

Introduction: the Attack of the Reverse-Malthusians

In recent years, there has been much doomsaying about potentially falling population levels in the developed countries by people who are essentially ‘reverse-Malthusians’—that is, they predict societal disaster if population does **not** continue to rise. Without an influx of immigration, the argument goes, the aging of existing population will cause an imbalance in the relative size of the non-working population versus the working population, that is, the so-called dependency ratio. Dystopian visions of societies bankrupted by too many elders being supported by too few youngsters have been used to frighten people into accepting mass immigration as a necessary evil. Take, for example, this pronouncement from a major national newspaper columnist:

“And while Europe is committing suicide, what happens to the United States? Here the fertility rate is barely at replacement level. But we are saved—by immigration. ... Immigrants are our future. We owe a duty to them—and to ourselves as a nation—to make them American as quickly as possible. We’d better. Immigrants are the magic cure—the American cure—for the birth dearth.”¹

But this attempt to justify mass immigration by playing on economic insecurity is disingenuous, as a look at the numbers shows.

The demographic problem in the developed countries may very well be exaggerated.

It is true that over the next fifty years, the population in many European countries will begin to drop off to a lower level. But the assumption that this shift will necessarily lead to severe disruption may be unwarranted:

The problems posed by demographic aging in developed countries have been overstated and “the transition to an older population will be gradual enough to allow time to plan. The importance of the shift in the so-called ‘dependency ratio’ is exaggerated because ‘dependency’ is unsatisfactorily defined. Nor is there clear evidence that as more people live to be older, health and social service costs will rise accordingly: people are remaining fit to later ages and there is strong evidence that they can continue to make a positive contribution to the economy as workers and as consumers until relatively late ages. Social services can also be redesigned to maximize the independence of the elderly while minimizing costs.”²

If there is a problem, it is European one, not an American one.

While Europe may face a problem with a declining population, the United States does not. In some European countries, most notably Italy, rapid drops in population due to decreased fertility and low immigration rates may create a ‘pothole’ in the transition to a lower, more stable population. But the U.S. population is not going to drop or even level off. In fact, the U.S. will

have a rapidly climbing population for the foreseeable future. As the Alan Guttmacher Institute for population research pointed out:

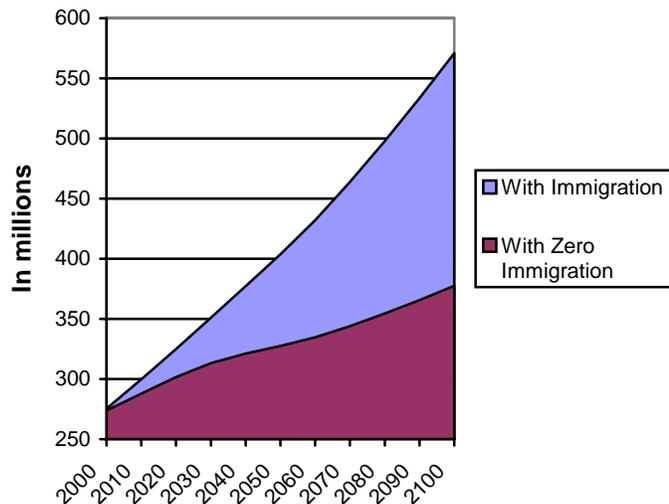
“Total fertility rates in all 10 populations [France, Germany, Italy, Japan, Korea, Russia, UK, US, Europe, and the EU] will rise slightly but will remain below replacement level through 2050. Most of these populations will begin to drop before then, and the declines within the next 50 years may be dramatic—28% in Italy, 17% in Japan, and 14% in Europe overall. The exception is the United States, whose population will keep growing, because fertility is near replacement level and the number of arriving immigrants is expected to remain high (about 760,000 a year).”³

The UN Population Division confirms the Guttmacher Institute’s estimations. In its report, *Replacement Migration: Is it a Solution to Declining and Ageing Populations?* (March 21, 2000), the UN points out that the United States takes in more immigrants, even on a per capita basis, than other countries (5 times more immigrants per capita than Europe as a whole, and 25 times more immigrants per capita than France and Italy, for example).⁴ In the next fifty years, the populations of the United Kingdom, Germany, Italy, Europe alone, the European Union, Japan, Russia, Bulgaria, Estonia, all will drop anywhere from 5 to 30 percent.⁵

In the United States, however, our population will grow by 25 percent.⁶ Clearly, the situation in the United States, where the Census Bureau projects the population will have increased 50 percent in the next 50 years and 100 percent in the next 100 years,⁷ is not comparable to the situation in other developed countries (the exception being Ireland, whose population will increase by one quarter over the next fifty years).

In fact, such is the inertia behind continued population growth in the United States, that we would still have a rising population without the added push of immigration. According to Census Bureau projections, even if the U.S. received zero migration for the next 100 years, the population would still be rising. Without adding any more people through immigration, the U.S. population, solely through the inertia of natural increase, would increase 20 percent over the next 50 years, and 38 percent over the next 100 years (see graph).

U.S. Population Projections



The Social Security solvency scare is just that: a scare.

In the U.S., the argument that immigration is the perfect antidote to the “disease” of less population growth often takes the form of “the need to prop up the Social Security system.” Since

the on-going viability of the Social Security system is a topic about which many Americans are already insecure, it has become a useful cudgel for those who want to silence any opposition to the mass immigration created by present immigration law.

But there are much simpler and efficient ways of handling the Social Security situation than importing a million mostly poor immigrants a year into our society. Take this suggestion from the trustees of the Social Security fund themselves:

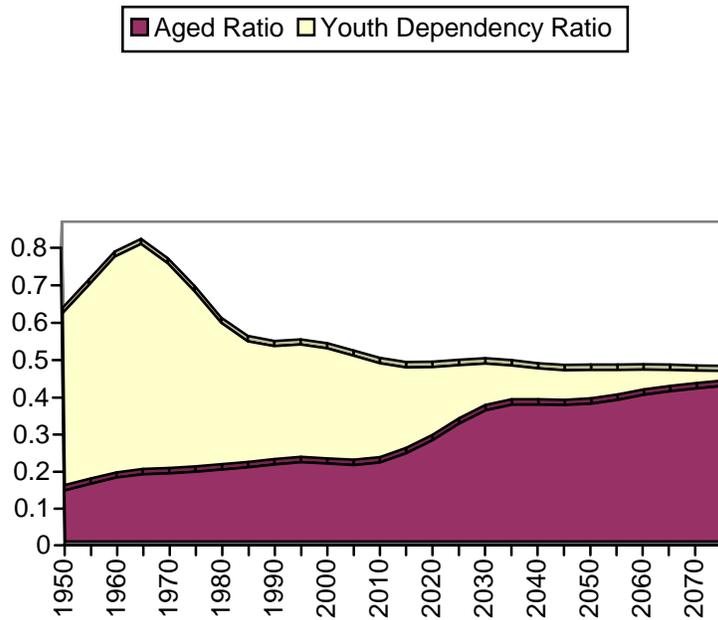
“As to the alleged future insolvency of the funds ... intermediate projections now indicate that by the year 2029 the funds’ assets, which will have grown enormously in the intervening years, reaching \$2.89 trillion in 2018, will be exhausted, and current receipts at that time will cover only about three quarters of anticipated annual expenditures. What most alarmists fail to mention is the observation, in the [Social Security fund] trustees’ report, that an increase in taxes of a mere 2.23 percent of taxable payroll would, by these intermediate projections, keep the funds fully solvent through the year 2070.”⁸

Besides, the Social Security solvency situation can also be solved without raising taxes at all, as several authorities have attested:

“Besides, there are many feasible solutions that require no increase in taxes. For one, policymakers could simply credit the funds with: a) the income taxes now paid as a result of certain Social Security payroll ‘contributions’ not being deductible in computing taxable incomes and b) higher interest returns on the fund balances. The nondeductible Social Security contributions include all payroll taxes on employees and half of the taxes paid by the self-employed. Their total now runs about \$200 billion a year. With income tax rates averaging about 17 percent, crediting the trust funds with the income taxes paid on the nondeductible Social Security contributions would give them an additional \$35 billion this year, about half of the 2.23 percent of taxable payroll that the intermediate projections indicate would be adequate for long-term solvency. Crediting the funds with returns on their asset balances three percentage points more than under current law—about 9.3 percent instead of a project 6.3 percent—would easily make up the rest of the gap. **This entails no change in taxes paid or government borrowing.** It is indeed only an accounting maneuver, but the presumed problem with the trust funds is only an accounting problem to begin with and therefore appropriately solved by changing the paperwork.”⁹

It isn’t that the dependency ratio is rising dramatically, but that its composition is changing.

The number that is used to justify the fears of a graying population is the dependency ratio. Despite all the hype about the unprecedentedly high dependency ratios that will result from the Baby Boomers entering old age, the reality is that in 2070 the dependency ratio will still be lower than it was in 1970. The slight rise in the dependency ratio from 2000 through 2070 is not the issue; the change is minor, from .711 to .84. What is different is the split between the two components of the dependency ratio (the aged dependency ratio and the youth dependency ratio).



The dependency ratio comprises two parts: those who are younger than working age (under 18) and those who are older (over 64). The youth dependency ratio, then, is the ratio of the number of people under working age to the number of people in their working years, and the aged dependency ratio is the ratio of those over working age to those in their working years.

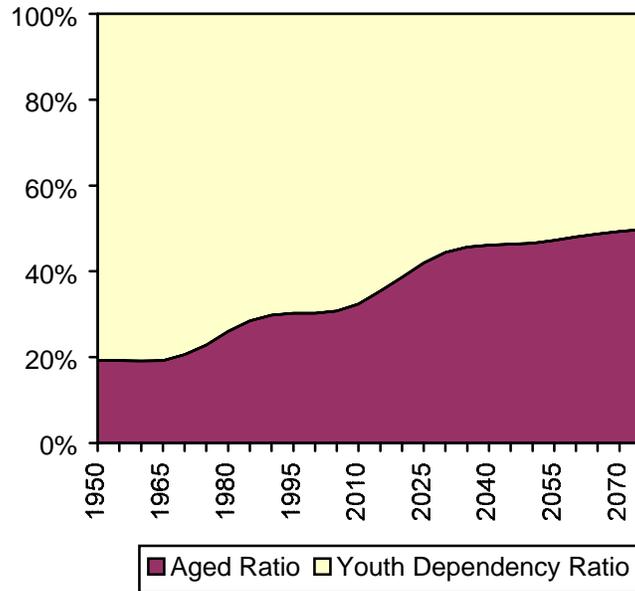
Since 1970, the aged dependency ratio has grown as the youth dependency ratio has fallen off, a natural effect of a demographic transition out of a high fertility era (see graph). As a specialist in the demographics of aging pointed out, it all tends to even out:

“What are the effects of this demographic transition on the population age distribution? ... Eventually fertility begins to decline, and the child dependency ratio then goes through a prolonged period of decline and finally the old age dependency ratios begins to pick up in earnest because of the fertility decline. We then have this really quite dramatic increase in the old age dependency ratio matching a dramatic decline in the youth dependency ratio. We end up with a higher proportion of elderly than of kids. We are getting close to that point in the U.S. ... [The] total dependency ratio is ending up at about the same place where it started.”¹⁰

This means that, over the last 30 years and over the next 70, the aged have been and will have been occupying a larger and larger share of the dependency ratio; in 1970, the aged constituted only 20 percent of those in the total dependency ratio, whereas they will constitute almost 50 percent of the total dependency ratio in 2070 (see graph).

The change in the composition of the dependency ratio is a good thing, not a danger.

Shifting Composition of the Dependency Ratio



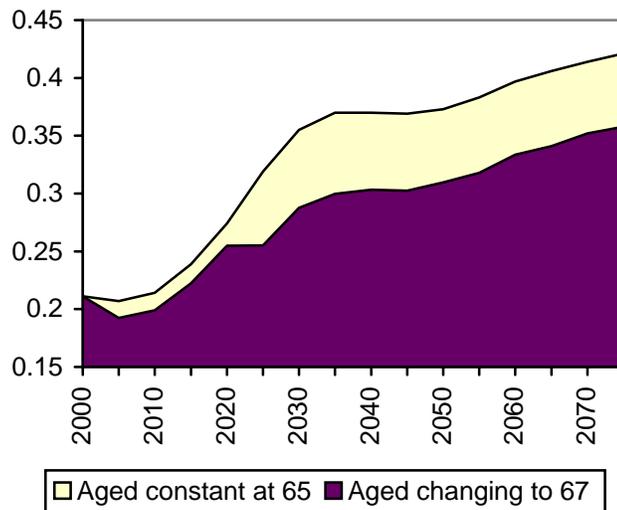
Over the next 70 years, a much larger share of those who are ‘dependent’ will be over 64 rather than under 18, and that is a positive – not negative – development.

Only a very small portion of the under 18 population are financially independent. As a rule, children are nearly entirely dependent on their parents (or the American taxpayer) for support, food, lodging, and medical care. Youth also generate one of society’s heftiest expenses: education. In 1996, education alone constituted 29 percent of all state and local government expenditures.

Thus, the cost of the dependent youth is much greater than the cost of the aged component; the principal cost of the aged is medical, and state and local governments spent only a tenth as much on all of healthcare as they do on education.

Those over 64, after all, are ‘dependent’ only as part of a traditional definition. The reality is that people are not simply living longer, the vitality of their years has increased as well. Only a portion of 65 year olds are “dependent” on society; many continue to work or support themselves through their investments and savings. As people become healthier with each generation and with advances in medical science, it is reasonable to

Changing the Eligibility Age for Social Security



believe that people will remain productive much longer than they used to.

Given that older people will be healthier and more productive (and therefore less of a burden) than before while the young will be just as dependent (and expensive) as ever, the news that an increasing share of those in the dependency ratio will be older rather than younger should be viewed as a boon, not a burden.

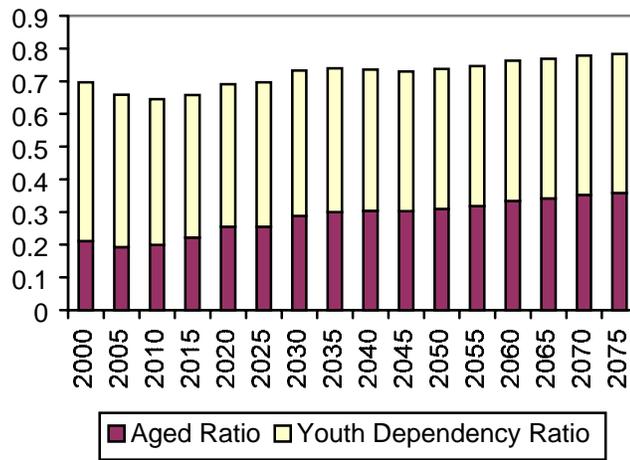
The planned lift of the normal retirement aged is a reflection of this trend. By 2022, normal retirement age will be set at 67. This will reduce the aged dependency ratio (see graph, previous page). As a result, the total dependency ratio will have barely changed at all by 2070 (see graph at right).

Immigration certainly won't help the age structure of the population.

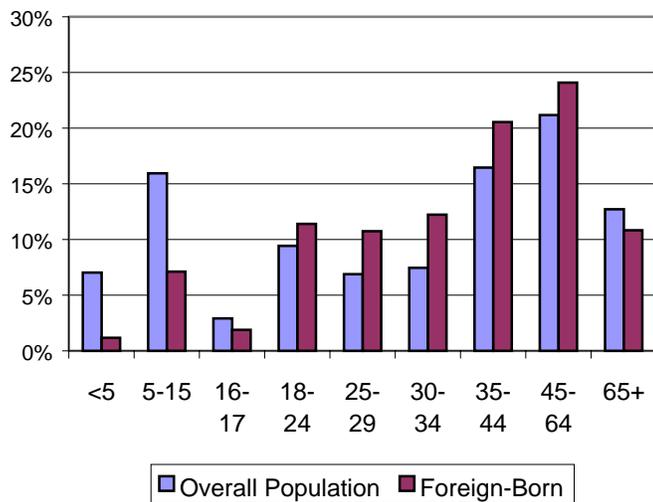
Furthermore, even if the dependency ratio (even just the aged dependency ratio) were a concern, immigration would hardly be an effective response. While immigration has important long-term effects on population growth, it does not have a large impact on the age-structure of the population. In other words, having immigration doesn't make a world of difference to the changing dependency ratio.

According to the UN Population Division's Projection Branch, without any immigration at all between 2000 and 2050, the aged dependency ratio in the U.S. in 2050 would be .389. But having high immigration like we have now will barely make any difference in lowering the dependency ratio; continuing under present immigration policy, the U.S. will still have an aged dependency ratio of .355 in 2050—a difference of .034, which is only 8.7 percent. This 8.7 percent difference hardly justifies high immigration as a 'magic cure' for the country's dependency ratio.

Stable Dependency Ratio Under New Eligibility Age



Comparative Age Structures



This should not be surprising, given that, contrary to popular opinion, the age structure of the foreign-born population is not substantially younger than that of the overall population. In fact, if anything, the foreign-born aged structure is skewed toward the older end of the spectrum (see graph).

In fact, simply changing the age of eligibility for Social Security (which effectively begins the ‘age of dependency’ in the United States) from 65 to 67—a change which is already planned and anticipated by law—will reduce the aged dependency ratio in 2050 by .068. That change dwarfs any effect that immigration might have on the aged dependency ratio. Although eliminating all immigration would increase the aged dependency ratio in 2050 by 9 percent, just changing the dependency age to 67 will reduce it by 22 percent. In other words, we could ‘afford’ to reduce immigration to zero and still tame the aged dependency ratio by a slight shift in the age of eligibility.

Remember, the Social Security Act, with its eligibility age of 65, was passed in 1935, when life expectancy was 61.7 years. Life expectancy is now 76.4 (projected to increase to 77.4 by 2010). That’s an increase of 24 percent. Yet, in that time, Social Security’s eligibility age was not been raised correspondingly—or at all. The small rise in the age of eligibility is well within the bounds of the systems traditional functioning and makes a world of difference in the aged dependency ratio.

High immigration won’t solve the dependency ratio problem and will enormously increase our population.

Given all this, it’s not surprising that the U.S. Census Bureau’s Population Projection Branch has rejected the idea that immigration is a useful tool for changing the dependency ratio:¹¹

“The long-term spread in the dependency ratio between high and low [immigration scenarios] appears comparatively modest, and changed very little over the last 70 years of the projection period. This is explained by the fact that many of the larger numbers of annual migrants entering under the high assumption have dependent children and ‘age out’ of the working life span during the period of the projections, thereby reducing the difference in the dependency ratio. The differences in population are indeed stark, with the high-migration assumption yielding nearly **double** the population produced by the low-migration assumption in 2100. **International migration may address a high dependency ratio decisively in the short term, yet is highly inefficient in reducing it over the longer term—especially if considerations of population scale, as well as age composition, are taken into account.**”¹²

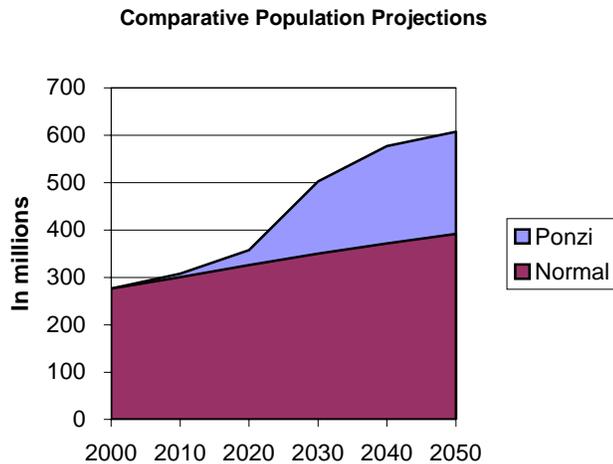
Translation: immigrants get old, too, so they will simply make the problem that much larger when the time comes. Having **high immigration** like we have now doesn’t significantly change the age structure of the population, but it **does significantly alter the overall size of the population** (creating a whole different set of problems). As an expert on the demography of aging explains it:

“If you look at immigration from the point of view of this macro-picture, immigration does not make very much difference. That is, if you vary the amount of immigration in line with the kinds of scenarios the Census or Social Security uses, everyone’s middle

immigration assumption is about one million net immigrants per year or 900,000 per year. If you varied that, say, between 700,000 or 1.3 million you would get maybe a 10 percent difference in the old age dependency ratio out here [at 2070]. That is, instead of being .3, it might be .27, that kind of variation. It is not big. **When the immigrants come, they get old like everyone else and they enter the numerator instead of the denominator. The only way you can really get a permanent effect out of immigration is if you have not just high immigration but exponentially increasing numbers of immigrants...**¹³

In other words, the only way of using immigration to affect the age structure is to enact a Ponzi scheme, bringing in more and more immigrants every year to compensate for the increasing larger cohorts as they age.

Although the fruitlessness of such a scheme is patent, an illustration of its results is still worth making. It has been calculated that to maintain an aged dependency ratio similar to the present one, the United States would have to admit more and more immigrants every year, until the population in 2050 would be 607 million—that's more than twice the present population and more than 50 percent larger than the population would be under present circumstances (see graph).



The possibility of endless growth is in fact what should concern us.

The graph above shows only the projection out to 2050; as in any Ponzi scheme, the numbers required to keep it going get exponentially larger with each year. This and any scheme dependent upon an ever-increasing population is headed for an eventual crash. All economies are based upon the stability of the natural environment that supports them and their members. Allowing population to lower itself and level off naturally is not “suicidal” as some have charged. But economic policy that leads to population growth that erodes the environment that sustains both economy and society is suicidal:

“In the United States, our central problem is not the dependency ratio, which is 52 percent now and is likely to be just under 70 percent in 2050—just a little above the level in 1960. Our problem is population growth and the environmental burden our consumption habits impose on the entire world. We are passing 275 million now and seem likely to pass a half billion around 2050. Because of the higher fertility of most immigrants, our fertility is rising, not stable; the Census Bureau medium projection shows a rise from 2.07 now to 2.24 in 2050, which is a prescription for endless growth.”¹⁴

Now is the time not to scheme how to generate endless population growth, but rather to adapt to a stable population:

“To fear an end to population growth is to fear the inevitable. And in all likelihood nations can adjust to stable or even gradually shrinking populations, and the aging that accompanies them, more easily than nations can indefinitely manage water scarcity, food insecurity, or human-induced biodiversity loss and climate change that grow more acute with each passing decade.”¹⁵

¹ Charles Krauthammer, “Immigrants are America’s Solution to ‘birth dearth’,” *Washington Post*, July 19, 1998.

² Pat Thane, “The growing burden of an ageing population?”, *Journal of Public Policy*, Vol.7 No. 4, Cambridge, England (1987).

³ Alan Guttmacher Institute, “Large Immigration Flows Could Help Offset Declines in Developed Populations”, *Family Planning Perspectives*, June 2000.

⁴ UN Population Division, *Replacement Migration: Is it a Solution to Declining and Ageing Populations?* (March 21, 2000), Table IV.6.

⁵ Many factors will likely converge to lessen the impact of the drop in population: changes in the social support systems, increased productivity of workers, a rise in the average age of retirement consistent with increase life expectancies.

⁶ UN Population Division, *Replacement Migration: Is it a Solution to Declining and Ageing Populations?* (March 21, 2000), Figure I.1

⁷ U.S. Census Bureau Population Division, Population Projections Branch, *Population Projections of the United States: 1999 to 2000*, January 13, 2000.

⁸ Robert Eisner, *The Great Deficit Scare*, from the Century Foundation, August 1997.

⁹ Robert Eisner, *The Great Deficit Scare*, from the Century Foundation, August 1997.

¹⁰ Ronald Lee, Director of the Center for the Economics and Demography of Aging, University of California (Berkeley), *Public Costs of Long Life and Low Fertility: Will the Baby Boomers Break the Budget?*, November 19, 1997.

¹¹ The United Nations, by the way, has also rejected the idea of using immigration to alter the age structure, even in European countries. The same UN report that is being cited as ‘support’ for mass immigration says, in fact, that “maintaining potential support ratios at current levels through replacement migration alone seems out of reach, because of the extraordinarily large number of migrants that would be required.” UN Population Division, *Replacement Migration: Is it a Solution to Declining and Ageing Populations?* (March 21, 2000).

¹² U.S. Census Bureau Population Division, Population Projections Branch, *Methodology and Assumptions for the Population Projections of the United States: 1999 to 2000*, January 13, 2000.

¹³ Ronald Lee, Director of the Center for the Economics and Demography of Aging, University of California (Berkeley), *Public Costs of Long Life and Low Fertility: Will the Baby Boomers Break the Budget?*, November 19, 1997.

¹⁴ Lindsey Grant, *The Wrong Apocalypse*, from *Negative Population Growth*, August, 2000.

¹⁵ Population Action International, *People in the Balance: Population and Natural Resources at the Turn of the Millennium*, 2000.