In 40 Years, U.S. Will Be Less Populous—and More Prosperous—Than Expected

By Martin Hutchinson *Tue, Dec 28, 2010*

A slower rate of population growth in 2010-2050, suggested by the recent census, implies a generally richer 2050, with higher per capita income growth and better opportunities at the bottom of the earnings pyramid, both unalloyed blessings, says Martin Hutchinson of prudentbear.com.

The Census Bureau issued the first results of the 2010 Census this week, showing that the U.S. growth in population in 2000-2010 was only 9.7%, the lowest decennial growth since the 1930s and the second lowest on record. This has modest if beneficial effects on our understanding of where the United States is today. However it has much more important effects on what kind of United States we will see in 2050.

There is a “consensus” view of the United States in 2050, based partly on multi-culturalist wishful thinking and partly on extrapolation of the 13% population growth of the 1990s. In that case the United States would have become “majority minority”—a prediction that first appeared in *Time* magazine after the 1990 census and has been repeated ad infinitum since.

The new census result blows such predictions out of the water. We can [now] project forward from 2010’s actual number [and] get a U.S. population in 2050 of a mere 333 million. That intuitively seems far too low, but with immigration law enforcement likely to tighten at least in the short term, a 2050 population of below 400 million certainly now looks plausible, with the demographic split only moderately changed from today’s.

Ignoring the social effects of changing demographics, the economic effect of a lower population growth rate is very considerable, and mostly positive. First, with only 90 million new inhabitants in the next 40 years compared with the previous estimate of 130 million plus, only two-thirds of the projected expenditure on schools, roads, housing, government offices and other infrastructure will be needed, saving perhaps $500 billion per annum (including housing and schools) in scarce capital resources that can be devoted to more economically productive capital investment in the nation’s businesses.

Second, with 10% fewer people around in 2050, the endowment of land and capital will be 10% greater per capita. In general, that should ensure that real wage rates even for the unskilled cease the unhappy slippage of the past few decades and start to increase again as Joe Sixpak once again claims his fair share of the nation’s ever-increasing output. Even between 2000 and 2010, the 0.1% lower than expected annual growth of population results arithmetically in a 0.1% higher annual growth in real GDP per capita.

A slower rate of population growth in 2010-2050 implies a generally richer 2050, with higher per capita income growth and better opportunities at the bottom of the earnings pyramid, both unalloyed blessings. Slower population growth will also affect education. With overall population perhaps 10% lower than projected, and annual growth maybe a third lower than projected, the resources of the education system will be ample for the needs of the new generation.

This means that low performing schools and in particular low performing colleges can be closed, poor teachers weeded out and resources concentrated on providing the best possible start in life for the modest new cohort – and on providing top quality re-training and education for the ever-increasing number of older people whose career paths have been wiped out by technological change.

There is a growing body of evidence that the massive expansion in college education since 1950 has gone too far, with too many mediocre and useless educational experiences being provided to those ill suited to benefit from them. Return a cohort of 18-22 year olds from community college and sociology courses to the workforce, while expanding education and training opportunities for those in middle age, and economic efficiency and general welfare will be immeasurably increased.

Needless to say, the lower projected population growth does not offer unalloyed benefit. In particular it will make the financial position of the Social Security and Medicare programs more difficult. With fewer young workers funding the costs of retirement and old age care, the actuarial deficits in those programs will increase. Admittedly by 2050 the worst "hump," the retirement and old age of the baby boomers, will be almost past, but the cash flow drain in the 2030-2050 period will be severe.

Two factors will alleviate this problem. First, with a wealthier population containing fewer poor people, the Medicaid program of medical care for the indigent will be correspondingly less troubled, while the subsidy necessary to Social Security and Medicare will be less pronounced. Second the reduced need for infrastructure spending will itself free up additional funding for these programs.

However the most urgent policy need for the programs, made more necessary by the new demographic reality, is to continue the gradual raising of the retirement age beyond its current goal of 67 in 2026. By continuing the current addition of one month of working life per annum, the retirement age (and eligibility age for Medicare, which should rise in parallel) will become 68 by 2038, 69 by 2050 and 70 by 2062. Medicare will then still be in horrendous actuarial deficit until we cut medical costs through tort law reform and other means, but Social Security's problem should by this means be solved.

With the malign 1990s vision of rapid population growth, combined with the unpleasant reality of anemic economic performance as seen in the 2000s, the United States would by 2050 become a teeming melting-pot, with widespread poverty, high taxes to fund frantic infrastructure spending and the overcrowded poly-ethnic young unwillingly paying the welfare costs of the impoverished old. In the new version, with population growth finally under control, the United States of 2050 will be much richer, more harmonious and indeed happier – not a melting pot but a country club.

Martin Hutchinson is the author of "Great Conservatives" (Academica Press, 2005) and co-author with Kevin Dowd of "Alchemists of Loss" (Wiley, 2010). An unabbreviated version of this article appeared at prudentbear.com.