

Population growth: either subsidies or decadence

It is alarming that world leaders are not considering the consequences of present growth patterns of our population, and policies that could correct them. If the 20th century witnessed a massive increase in its numbers, quadrupling them from 1,5 billion people in 1900 to 6 billion in 2000, the 21st century could well be known as the one where this tremendous vitality and source of real wealth was lost.

Since the mid 1970's, the world has seen a dramatic drop in its birth rate, from 4% to 2% nowadays, under a scenario where death rates went down too, to 0,9%, allowing the world population to keep growing at present times at 1,1% per year, or more than 70 million new inhabitants annually. Regrettably, these numbers are also consistent with a total world population of children under 5 years old that is already **not** growing at all and is poised to go decreasing in the next years. Not a good prospect.

If the fall in death rates was the prime explanation for population growth in the 20th century, the fall in birth rates will be the prime explanation for its stabilization and decrease during the 21st century. Longer but limited life expectations can only postpone that uniquely historic change, but cannot avoid it, if corrective public policies are not implemented in due time.

Does it matter ? Of course, if you want next generations to have higher per capita incomes than previous ones. Can we solve this increasing lack of youth with immigration ? Surely as an individual country, but not as the world altogether. And it is here where the problem lies, as it is the case with all externalities: every country decides privately for itself and does not consider the impact of its decisions on the other ones, having as a consequence that the aggregate result in this situation leads to a smaller population with respect to the socially optimal one. Immigration is just a short term – but healthy – solution under an individual country basis, but not a long term one for the world as a whole.

If we were to leave this evolution to the “private market”, human capital would increase its value due to this evident demographic scenario, as it happens every time a resource becomes relatively scarce. That sole signal should enable societies to internalize this new set of more restrictive conditions, and have the expected reaction: an incipient birth rate increase. The problem is that this process takes time, and in the meantime, a whole demographic change will have occurred, with deeper impacts on the economic foundations and institutions where our present world is based, along with transition costs going back and forth we could have easily avoided.

It sounds better to anticipate, and recapture last century's vitality via subsidizing family growth and rolling back public speeches and policies intent to control “overpopulation”. Moreover, even in this new world where economic, technological and physical boundaries are in fact being erased – as they have been known for the last 25 centuries -, it should be the case that for most countries the marginal cost of generating new human capital would be smaller than importing it from overseas, given present educational and health standards, particularly in already developed countries, the neediest of all.

An estimate for this subsidy ? Any present number is obviously insufficient, so keep it increasing until a change in demographic patterns is proven. Any role for the US ? If it wants to keep apace, it should start now, and forcefully. Furthermore, the signaling power to the rest of the world would be invaluable, and perhaps even a dormant Europe could be awoken.

Finally, and no less important, this is the real solution to those pension systems that to many are a nightmare: keep countries growing, never allowing the future young spirit to lose its strength. The alternative, looking only at accounting statistics, will make you owners of paper equity, not the real equity you have when the whole system operates efficiently. A growing world enables win – win intergenerational solutions; a stagnant world does not.

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