

Population

When I was in high school, I read The Population Bomb by Paul Ehrlich. He told us we were all going to die of starvation if world population continued rising.



Now The United Nations predicts we will see a population decline within a few decades. Some people warn that a population crash will be just as bad as Ehrlich's population bomb. Why?

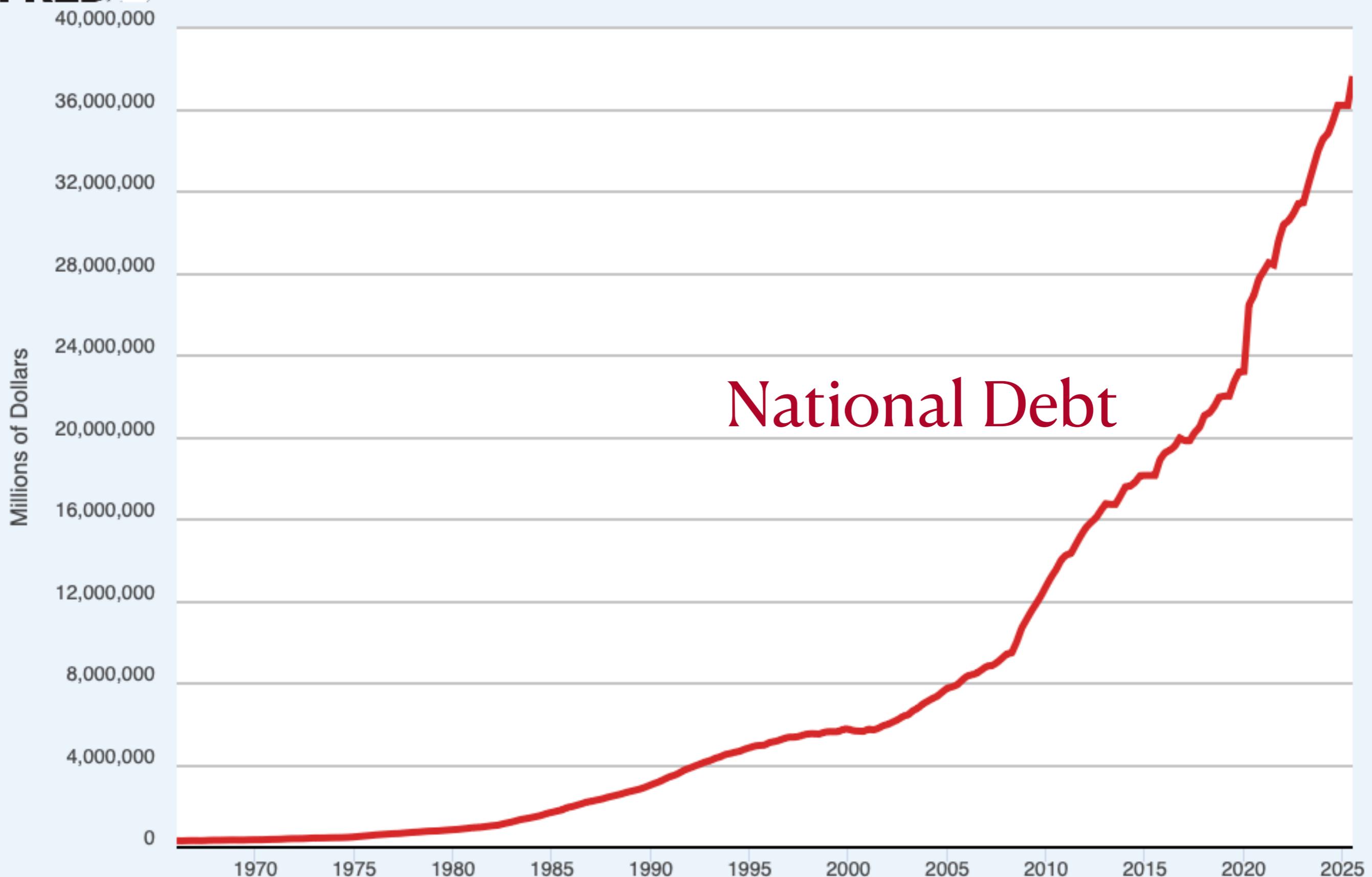
Population



First, a shrinking population means there will be fewer young workers to take care of people who are past working age.

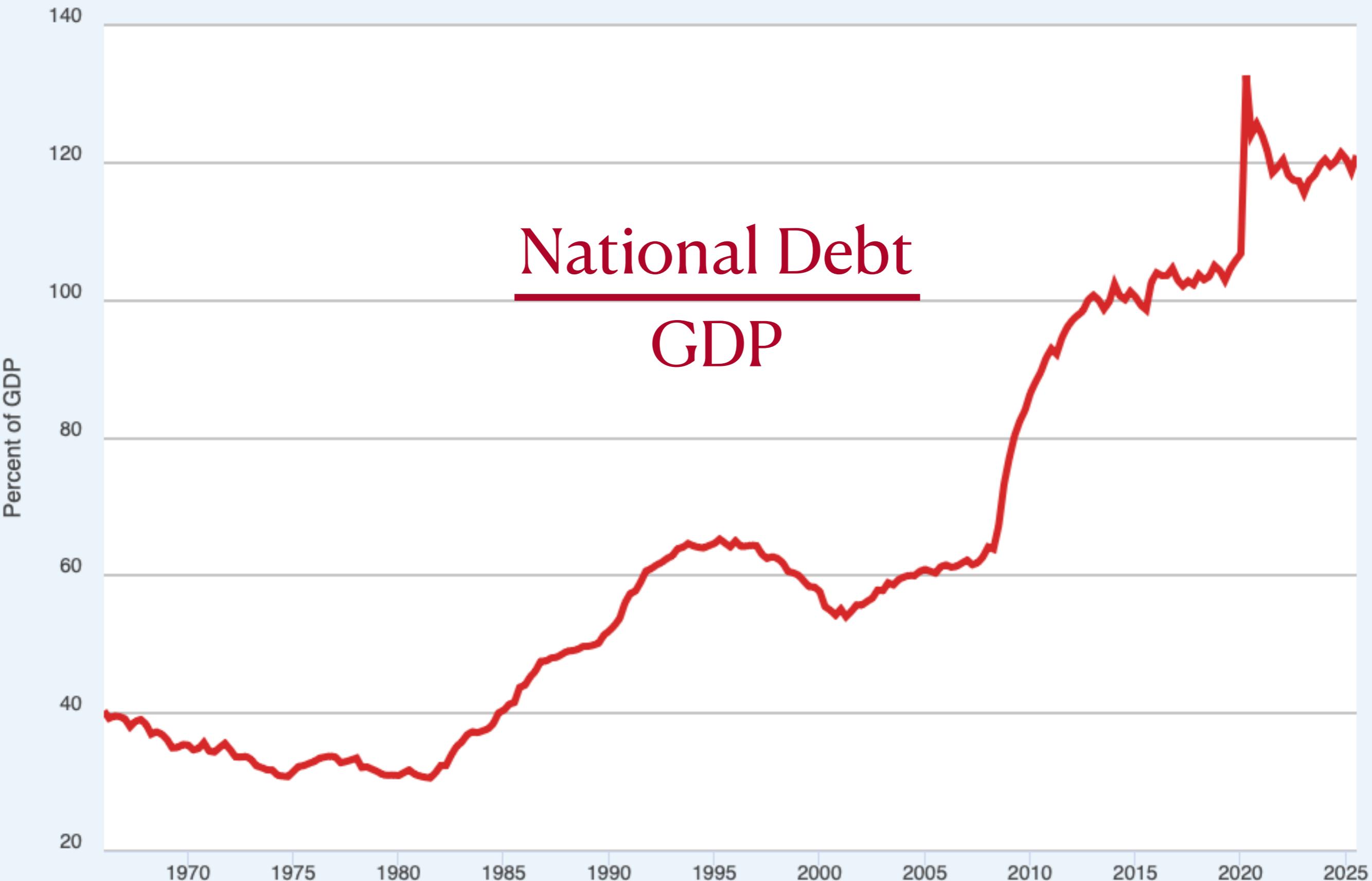


Second, governments all over the world like to run budget deficits, assuming that the economy will grow fast enough to keep the national debts under control. Here's a chart of the U.S. national debt from 1966 to 2025. This looks pretty scary.



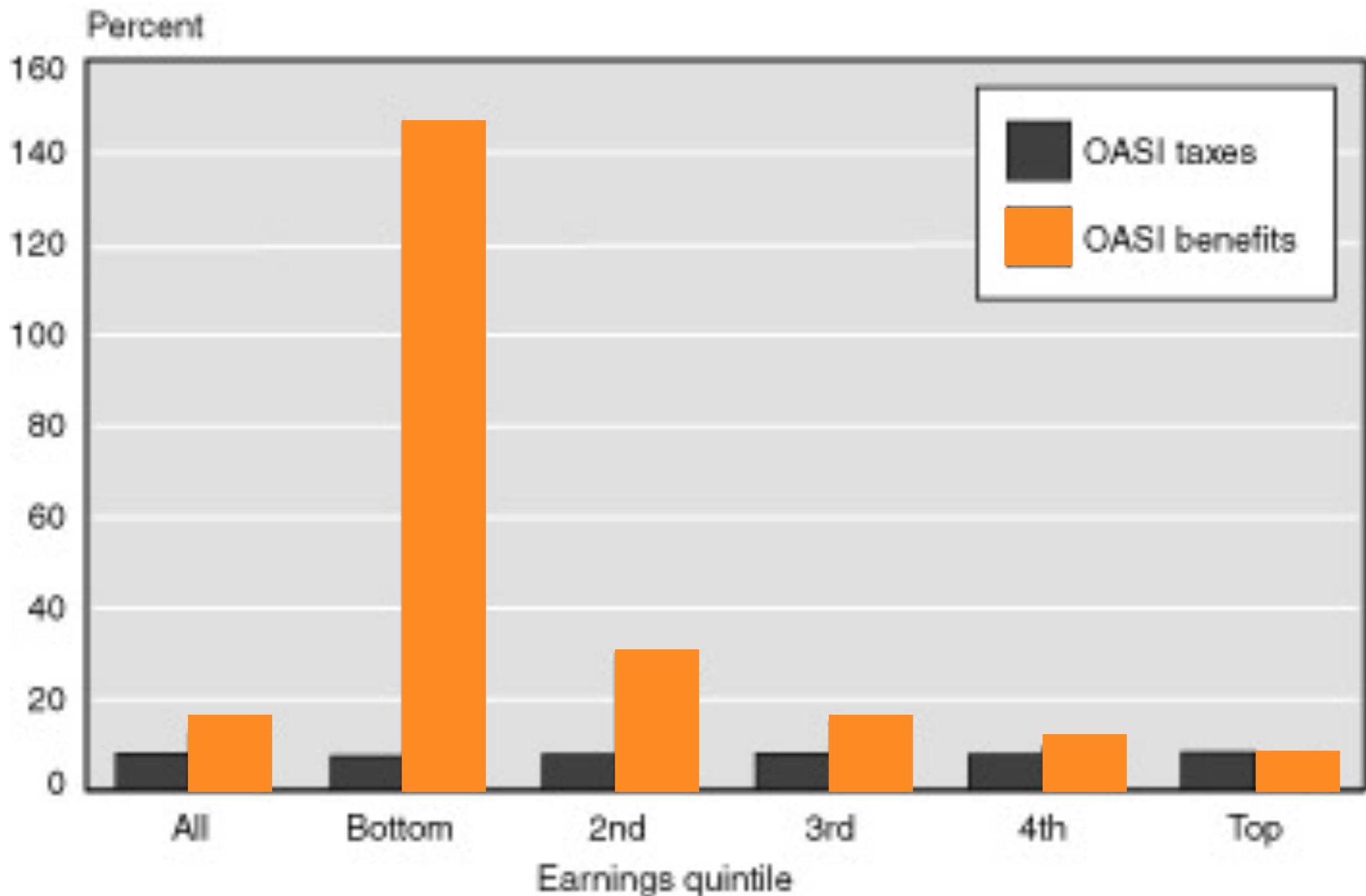
National Debt

If we plot the national debt divided by GDP, it looks better. Increasing population makes it easy to increase GDP.



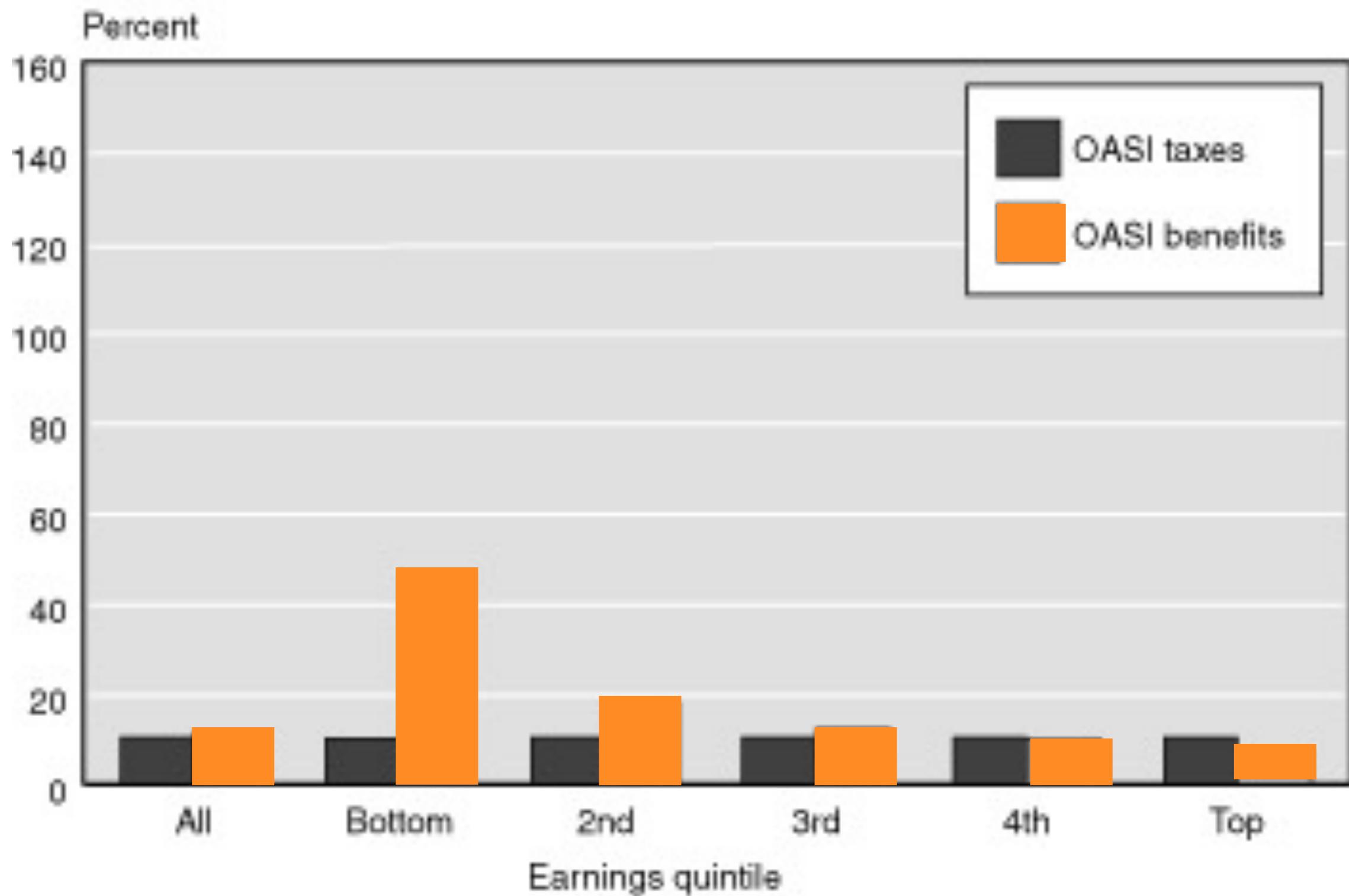
Social Security is similar. The first generation of workers to receive Social Security benefits received much more than they paid in. This was easy because the baby boom workers paid a lot more Social Security taxes.

1931–1935 Birth cohort



People born during the baby boom are projected to receive a little more in benefits than what they paid in taxes. Later generations may receive less, unless taxes increase significantly for young workers.

1956–1960 Birth cohort



We've always known that the population can't increase forever. At some point, we have to stop pushing costs onto the next generation. The transition means that we need the next generation to be a lot more productive. So this would be a great time to invest more in education for young people, to keep our economy growing even with fewer workers.

