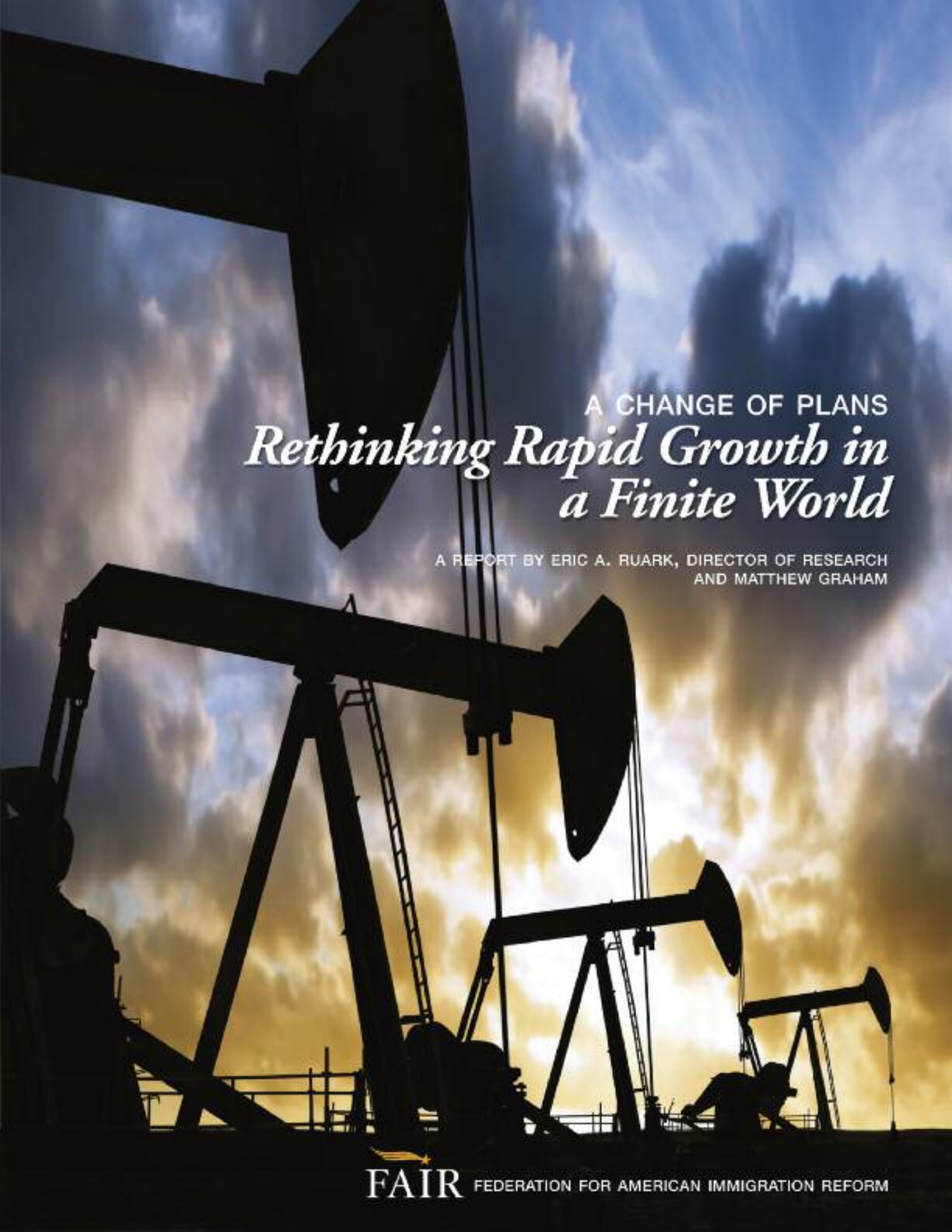

A CHANGE OF PLANS

Rethinking Rapid Growth in a Finite World

A REPORT BY ERIC A. RUARK, DIRECTOR OF RESEARCH
AND MATTHEW GRAHAM

FAIR FEDERATION FOR AMERICAN IMMIGRATION REFORM

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Foreword

Eric A. Ruark, Director of Research
Federation for American Immigration Reform

For over thirty years, FAIR has worked to implement an immigration system with sustainability as its objective, and we continue today in the hope that we can convince our nation's leaders that it is illogical to pursue infinite growth in a world of finite resources. This means establishing sustainable economic policies, and demanding solutions that are applicable in our own particular time and place; not theoretical musings or contrived economic models that can only exist in an imagined ideal world. It also requires Americans to abandon zealous commitments to partisan ideologies that prevent any genuine dialogue about the serious problems we are facing.

The American economy has an unhealthy reliance on population growth as a sine qua non to economic growth. It is not that economic growth is an undesirable objective, but the way federal, state, and local governments have chosen to achieve growth has had tremendously negative effects on the welfare of the American people. In a political climate where Democrats and Republicans do battle over every major policy issue, the one thing both parties agree upon is that the United States needs to "grow" as much as possible, as quickly as possible. Instead of concentrating on raising the standard of living for Americans, our political leaders have insisted that population growth is synonymous with economic growth by incorrectly touting the Gross Domestic Product (GDP) and dubious "job creation" metrics as measures of prosperity.

U.S. population growth no doubt results in increased economic activity, and some have benefitted greatly from this, but four decades of rapid population growth has also brought about increased unemployment, greater income disparity, and a decreased quality of life in the United States. Illegal immigration has contributed to a good deal of this population growth, severely undermining the rule of law, the guarantor of a free and fair economic system. The full impact of these trends has been hidden by a massive shell game that has been played out over the last several decades, where measures of aggregate growth have masked the realities of structural unemployment and increased income inequality.

The driving force behind unbridled growth is a narrow but very powerful coalition of special interests whose only concern is for their own immediate benefit. This so-called Growth Lobby spends billions of dollars each year in an effort to persuade politicians that the United States needs to keep growing at an unsustainable pace. This has resulted in economic policies that work against the best interests of the American people. Our current immigration system undermines the position of workers and diminishes the political power of the middle class, as corporations seek to drive down wages and working conditions by importing millions of foreign workers and passing the costs of immigration onto taxpayers. Mass immigration may provide cheap labor, but the costs of rapid growth are exorbitant. New roads have

to be built, as well as new schools, hospitals, jails, wastewater plants, and landfills. As the ranks of the unemployed grow, entitlement programs are overwhelmed and bankrupted. The justification offered up by corporate interests and their political allies in defense of mass immigration is that Americans cannot or will not do jobs that are vital to the U.S. economy. By deliberately marginalizing Americans in a wide swath of the labor market, corporations, with the aid and blessing of our elected leaders, undermine confidence in our economy and even in the free market system itself, while destabilizing social cohesion and wreaking tremendous ecological damage.

Instead of a serious debate over a sustainable future, a broad coalition of business and political leaders repeat the constant refrain that mass immigration is integral to growth and the only path forward to prosperity. Sadly, the proponents of growth have found allies among self-professed progressives and environmentalists who, when it comes to immigration policy, turn into ardent libertarians and tout the benefits of the "free market." Instead of confronting reality, they offer up disingenuous schemes like "green jobs" or "smart growth" to give political cover to the same destructive patterns of growth. Immigration is *the* issue that causes a decisive split, preventing common cause among environmental activists.

It is understandable that many Americans hesitate to acknowledge immigration as the main driver of unsustainable population growth. It is admittedly a subject that generates controversy; but, by ignoring immigration's integral role in perpetuating unsustainable growth, so-called environmentalists are willfully contributing to the problem, no matter how loud their protestations to the contrary. Yes, overpopulation is a problem in many parts of the world, but the solution is not to overpopulate the United States. It is the height of disingenuousness to discuss American's consumptive habits without acknowledging the population factor. The U.S. has made great strides in reducing consumption and waste over the last thirty years, but these efforts have been nullified by population growth.

The U.S. population grew by over 27 million between 2000 and 2010. If births to immigrants are included, immigration was responsible for 70 percent of that increase. Since 1965, when the modern era of mass immigration began, the U.S. has grown by 122 million people. If the 1965 reforms had been implemented according to Senator Edward Kennedy's assurances at the time that "under the proposed bill, the present level of immigration remains substantially the same," the U.S. population would have stabilized by now and not be on a trajectory to reach 500 million by the middle of this century. It is quite possible if the current trend continues that the United States may reach a billion people early next century. Inexplicably, there is no discussion at the national level of U.S. population size and the role immigration has in driving population growth.

The truth is that America's immigration bubble has burst, and the American people are dealing with the fallout. Yet, our national leaders refuse to put the national interest above special interest dollars. Even in the midst of the worst economic conditions since the Great Depression, there are leaders in both parties who want to significantly increase the number of foreign workers and continue unsustain-

able population growth under the guise of "economic growth." It is not that the U.S. economy should no longer grow, but this growth must be decoupled from population growth. Post-industrial economies require new economic strategies, not 19th century approaches. Instead of focusing on the economy's overall size, the U.S. should focus on improving peoples' lives. A growing GDP has not benefited most Americans, as the benefits have accrued to a shrinking percentage of the population. Underemployment, wage stagnation, rising food and fuel prices, rising crime as communities disintegrate, widespread ecological destruction — these are the costs of population-driven growth over the last forty years.

The primary reason that the Growth Lobby is so successful is that collective action by citizens is absent, which is more difficult to organize as a community rapidly grows, losing its social cohesion. Collective action to rein in unchecked growth does not require abandoning the market economy. It would involve a return to the principles of democratic participation, accountability for public officials, and the reemergence of an economic system that minimizes coercion and confiscation. It means coming together as *citizens* with the common goal of achieving sustainability, not the continuation of the same tired partisan, class, and racial divisions that characterize our current political climate. Those who profit from the current pro-growth mania exploit these divisions as they mask their intentions by claiming that growth cures all ills. Of course, political divisions will always arise among a citizenry, but there must be the commitment to a national community if a nation is to survive. Americans must recognize that America is more than an economy, business leaders must recognize ethical concerns beyond profits, and politicians must concern themselves with a future that extends beyond the next election cycle.

This study is the result of much research and many discussions on the interplay of immigration, population growth, and economic "prosperity." Immigration is not the central focus of this study, but because growth in the United States is now driven by the constant influx of the foreign-born, immigration policy remains the major component of any discussion on the matter. Because the Growth Lobby makes so many broad economic claims that are patently false, FAIR has prepared this report to inform a general audience and rally those who are fighting for a sustainable economy. FAIR does not seek to end immigration, just to reform an unsustainable immigration policy. Our goal is to work towards U.S. population stability, which would mean that the U.S. would admit around 300,000 persons every year. Illegal immigration undermines support for legal immigration and must end. Those who are now residing in the United States illegally must return to their home countries. Immigrants can and should continue to be invited to contribute to the economic vitality of the United States, but for this to happen immigration policy needs to accommodate the needs of the American people and must reflect the limits of a finite world.

Executive Summary

Population growth was once a key indicator of economic prosperity. Many economists continue to hold this view even though evidence clearly demonstrates that in recent decades, population growth has been associated with lower per capita incomes and higher rates of unemployment and poverty. What may have proven true in the past is no longer valid. This paper shows that in the U.S., there is an inverse correlation between a rising population and measures of local economic vitality.

Many economists evaluate economic health by focusing on the overall size of the economy (measured by GDP) and the net number of jobs created, divorcing these figures from any other consideration. These economists fail to consider that raw growth does not measure quality of life or the dynamics of local economies. When new jobs are created in a locality, more people are drawn to that area to compete for those jobs, tending to offset gains in overall employment while straining infrastructure and the local tax base. Although the economic data rightfully report job growth and increased economic output, the conclusions drawn from these statistics are often misleading.

Making matters worse, elected officials often offer massive subsidies and tax breaks to corporations to relocate to their jurisdictions. U.S. cities and states spend more than 50 billion taxpayer dollars each year on such location subsidies. In addition to wasting valuable revenue and causing corresponding tax increases and service cuts, these incentives result in inefficiency, reduced economic output, and no reduction in overall unemployment. These subsidies do not create jobs, but redistribute them. Typical state and local "economic development" initiatives benefit a select few while resulting in lower incomes, greater tax burdens, and eroded public services for everyone else.

Americans have been conditioned to believe that economic growth is always an indicator of economic prosperity, and that communities must grow in size to maintain their vitality. Locally powerful special interests like the real estate and construction industries promote and reinforce this idea. They lobby intensely for pro-growth initiatives that funnel tax money into development projects that benefit only a small minority of well-connected elites. This paper demonstrates that growth in size is not an effective way to promote economic wellbeing, and that the policies cities use to promote growth harm the economy even further.

Population growth also comes with enormous social and environmental costs. The scale of resource use continues to increase, damaging the environment. In the long term, rising rates of resource use will degrade living standards and ultimately prove unsustainable. State and local governments should stop prioritizing "job creation" and start prioritizing the creation and continuation of policies that actually improve the quality of citizens' lives. Increasing the overall size of the economy is less important than improving the quality of life. Economic development should improve the well-being of all citizens, and should not be a code word for growth policies that favor powerful special interests at the expense of the majority.

Most Americans oppose pro-growth initiatives, yet many feel powerless to prevent seemingly-inevitable overpopulation and urban sprawl. Citizens should demand that their representatives worry more about living standards and sustainable economics and stop accepting grand promises of a gilded future. Political leaders in America's federal, state and local governments should come together to break the addiction to growth, and to stop the senseless interstate economic competition over more jobs and more people. Instead, they should pursue improved living standards and population stability.

KEY FINDINGS

- Local and state economic development programs tend to focus on "creating jobs," but adding new jobs to an area is associated with a proportional increase in the population. As a result, adding jobs and more people to an area does not reduce unemployment in the long-term, and often increases unemployment in other areas when businesses relocate.

- Higher rates of population growth are not associated with economic prosperity. In fact, places with higher rates of growth tend to have lower per capita incomes, higher unemployment rates, higher poverty rates, and lower rates of productivity. One analysis found that from 2000 to 2009, a 1 percent increase in the population growth rate was associated with a $2,500 drop in per capita income.

- Places with higher rates of population growth were hit harder by the recession. Slow-growth cities actually saw per capita income rise during the recession, while fast-growing cities saw it decline 2.5 percent between 2007 and 2009. This is because fast-growing cities become overly dependent on boom-and-bust industries like construction and real estate, a development strategy that some economists have compared to a Ponzi scheme.

- The conventional wisdom that population growth is desirable is pushed by a powerful subset of special interests in industries like real estate, construction, and land development. These special interests are well-financed, and have a large incentive to lobby for growth. In a classic collective action problem, average citizens have a difficult time defending their communities against these well-financed elites.

- Population growth is a major driver of environmental damage and receives little attention from the mainstream environmental movement. Resource use is equally determined by the amount of resource use per capita and the size of the population. For example, water conservation has greatly improved over the past thirty years, but population growth has cancelled out these improvements and kept water use at the same unsustainable rate it reached in the 1980s.

- Population growth is a major concern to people throughout the United States and most Americans do not believe that growth results in an increased quality of life. Residents of small towns and slow-growing cities are just as satisfied with their communities as residents of large or fast-growing cities.

- Immigration is the primary driver of U.S. population growth. The 2010 Census found that 13.9 million foreign-born residents had arrived in the U.S, between since 2000 and 2010. The Pew Research Center has estimated that 82 percent of the population increase between 2005 and 2050 will be due to immigrants and their U.S.-born descendants.

"While certain businesses prosper from growth, the balance of the community seems to suffer. The statistics showing that fast-growing areas tend to have lower and declining incomes, indicate that any gains by the businesses that directly benefit from growth are more than offset by losses to the balance of the local population. In other words, a small segment of the local population may benefit from faster growth, but the larger population tends to see their prosperity decline."

—Eben Fodor[1]

The Economics of Population Growth

Citizens and urban policymakers often take for granted that their community must continually add jobs and people to maintain economic vitality.[2] However, because population growth accompanies an expansion in the size of a city's or state's economy, an increase in the number of jobs in an area still leaves about the same number of jobs available per person and therefore tends not to reduce unemployment.[3] This occurs because local job growth and local population growth influence one another to the point that they are essentially determined simultaneously[4] and equalize in the long run.[5] Because "only a fraction of new jobs associated with local employment growth will be taken by residents of the community in which that job growth occurs," the vast majority are taken by new residents or commuters.[6] Thus, simply increasing the number of jobs is not an effective means of reducing unemployment.

When it comes to promoting a healthy economy, it is much more important to improve living standards or reduce unemployment than it is to simply increase the quantity of jobs in an area. Because adding jobs to an area does not result in more jobs available per capita, it is often the case that attracting more jobs results in worse outcomes for the average person. For example, when new jobs are lower-paying than jobs that already exist, the city or state will have reduced its per capita income and tax receipts per person. This is why the analyses summarized below show either a negative association or no relationship between population growth and wages.

> **More Jobs, Lower Incomes?**
>
> There is no obvious relationship between jobs and incomes, since new jobs can pay poorly and may even reduce average earnings in a region.
>
> —Paul Gottlieb, Brookings Institution[7]

Economic indicators clearly demonstrate that bringing more people and more jobs to a city or state does not translate into improvements for the typical resident. Whether one looks at per capita income, unemployment rate, poverty rate, or productivity growth, the results of the studies described below are resoundingly clear — local economies do not need to continually add jobs or increase their populations to ensure economic prosperity. If population growth were important to improving the average person's economic wellbeing, it would be correlated with at least some of these measures. Most evidence shows that there is almost no connection between population growth and economic welfare. Analyses that find a relationship usually reveal a negative association between population growth and local economic wellbeing.

Studies have consistently found either no relationship or a negative relationship between local population growth and per capita income, the measure commonly considered the best proxy for economic wellbeing. Eben Fodor's recent study of the 100 largest metropolitan areas in America (which contain two-thirds of the U.S. population) revealed that each 1 percent increase in population growth between 2000 and 2009 was associated with a $2,500 drop in per capita income.[8] Cities with rapid population growth were also hit harder by the recession.[9] According to the analysis, the long-term economic effects of population growth are even more severe — high growth in the 1990s was strongly correlated with drops in per capita income in the 2000s.[10]

Why is it that adding more jobs to an area does not result in higher income per person? It is important to understand that adding more jobs to an area may not do anything to improve opportunities for the average person. The Brookings Institution's Paul D. Gottleib found that adding new jobs in an area does not result in an increase in per capita income, in large part because "new jobs can pay poorly and may even reduce average earnings in a region."[11] Janet Pack, also of Brookings, found no evidence of a relationship between city population growth and per capita income in the 1960s and a strong negative association in the 1970s.[13] Because of the tight relationship between job growth and population size, simply adding jobs does not improve opportunities for the average person.[13]

Other indicators also demonstrate that population growth does not lead to improved economic welfare. Fodor's 100-city analysis found faster rates of growth were associated with lower incomes and higher poverty rates, and that unemployment rates tend to be higher in cities that are growing the fastest. In

Population Growth: "Ponzi Scheme" Development

"Until two years ago, this was a growth machine that was the envy of the world … Florida, in some ways, resembles a modern Ponzi scheme. Everything is fine for me if a thousand newcomers come tomorrow. The problem is, except for a few road bumps — '73, '90, and they were really minor — no one knew what would happen if they stopped coming."

—Gary Mormino, University of South Florida[14]

fact, fast-growing cities trailed slow-growing cities in all seven prosperity indicators used in the analysis.[15] This backed up John Logan and Harvey Molotch's earlier finding that population growth is unassociated with the unemployment rate.[16] Richard Florida and others have found that productivity growth is not at all associated with population growth at either the state or metropolitan level.[17] In their analysis of urban governance, Paul Lewis and Max Neiman found that cities whose leaders put more emphasis on attracting jobs have higher population growth, and that these policies are strongly associated with lower incomes.[18]

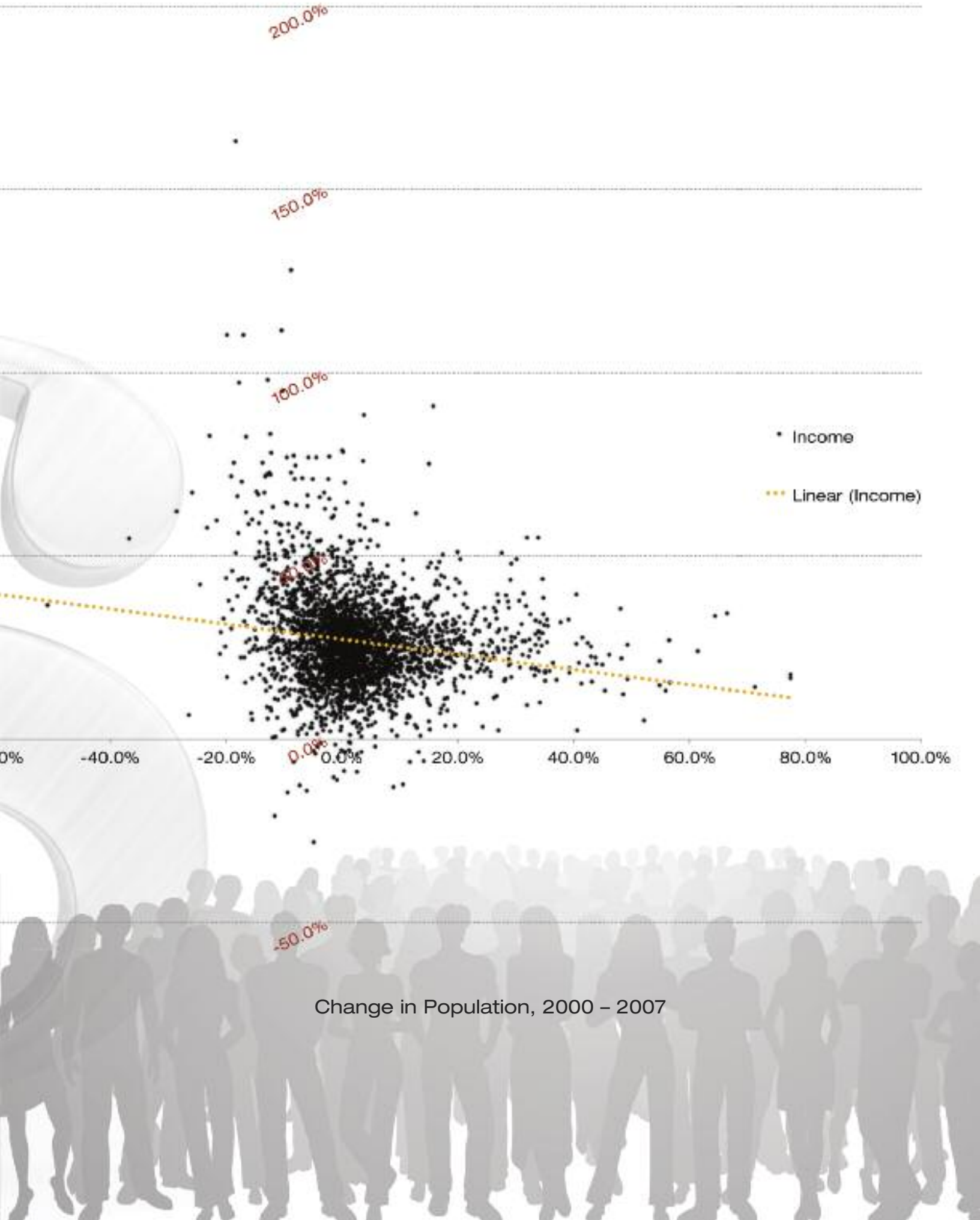
Population-centric economic development strategies also leave cities and states more vulnerable to economic downturns. Fodor's analysis revealed that of the 100 largest cities in the U.S., the 25 slowest-growing saw per capita income *rise* by 0.2 percent between 2007 and 2009 despite the recession, while the 25 fastest-growing cities saw per capita income drop by 2.5 percent.[19] Fast-growing locales develop an undue reliance on population-dependent industries like construction, which are especially prone to boom and bust cycles.[20] As a result, these growth-dependent areas suffer disproportionately when the economy or population growth slows. Richard Florida explains:

> A rising population can create a false illusion of prosperity, as it did in so many Sunbelt metros, which built their house-of-cards economies around housing construction and real estate development, leaving ghost towns, mass unemployment, and empty public coffers in their wake when the bubble inevitably burst.[21]

The heads of growth-dependent industries are happy to lobby governments and promote false conventional wisdom about population growth, but economic evidence clearly demonstrates that the average person does not benefit. Politicians should stand up for their citizens and resist pressure from these special interests, but presently, they tend to do the exact opposite. Cities and states that devote a lot of energy to attracting more jobs and people may be following conventional wisdom, but many times they are not helping to make life better in their communities.

METHODOLOGY

To corroborate other economists' findings, FAIR conducted an independent analysis of the relationship between population and other economic factors at the county level. (See Appendix A for complete results.) Using data from the Census Bureau and Bureau of Labor Statistics, the analysis tested the strength of the relationship between population growth and per capita income, unemployment rate, and poverty rate between 1990 and either 2007 or 2010 (depending on data availability). All counties for which complete data were not available in every data set were eliminated, leaving 3,133 counties. The nationwide analysis made one thing abundantly clear: there is almost no relationship between a county's population growth and its economic vitality, and whatever relationship exists is negative. All of the associations were statistically significant at the .01 level and showed that very little relationship exists between population growth and economic wellbeing. Ten of the 12 tested relationships showed that population growth was associated with undesirable economic outcomes, but only one regression had explanatory power (r2) of greater than 4 percent. These findings, and the shape of the scatter plots, confirm others' findings about cities and states. Population growth has very little association with economic outcomes for the average person, and the relationships that do exist tend to be negative. There is much more to economic development than adding jobs.



Change in Population, 2000 – 2007

Misplaced Priorities

Unfortunately, city and state economic development programs have often prioritized "job growth" ahead of advancing living standards. Between 1990 and 1997, two-thirds of the money spent by the city of Los Angeles's Community Development Agency funded poverty-wage jobs. Over one two-year period, Kentucky subsidized 31 companies that paid below-poverty wages. A 1993 Kentucky subsidy granted $3.6 million in buildings and equipment, plus exemptions from corporate taxes and the opportunity to keep all state withholding taxes, for jobs that paid *$5 per hour*.[22]

An analysis of Minnesota subsidies in the 1990s found that almost two-thirds of subsidized jobs would qualify a family of three for Medicaid, and that over 25 percent would qualify that same family for food stamps.[23] North Carolina granted a $240 million subsidy to Dell to build a plant that was expected to generate 2,000 jobs, only to see it close five years later after creating less than 1,000 jobs.[24]

Even when the jobs pay higher than average wages, they can still harm the city or state's economy through the effects of tax abatements and subsidies, which have grown over the past several decades as the interstate competition for jobs has increased. States spend at least $50 billion per year on location subsidies alone, and experts say that estimates would be much higher if states were more transparent about their subsidies.[25] A 2004 analysis by the Massachusetts Budget and Policy Center found that Massachusetts grants $4 in corporate tax breaks for every $5 it collects in corporate taxes.[26] The harmful effects of this competition for jobs are explained below (see "The War Between The States — Over Growth," page 16).

Subsidies to lure jobs in pursuit of growth are harmful, but even when these subsidies are not granted, population growth is harmful to state and local budgets and should be balanced against other priorities. The newcomers pay their share of taxes once they arrive, but existing residents fund the initial investments, such as expanding sewer, water and electrical systems, as well as building new schools, roads and fire stations.[27] Along with wasteful location subsidies, up front costs of growth are a major reason why economists find a relationship between population growth and increased property taxes, as well as higher per capita tax burdens.[28]

The War Between the States — Over Growth

The founding fathers recognized the dangers of economic warfare between the states that arose under the Articles of Confederation, when states relentlessly taxed one another in selfish pursuit of economic gain.[29] They knew that when states recognize (what they believe to be) opportunities to gain economically at the expense of other states, they would compete with one another, producing inefficiency that would ultimately drag down the entire country's economy. Indeed, preventing economic warfare between states is the very reason the Constitution gives Congress the power to regulate commerce, which it lacked under the Articles.

Today, America's state and local governments are engaged in a different type of economic warfare. Rather than tax one another's goods as they did in the 18th century, they compete to attract businesses by offering substantial tax breaks, subsidies and infrastructure projects.[30] As the competition to bring more jobs and people to one's city or state has intensified, the consequences for businesses, governments and the average citizen have increased as well.

Since 1918, when St. Petersburg, Florida hired a press agent to promote the town's economic development, almost every major U.S. city has joined an escalating race to attract more jobs to their area.[31] Under the banner of economic development, state and local politicians posture themselves as being on a mission to "create jobs" by inducing companies to locate their operations in their state. In order to do so, it has become standard practice for cities and states to offer massive subsidies, tax breaks, infrastructure projects and other inducements to lure businesses.[32]

When the competition increases, so do the giveaways.[33] In 2010, Yahoo! received a $2.1 million per expected job subsidy in Lockport, New York; that same year, Verizon received a subsidy of $3.1 million per expected job in nearby Somerset.[34] Over one 10-year period, Louisiana granted 251 property tax exceptions to Exxon, and created zero new jobs.[35] Kenneth Thomas found in a 2010 study that states and local governments give out about $50 billion worth of location incentives each year, a number that is likely far higher due to the lack of transparency that tends to surround these programs.[36]

Giveaways to businesses do nothing to "create jobs" — at best, they merely move jobs around between states.[37] If a company is choosing between one state and another to locate its headquarters or a new manufacturing plant, the governor whose state wins the subsidy war has not "created" jobs, but redistributed them in a way that does not reduce national unemployment, and on average does not lower local unemployment either.[38] The competition will not be easy to end. As former Indiana Governor Joseph Kernan put it, "I understand the argument that taking jobs away from Boston and putting them here is nationally a zero-sum game. But Indiana, like virtually every other state, is not going to unilaterally disarm."[39]

Business Leaders Plead: Stop the Giveaways!

"State incentives are being used to lure businesses back and forth across the state line with no net economic gain to the community as a whole … The states are being pitted against each other and the only real winner is the business who is 'incentive shopping' to reduce costs. The losers are the taxpayers who must provide services to those who are not paying for them."

—Letter from Kansas City business leaders to the governors of Kansas and Missouri[40]

Unfortunately, this competition for jobs drains government coffers at the same time as it generates economic inefficiency and reduces overall economic growth. This is because tax-dodging businesses push their share of the burden onto other taxpayers, harming consumers and other businesses. Subsidies also make it profitable to divert resources and money away from job creation and toward lobbying for giveaways. Economists Peter Calcagno and Frank Hefner explain:

> Industries seeking preferential treatment dominate the political process because voter taxpayers have very little incentive to be well informed about the costs associated with these tax incentive programs...The jobs 'created' at a new plant are easily visible to the state or local community; they will not see the jobs that are lost elsewhere in the economy due to the higher tax burdens imposed on other businesses and consumers. Nor do they see the scarce resources being allocated away from productive ventures that could produce real output and growth being spent instead on lobbying government officials to obtain these favors.[41]

The failure of state and local economic development policies to benefit the majority of residents in a community has been well-documented.[42]

Interstate economic warfare is an excellent strategy to help politicians win re-election by claiming to have "created" jobs,[43] but it harms the economy. Margaret Dewar found that, though politicians gain politically when they pursue highly visible economic development projects, these programs "have few effects on economic growth" and "are not designed and implemented in ways that can achieve their goals, principally because of important political forces."[44] This is why economists have repeatedly found

Policymakers "Ignorant" of Consequences

"One cause of wasteful incentives is ignorance. Policymakers assume that all growth is good. Policymakers assume that all incentive offers are decisive. It is often assumed that benefits can be measured by looking at the earnings and tax base associated with the new business activity. This assumption forgets that only a portion of the new jobs go to local residents and the unemployed, and that new public expenditures will be required."[45]

—Economist Timothy J. Bartik

that state- and local-level economic inducements do not help the economy. Lewis and Neiman found that the number of economic development policies is positively correlated with higher population growth and unemployment. Further, cities that value job growth ahead of improving their tax base tend to have higher unemployment.[46] Peter Fisher and Alan Peters identified a "consistently positive relationship between unemployment and tax incentives: the highest-unemployment places offer the largest state and local tax incentives."[47] In Kansas City, the competition between the Kansas and Missouri sides of the city has become so intense that 17 of the area's leading businessmen wrote an open letter to the governors of both states pleading with them to stop the "economic border war." The business leaders also urged governors to tighten their economic development programs' definition of "new" jobs so that it did not include jobs that had merely been taken from the neighboring state.[48]

By encouraging companies to choose a particular location, state and local governments encourage business owners to make economically inefficient decisions. John Gray and Dean Spina found that state and local subsidies influence businesses to focus on secondary factors, rather than the primary factors that would typically make a location a good (and efficient) place to do business.[49] Calcagno and Henry Thompson found that state economic inducements to companies are "associated with a reduction in manufacturing value added" and argue that the inefficient decisions they encourage create deadweight losses and result in "production and employment falling in the rest of the economy."[50] The business wastes resources that would have otherwise gone to productive ends, and states and localities shell out billions of dollars that could be used to bolster services or relieve taxpayers. When business owners act in their individual interest by leveraging local governments for tax abatements, they undermine the business community's (and the country's) collective interest by damaging the economy.

Not only do subsidies cause inefficiency, but they fail to produce the results they promise. Numerous economists have concluded that state economic development incentives fail to create jobs overall and generally reward businesses for hiring workers that they would have hired anyway.[51] Margaret E. Dewar's analysis concluded that politicians feel a political imperative to pursue "immediate, short-term, visible projects," but tout those successes without regard for whether those jobs would have been created anyway.[52] This is why so many economists conclude that state and local economic development projects yield little economic benefit and only help the incentive recipients. On balance, the competition to bring jobs to cities and states harms the economy. The winners and losers might be a bit different absent these tax abatements, but nationwide, there would be more winners and fewer losers if the competition ended.

Bold claims about the number of jobs that will be created by a particular subsidy also tend to turn out false. A 2002 study of Connecticut development programs found that 41 percent of subsidy recipients *cut* jobs, and that incentives only "created" 9 percent of the jobs that had been promised.[53] A survey of states' own audits of their economic development policies found that states generally do not even collect enough data to attempt to verify that promised jobs are eventually created, and that in the few cases where sufficient data exists, there is little evidence that the subsidies improved economic conditions in the states.[54] Everyone would be better off if individual states and cities would stop trying to attract endless quantities of jobs and people, instead leaving location decisions to be made based on other factors.

Extorting Taxpayer Dollars

Greg LeRoy's The Great American Job Scam quotes a former construction executive who explains how companies extort cities into giving large tax breaks for jobs that they would have created anyway:

" …we decided very early in the game we were going to locate somewhere in the Winston-Salem/Greensboro area and narrowed it down to Kernersville rather rapidly; but spent a lot of time in Siler City and Asheboro and other communities hearing their story, primarily to use as a leverage to get all we could out of Winston-Salem… in Dickson, Tennessee, we had about ten west Tennessee municipalities chasing us with all kinds of offers; although we knew through the whole process it was going to be Dickson. And it was unfair and probably, as bad as it sounds, we used the others to get what we could out of where we were going in the first place….you know, I've been around it a long time; but to me it's the process. Usually, you know early where you are going, and you use your leverage to get the best deal."[55]

The Growth Machine

Economic evidence demonstrates that population growth and economic wellbeing are unconnected, and that there is an association between increasing the size of a community's population and lower incomes in that community. Why, then, do communities continue to see "creating" (redistributing) jobs in their state as an economic development goal? Many argue that local governments' fixation with attracting more jobs and people is a result of some sort of free market process, and that citizens must want growth. This could not be further from the truth. The vast majority of Americans are concerned about population growth in their communities — in a 2006 Gallup poll, 77 percent of Americans responded that they believe population growth is a problem in the U.S., and 67 percent believed it would become a problem in their area in the future.[56] Such a high degree of agreement is difficult to come by. Unfortunately, most Americans have little information about the harmful effects of population growth, and the average person's incentive to act against population growth pales in comparison to the financial rewards that await special interests. As a result, politicians are able to win over special interests *and* unsuspecting voters by claiming to have won the interstate competition to "create" jobs.

Harvey Molotch coined the term "growth machine" to describe local governments' tendency to value population growth over the public good.[57] Within every community, there exists a segment of financial interests that unquestionably benefits from population growth. These actors have strong incentives to participate in politics and promote pro-growth policies, regardless of how the community is affected.[58] When the population grows, construction companies can build new homes and realtors can sell those homes. Landholders on the growth periphery can charge high prices, and local financiers can make loans to support the projects. The business interests that compose the local Chamber of Commerce will have a larger market for their goods — especially the affiliates of large corporations, who have an easier time competing (and undermining small businesses) in a larger market due to factors like shared advertising, cut-rate prices, and political influence at all levels. As James Clingermayer observed, local financial elites "seem to be most successful in accounting for the adoption of policies that are relatively visible, involve direct government action, and which appear to offer concentrated benefits to a rather select number of beneficiaries."[59]

Regardless of how population growth affects average citizens, these interest groups have a strong incentive to organize and use their political clout to push for it. And they do. One analysis found that "the observed relationship conforms closely to the Molotch predictions, that is, the greater the power of business in the community, the higher the levels of local [population] growth."[60] The same analysis found that politically powerful business communities were associated with higher taxes and unemployment. This confirms other findings that growth machine interests push growth to their advantage alone, harming the community economically and environmentally while increasing tax burdens. Pack found that the percent of a city's economy represented by the finance, real estate, and insurance industries was a good predictor of population growth for every time range included in her analysis.[61] Population growth is not connected to improving overall living standards, but it is linked to the size of the narrow

special interests that benefit from it. These groups promote the myth that population growth is necessary at everyone else's expense.

Powerful local financial interests use their political clout to promote subsidies, land-use ordinances, infrastructure projects, transportation grants, and other public policies that incentivize population growth.[62] The larger a city grows, the more houses there are to be constructed and sold, transportation and utility infrastructure there is to build, land to sell and develop, and loans to finance. This is why local financial interests have such a powerful incentive to participate in local politics, and why they throw their money and weight behind the idea that a community's population should grow. So long as the overall size of the economy grows, these entrepreneurs have little reason to care about the social and environmental costs of growth, or whether the jobs created will improve the community. Instead, they favor their own financial interest. The potent combination of the "job creation" myth and special interest cash helps sell the idea that communities must grow or die. The average taxpayer pays for the subsidy, but reaps no economic benefits. Instead, average citizens bear the costs of growth, while a few elites take the subsidy-inflated profits. The insiders win, and the average person loses.

The disconnect between local "economic development" policies and economic welfare is a classic collective action problem, one of the fundamental challenges in contemporary political science. When cities and states increase their overall size by drawing in as many jobs (and people) as possible, a small group of financial interests benefits, while the vast majority of community members bear social, environmental and economic costs. Because the harm is spread out over the whole community, most individuals who are harmed do not have enough incentive to act. By contrast, because huge profits are at stake for the narrow faction, it will use its money and political clout to push for population growth. In other words, the few who stand to gain from population growth influence the system to the detriment of the whole community. As Logan and Molotch explain, "the people who use their time and money to participate in local affairs are the ones who — in vast disproportion to their representation in the population — have the most to gain or lose in land-use decisions."[63] Since the losses are spread out over the community, the interests that benefit from growth participate in vast disproportion to the rest of society, which suffers the consequences.

Elite special interests propagate the myth that population growth will benefit the whole community, when in fact, only the special interests benefit. This imbalance of power exists all over the country, and it harms almost everyone's economic wellbeing.

The Social and Environmental Cost of Growth

Economic factors alone should motivate Americans and policymakers to take a long look at their assumptions about population growth, but the addition of social and environmental factors makes it overwhelmingly apparent that all levels of the U.S. government should cooperate to cut off their destructive addiction to population growth. Not only does population growth not result in economic wellbeing, but it brings a host of environmental problems.

Misinformation: Good for Special Interests, Bad for People

Professor Daniel Warner explains that real estate and development interests promote false conventional wisdom about population growth because it helps them make greater profits.

"The public is told that 'growth is good,' even if it is not for most people. Planners and, in many cases, environmentalist professionals come to believe that growth is good, or at least inevitable and fruitless to resist—even if it is not and even if such a belief will, in time, become manifestly obviously mistaken."[64]

It is often assumed that population growth brings intrinsic cultural benefits to a community, but indicators of peoples' satisfaction with their own communities reveal no such trend. In smaller communities, people may be more likely to attend a high school basketball game than a professional one, but nothing about that difference makes people in the large communities happier. Small towns may not have large convention centers or theaters, but they do have easy access to open space and lack stress-inducing traffic. The evidence clearly demonstrates that there is more to community satisfaction and culture than the presence of high-profile entertainment. In fact, even shrinking cities that manage their decline are able to maintain high perceptions of quality of life among their residents.[65] Justin Hollander found that perceptions of neighborhood quality actually fared better in shrinking cities than in growing ones, though the difference was not statistically significant.[66] In Germany, where much more robust data is available on local quality of life than in the U.S., shrinking cities were not any less happy and actually outperformed growing cities in some categories.[67] Gallup polling has found that residents of smaller cities are prouder of their communities and more likely to recommend them to others.[68] Smaller communities lead the way in indicators closely tied to community characteristics like job satisfaction, stress, and feelings of safety.[69]

Population stability will also be necessary to preserve quality of life for future generations. Since 1900, total energy use and resource extraction has increased by more than tenfold.[70] The world population has quadrupled since 1900 and nearly tripled just since 1950.[71] At no time in human history have natural resources been used at even close to this rate. One publicized estimate says that people are already using 50 percent more resources per year than the planet can regenerate, meaning that even our current resource use is unsustainable.[72]

Unfortunately, some get too caught up in the specifics of projections to see the forest through the trees. The important point is this: in the long term, it will be impossible for an increasing number of people to continue to use ever-more resources, regardless of exactly when or how the scarcity manifests itself.

Even if scientists underestimate Earth's capacity by half, and people have not yet started using more resources than the planet can sustain, we are still hurtling toward that point. Ignoring environmental risks just because they *might* not happen as quickly or severely as some predict is a selfish, irrational, and irreversible gamble. Achieving a sustainable population is a critical step to preserving the long-term livability of our planet.

Basic Math: Population Matters

TOTAL RESOURCE USE = POPULATION X CONSUMPTION

Resource use is equally determined by two elements: the number of resources used per person, and the number of people using resources. If we only focus on one side of this equation, we are guaranteeing severe consequences in the future. Unfortunately, the role of population growth is virtually ignored by the mainstream media,[73] and is even downplayed by mainstream environmental organizations. Population growth will continue to undermine conservation efforts until it is treated as an equal and serious part of the problem. Population increases cannot be sustained forever, and what evidence exists suggests that we have already surpassed the earth's long-term sustainable resource capacity. Even if population growth were a desirable economic development goal, which it is not, the long-term environmental consequences of failing to balance population growth will be even greater. Recently, increased food and gas prices have given Americans a small taste of what happens when commodities become scarce. If the population issue continues to be ignored, the environmental consequences will become much greater in the future.

Those who argue that we should allow the free market to find solutions to resource scarcity evidently do not consider how this process would work. By the time market signals generated by scarcity introduce sufficient incentives to force people to change their over-consumptive habits, environmental damage will have become too severe to support a smooth transition, and considerable pain will be inflicted. Prices will skyrocket and living standards will decline as non-renewable commodities are depleted. More and more nations will be drawn into conflicts over basic resources like water. Already, such conflicts occur in resource-poor or disadvantaged countries that cannot afford to import basic necessities. There are simply not enough resources to go around. Governments need to act before these problems become more evident in the everyday lives of developed countries' citizens, because by then, it will be too late. A responsible population policy, a central component of total resource use, is a critical first step.

Americans are already experiencing the consequences of uncontrolled population growth and resource use, which will only be magnified as population increases. The continually growing population has forced Americans to resort to ever more dangerous methods of energy extraction, as evidenced by health concerns over hydraulic fracturing and incidents like the April 2010 BP oil spill. Each day, about 6,000 acres of open space are lost in the U.S.,[74] each development intensifying resource use and diminishing the earth's regenerative capacity. Traffic congestion has increased dramatically since 1982: the average

yearly delay per commuter has more than doubled, and the costs of congestion per commuter have nearly tripled.[75] Water shortages that were once confined to western states now occur all over the country, and increasingly expensive and energy-intensive techniques are being adopted to keep pace with growing demand and the resulting pollution.[76] The U.S. has significantly improved water conservation efforts since the 1980s, but the increased population has nullified the effects of these efforts, leaving total water use about the same.[77] As a result, the U.S. continues to use water at an unsustainable rate and ground water levels have been reduced by hundreds of feet in populated areas all over the country, undermining the long-term viability of our water supply.[78]

Some have claimed that because population growth is a global problem, policies to prevent overpopulation in the United States are shortsighted or even unethical. Any such argument is wishful thinking at best, and ignores basic facts about the environment. In the first place, local environmental damage should be of great concern to Americans, as the loss of open space, traffic congestion, water supply depletion, water and air quality degradation, and many other factors increase with the population. Some forms of environmental degradation are global issues, but Americans live in America's environment. To the extent that environmental problems are global, however, it is just as important that the U.S. lead by example and work toward population stability.

By almost any measure, the U.S. is the global leader in resource use per capita, making it all the more important for the U.S. to work towards population stability. It is illogical for anyone who cares about the environment to argue that the U.S. should not limit population growth. How could the U.S. assume leadership on this important environmental issue without managing its own population? Anyone who claims to be an environmentalist should take the population issue seriously. For the sake of short- and long-term quality of life on this planet, every country has a responsibility to address population matters.

Conclusions and Recommendations

Despite the fact that simply adding jobs to a local economy does nothing for the average person and may even cause them harm, state and local politicians continue to bow to special interest pressure to increase the size of their community. Because many people take it for granted that population growth is good and that politicians are "creating jobs," municipal and state governments enact policies that seek to expand the community's labor force without bringing benefits to the average citizen. A few special interest elites accrue almost all of the short-term economic benefits, leaving the communities to deal with the economic, environmental, social and budgetary costs. Worse, the wrong-minded pursuit of population growth has also resulted in cities and states competing over jobs, damaging budgets and generating economic inefficiency. Clearly, U.S. cities and states should shake their addiction to population growth and make increased living standards the focus of their economic development strategies. Instead of trying to boost the sheer number of future residents, politicians should look out for the economic prosperity and wellbeing of their citizens.

- Economic development policy on the local, state and national level should be assessed on the basis of how it affects overall quality of life, and only on that basis. In practice, this means that politicians should focus on indicators of economic wellbeing and environmental protections. Many economists recognize that the Gross Domestic Product (GDP) is not an adequate measure of wellbeing. While it is difficult for any one measure to capture quality of life components, the Genuine Progress Indicator is a metric that economists started to develop in the 1990s and which takes into account ecological concerns. Most importantly, citizens should demand that elected officials consult the community on any planning decision. The growth industry can only be neutralized by organized citizens who exercise their rights to determine their own development policies.

- Because immigration drives the vast majority of population growth, it should be limited. The Pew Research Center has estimated that 82 percent of the population increase between 2005 and 2050 would be due to immigrants and their U.S.-born descendants.[79] Current patterns of growth would not be possible without mass immigration into the United States and no discussion on sustainable economics is possible without immigration policy at the center of that discussion.

- States and local governments should enter into agreements not to offer relocation subsidies to businesses, for the mutual benefit of the business community and the American people. The dominant model is inefficient and harmful, and should be replaced by economic development programs that put quality of life ahead of growth in numbers.

Appendix A

COUNTY-LEVEL ANALYSIS OF POPULATION GROWTH'S ASSOCIATION WITH INDICATORS OF ECONOMIC HEALTH 1990–2010

To test the relationship between population growth and other indicators of economic health, this report uses county-level data from the Census Bureau and Bureau of Labor Statistics on population, per capita income, unemployment and poverty.[80] All counties that were not included in every data set were eliminated, leaving 3,133 counties. Using STATA, correlations were computed for the relationship between population growth and the three indicators of economic health. Relationships were tested for the 1990s, 2000s, and for the two-decade period. For the end of the 2000s period, the most recent available data were used: 2010 unemployment data, and poverty and income data from the 2005-09 American Community Survey 5-year estimates.

The results indicate that population growth has very little relationship to most economic indicators. The largest r2 value was 0.0414, meaning that for every indicator, population growth predicted no more than 4.1 percent of the variance in that indicator over the specified time frame. Although every result was statistically significant at the .01 level, the results mainly illustrate that on the whole, population growth has little to do with per capita income, unemployment, or poverty rates. This is emphasized by the fact that for 9 of the 12 relationships examined, the constant had more explanatory power than the variable tested. The results are consistent with the literature, which generally finds either that population growth has no relationship to the indicators of economic health, or that small and undesirable associations exist between local or state population growth and indicators of economic wellbeing. Ten of the 12 tested relationships showed that population growth is associated with undesirable economic outcomes: higher unemployment or poverty rates, or lower incomes.

VARIABLES	(1) UNEMPL'T 1990-2000	(2) UNEMPL'T 2000-2010	(3) UNEMPL'T 1990-2010	(10) UNEMPL'T 2000-2010	(4) INCOME 1989/1990-1999/2000	(5) INCOME 1990/2000-2005/2009	(6) INCOME 1989/1990-2005/2009	(11) INCOME 1990/2000-2005/2009	(7) POVERTY 1989/1990-1999/2000	(8) POVERTY 1990/2000-2005/2009	(9) POVERTY 1989/1990-2005/2009	(12) POVERTY 1990/2000-2005/2009
POPULATION 1989/1990-1999/2000	-0.0124 *** [-5.401]			0.0453 *** [16.78]								
POPULATION CHANGE 2000/2010		0.0393 *** [11.67]										
POPULATION CHANGE 1990/2010			0.0149 *** [10.33]									
POPULATION CHANGE 1989/1990-1999/2000					0.0870 *** [5.791]			-0.175 *** [-12.28]	0.00511 [1.354]			0.0194 *** [5.302]
POPULATION CHANGE 1999/2000-2005/2009						-0.207 *** [-9.646]				0.0233 *** [4.262]		
POPULATION CHANGE 1989/1990-2005/2009							-0.0788 *** [-5.392]				0.0151 *** [5.468]	
CONSTANT	-0.0164 *** [-36.45]	0.0463 *** [96.94]	0.0279 *** [51.93]	0.0433 *** [82.16]	0.571 *** [194.6]	0.273 *** [114.8]	1.011 *** [209.3]	0.287 *** [103.2]	-0.0346 *** [-46.95]	0.0119 *** [19.55]	-0.0238 *** [-26.12]	0.0103 *** [14.46]
OBSERVATIONS	3133	3133	3133	3133	3133	3133	3133	3133	3133	3133	3133	3133
ADJ. R-SQUARED	0.00892	0.0414	0.0327	0.0822	0.0285	0.00888	0.0285	0.0457	0.000266	0.00545	0.00914	0.00858

T-STATISTICS IN BRACKETS

* POPULATION<0.10

** POPULATION<0.05

*** POPULATION<0.01

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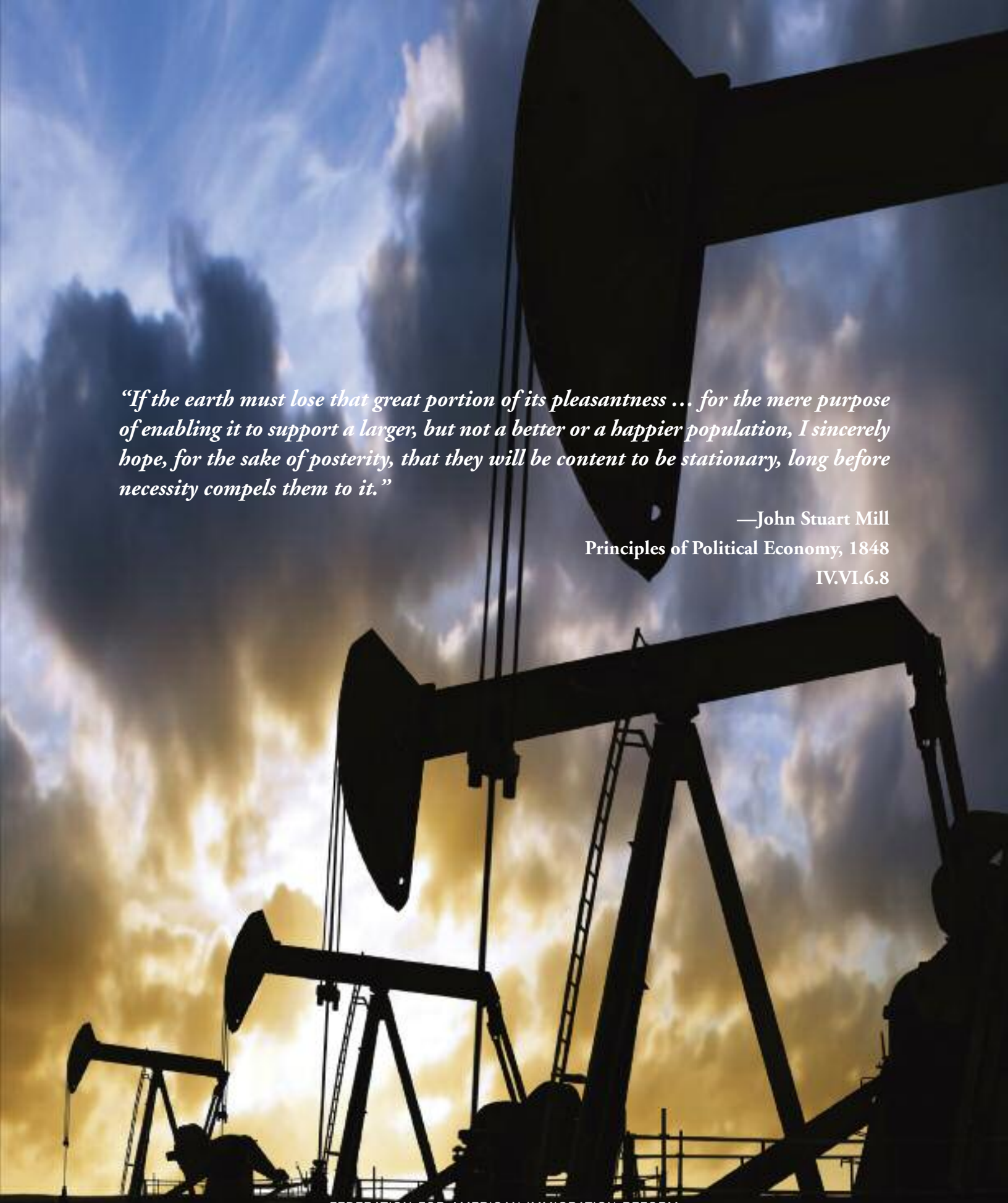

"If the earth must lose that great portion of its pleasantness … for the mere purpose of enabling it to support a larger, but not a better or a happier population, I sincerely hope, for the sake of posterity, that they will be content to be stationary, long before necessity compels them to it."

—John Stuart Mill
Principles of Political Economy, 1848
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