

# THE ECONOMICS OF POPULATION GROWTH

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According to the UN the world's population reached 7 billion on 31 October 2011. As it is impossible to know when this actually happened, the choice of date is fairly arbitrary. Therefore picking Halloween as the date may have something to do with emphasising the possible scary implications of the world's increasing population. However, not everyone agrees that population growth is necessarily bad for the economy or for development in general. In fact, the debate over how and whether population growth affects and is affected by economic development, food security, resource availability, the environment, is probably as old as humanity itself.

While the increase in the world's population from 6,999,999,999 to 7,000,000,000 is not very significant at a global level, reaching a population of 7 billion is a major milestone and one that has generated a lot of debate to which I hope that this symposium will make an important contribution.

The authors of the articles come from a variety of backgrounds and views and between them they provide a general outline of the main lines of the population argument. There is some common ground between them. They all agree that demography is important and that it is not just the numbers that matter but characteristics such as age structure and level of education.

But that may be about as far as the common ground extends, with the authors taking widely different views of the impact of demographic changes on countries' socioeconomic development and status. But in an increasingly globalised and globalising world does it make sense to consider populations constrained by national boundaries? Where a country's population is currently in a less favoured demographic position, for example as a result of high elderly dependency ratios, immigration can be a partial although possibly temporary solution (and as Binci argues this can have important development consequences in the home country of the migrants) as can outsourcing of tasks and service provision. The world has a long way to go before these

movements can happen in an efficient manner but demographic changes have, as Reher argues, influenced other cultural changes and therefore could spur on developments in this area.

If, though, we restrict ourselves to taking a nation-state based view, then the main lines of the debate are fairly clear. On the one hand there is concern, as expressed by Eberstadt, that recent and current demographic changes – mainly the fall in fertility, not just in the developed world, but more widely – are causing countries to experience significant ageing which will have negative implications for their economies. To a certain extent Eastwood and Lipton agree with this and point out that the difference between economic growth rates in Japan and the USA during the 1990s was partly due to their dependency ratios heading in different directions. Nonetheless, they argue, together with O'Sullivan, that increasing population growth can lead to capital dilution and therefore slower economic growth. Eastwood and Lipton consider all capital while O'Sullivan focuses on infrastructure.

Growing populations necessarily imply more mouths to feed, more bodies to house and clothe and more minds to educate and, as O'Sullivan points out, we don't want to tread water with respect to levels of wealth. These days anything less than increasing GDP per capita is considered a failure and it certainly would be if this were to mean that debts and their interest payments could not be serviced. Therefore the existing as well as the new mouths, bodies and minds have to be provided with an increasing amount of goods and services. The challenge therefore is to be able to do this in a sustainable manner. Part of this may be a re-education that will reduce excessive consumption. However, particularly for those who are currently nowhere near consuming sufficiently let alone excessively, those mouths, bodies and minds, given half a chance, will be producers as well as consumers; and it is the existence of large markets that can encourage the development of improved means of production and increased volumes of trade. It might be objected that most of the current and

projected increases in population are taking place in poorer countries and among the poorer sectors of society and that these will not have the purchasing power to create markets. But what they may lack individually in purchasing power they more than make up in numbers. For example, micro-insurance products, following on the heels of micro-finance, are being developed on the basis of adapting existing insurance products, administration processes and distribution channels to serve low income populations.

Reading some of the articles in this issue, one could come away with the feeling that we are in trouble whatever happens. If population growth continues to slow as a result of low fertility then all countries will face an uncertain future as a result of ageing populations and an increasing burden on whatever level of pension and healthcare system there is in place. On the other hand, if population growth continues at its current pace there could be a reduction in wealth per capita as well as severe environmental problems. Those who are concerned about ageing populations argue that technology and, among other things, better political systems will enable humanity to avoid the worst of any environmental fall out. Those who are worried about the negative impact of growing population play down the impact of an ageing population although Reher states that 'Ageing . . . may indeed pose the most important social and economic challenge confronting some countries now and many countries in the future'.

Eberstadt provides a number of profiles of countries pointing out the perils they face as a result of their ageing economies: a 'perfect storm' in the case of China. For O'Sullivan, reductions in population growth will slow down the need to replace and expand the existing infrastructure. However, in China as in other developing countries there is a crucial need to improve and expand their infrastructure to continue to improve the lives of their people. Without a growing population this expansion could be far too expensive unless there was significant productivity growth, but this will need investment of its own. In the case of developed countries there may be sufficient infrastructure for the current population but lower population growth as a result of fertility decline will mean that the infrastructure is of the wrong sort, fewer schools and more nursing homes will be required and a large proportion of the cost of this will need to be borne by a reducing working age population.

Those for whom population growth is a problem will presumably want to promote ways of reducing this growth. The term 'population control' is now out of fashion following what has happened in China, India and other countries. One of the effects of coercive population control programmes in these countries has been highly skewed sex ratios at birth resulting in many millions of missing girls (Hvistendahl, 2011). Therefore any such reduction in population growth will need to be voluntary. But just how voluntary is voluntary? If, after many decades of debate, it is still not agreed whether population growth is good for development or not, how will people who have not even engaged in this debate be able to tell and what sort of information will they be provided with in order to enable them to make an informed decision? And what if they voluntarily decide to continue having more children than the number needed for replacement?

Joel Cohen wrote: 'The real issue with population is not just numbers of people, although numbers matter and statistics give us quantitative insight and prevent us from making fools of ourselves. The real crux of the population question is the quality of people's lives; the ability of people to participate in what it means to be really human; to work, play and die with dignity; to have some sense that one's life has meaning and is connected with other people's lives. That, to me, is the essence of the population problem' (Cohen, 1996). Therefore the aim should be to ensure that lives have meaning or, in Sen's terminology, that people have the ability to choose the lives they wish to lead. Facilitating labour movement, as described by Binci, and promoting the type of 'economic reform' that Eberstadt outlines seem to me to be the types of approach that will more successfully achieve these aims. Not without difficulty of course, but then a large part of what gives life its meaning is facing and dealing with challenges and difficulties.

## References

- Cohen, J. (1996) *How Many People Can the Earth Support?* New York: Norton.  
 Hvistendahl, M. (2011) *Unnatural Selection: Choosing Boys Over Girls, and the Consequences of a World Full of Men*, New York: Public Affairs.

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