despite the continuing pressures forcing it up—the projections converge at about 255-259 million. A very modest allowance for illegal immigration or rising legal immigration would push the figure over 340 million. (It is presently about 245 million.) A return to “replacement level fertility” (very roughly, the two-child family) could push the figure over a half billion. The point here is that, even without deliberately stimulating immigration or fertility, the prospect is for a more crowded rather than a less crowded society.

Fertility in the United States has risen very slightly in the past decade, rather than continuing its earlier decline. This underlines the conservatism of the projections above.

If the decline should resume, it would be wise to re-examine the conclusions in this paper. However, Census “low” projections using a fertility rate about 10 per cent below the present one do not lead to conclusions very different from those above. In our demographic future, immigration seems likely to be a more volatile and thus more important variable than fertility, and the present evidence all points to continued population growth.

As Kenneth Boulding reminds us, stabilize we must. The question is not whether, but when? Do we wait until the population density has reached that of India or Bangladesh? We may differ as to what population size is desirable or practicable. We need to begin the debate, and to translate the results into a population policy. It is remarkable that, on an issue so fundamental to our well-being, the nation has hardly begun the process.

Future Issues

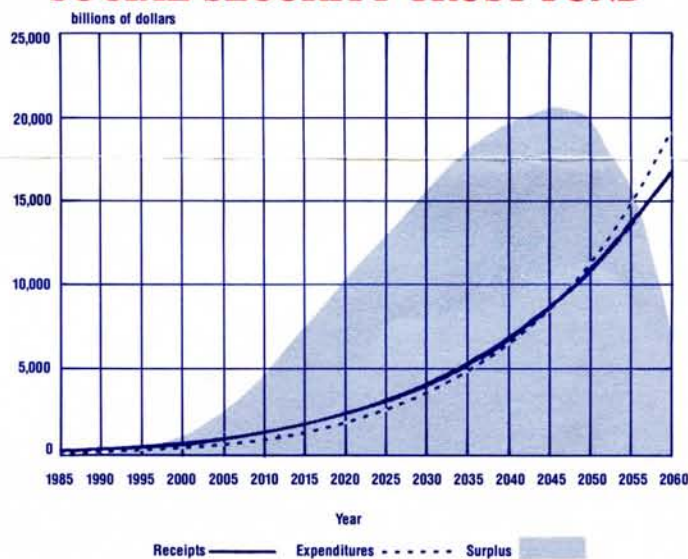
When we have arrived at a consensus, there are real issues to be addressed. How do we shift from the support of children, who tend to be financed by their parents, to the support of the old, which is usually a societal responsibility in this country, and whose cost is painfully evident in every worker's Social Security deductions? Medical miracles are making it possible to keep more and more of the very old alive, but the miracles are very expensive. As a society, we have an entire debate ahead of us concerning our responsibilities to the old: how much life support is the nation morally obligated to provide to the very old, and to what ends?

More generally, how can creativity be maintained in a

steady-state economy that has come to the end of its physical expansion? How do we maintain employment and economic activity?

There is time for the debate. With the 1983 changes in the Social Security system, the Social Security Trust Fund is beginning to run a surplus which is expected to mount to almost unmanageable levels through the middle of the next century. The problem is not, as so many believe, that the Fund is in imminent danger of exhaustion. Rather, it is that the Fund is being used to help fund the Federal deficit rather than to make the productive investments which would support the aging when their numbers do begin to mount steeply about a generation from now.

SOCIAL SECURITY TRUST FUND



The “Counsel of the Prudent Man”

The point of this brief essay is that those who argue for higher fertility or more immigration to support the aged are in effect arguing for more population growth. It would take a very sharp drop in fertility indeed to justify their fears, and such a drop is not presently in sight. Let us not buy future problems by embracing a single-track “solution” with such vast and unexamined ramifications.”

Note: Data for this paper were taken primarily from the *Statistical Abstract of the U.S., 1987*, the World Bank “World Population Projections 1985”, and the United Nations’ *World Population Prospects: Estimates and Projections as Assessed in 1984* (New York: UN Department of International Economic and Social Affairs, 1986.) A concise summary of projections of the U.S. population is contained in Leon Bouvier, “Will There Be Enough Americans?” (Washington: Center for Immigration Studies Backgrounder No. 1, July 1987.) The estimate of the cost of raising children is from Thomas Espenshade, *Investing In Children* (Washington: Urban Institute Press, 1984.) The graph of the Social Security Trust Fund is from *Population Today* March 1985 (Washington: Population Reference Bureau.)

NPG COMMENTS

NPG, Inc., publishes from time to time in the NPG Forum articles of exceptional merit in the population/resource/environment field. Our own views on the subject of Mr. Grant's excellent paper are as follows:

In his essay, Lindsey Grant calls attention to a seldom recognized fact: dependents are not just the aged, but all those in our society who are not working. They include children, students, the unemployed, those on welfare, the sick and disabled, and the idle rich, as well as retirees.

If in fact we do need more workers (and chronic unemployment would seem to indicate that our economy is unable to create enough jobs to put more people to work), potential workers are readily available, as Mr. Grant points out. For example, in the 45-65 age group, the labor force participation rate is only 48.9. At the present time, therefore, not even half the people in this prime working age group are in the active (paid) work force!

Mr. Grant is correct in stating that those who argue for higher fertility or more immigration to support the aged are in effect arguing for more population growth. That, however, is exactly the opposite of what our country needs.

Since our nation is already vastly overpopulated in terms of the long range carrying capacity of our resources and environment, what is needed is not further growth, but a gradual and orderly **reduction** in our population size until it can be stabilized at a level far lower than it is today.

We at NPG believe that the optimum population size of the United States is in the range of 100 to 150 million. If we maintain our present total fertility rate of 1.8 percent, halt illegal immigration, and reduce **legal** immigration to not over 100,000 a year (a still generous quota), our population would gradually decline to the optimum size in a century or so, and could then be stabilized.

There is, of course, a direct link between population size and environmental deterioration. Total consumption is the product of population multiplied by per capita consumption; total pollution is the product of total consumption times pollution per unit of consumption. Those are simple, incontestable facts.

What further evidence do we need before we decide that our still rapidly growing population is already far too large? Acid rain that is devastating our forests, and destroying aquatic life in our lakes, rivers, estuaries and coastal waters, the greenhouse effect from the build-up of carbon dioxide in the atmosphere, urban crowding, traffic congestion, ground water contamination and depletion, the disposal of nuclear waste, toxic waste and garbage, our vanishing farmlands and wetlands: all these grave problems, and more, warn us that we must take action **now** to halt and eventually to reverse the growth of U.S. population.

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