

America's Secret Growth Weapon: Why Immigration Really, Really Matters

By Derek Thompson

The United States, like almost every other rich country in the world, is getting older and slower. But we have a natural advantage over the rest of the world, if only we're wise enough to use it

When countries get rich, they can get predictable. They live longer. They get older. They use their wealth to pay for the insurance and security of the elderly. As the workforce moves away from farms into factories and cubicles, working parents tend to have fewer kids. Fewer children grow up to become fewer workers. And fewer workers paying into expensive programs ironically puts strains on the very wealth that made this all possible, in the first place.

An aging country faces three deficits. First it faces this entitlement deficit. Second, it creates an creativity deficit, as a declining share of working-age people are finding and tweaking smart ideas. Third, it creates a savings deficit. Broadly, young people save for retirement and retired people spend down those savings.

We see this hydra of deficits inflicting pain in Japan, whose the working-age population has already peaked and debt-to-GDP is the highest in the advanced world. We see it in Europe, where the ratio of working-age adults to seniors is poised to fall by 38 percent in the next two decades. We see it in Taiwan, and South Korea, and Hong Kong, where birth rates are below 2.1, which is commonly considered replacement level. We see it in China, where rapid aging and a bizarre one-child policy has created a "4-2-1 phenomenon," where [one child's income supports two parents and four grandparents](#). We see it across the developed world, where the 60+ population will be growing [more than three times as fast as the general population by 2030](#).

We also see it in the United States, which [faces the strains](#) of an older population demanding expensive medical services from a slower-growing workforce. But the U.S. has a trump card that makes us different from Europe. Fareed Zakaria calls it our "secret weapon" in his book [The Post-America World](#). It's immigration.

People want to move here, and we can take them. That's why, if you'll permit a bit of futurism, we're projected to have a lower share of seniors than most of the developed world by 2050.

Immigration is a big part of what distinguishes the U.S. from, say, the EU. Immigration makes us younger. That's what you see from the graph above. Immigration makes us smarter. Half of all Silicon Valley start ups have a co-founder no more than one generation separated from an immigrant. Immigration makes us work. The U.S. fertility rate is below 2.1, so it's immigration that pushes us above replacement level growth.

But don't gloat. There are cracks our armor.

One in three U.S. immigrants today was born in Mexico, making it the "biggest wave of immigration in history from a single country to the United States," according to the Pew Hispanic Center. But that wave hit a wall. Thanks to a weak U.S. economy, a growing Mexican economy, and a handful of other policies, net flow of Mexican immigrants to the U.S. has possibly reversed for the first time in several decades.

At the same time, "highly educated children of immigrants to the United States are uprooting themselves and moving to their ancestral countries," the New York Times [reported](#) just two weeks ago. The factors aren't all the same, but they rhyme. India is getting stronger relative to the United States, and, once again, public policy is getting in the way of immigration. We don't block foreign-born students at the Texas border. We kick them out if they can't marry, find a job, or snag one of a limited number of visas. In the race for human capital, this is a deliberate losing strategy.

There are reasonable arguments for using government laws and resources to limit immigration and protect jobs for American-born workers. But the broader picture is that the U.S. is failing to recognize a free and automatic virtue of *being America*: People want to move here and work in exchange for money.

More people working in exchange for money is what makes an economy go. Consider that in the 1990s, a remarkable 67% of the country (16 and over) was working or seeking work thanks to the Boomers entering their prime working years. But as those 80 million Boomers move into retirement, a smaller share of our population will be working, and a rising share will be seeking increasingly expensive medical attention.

A couple centuries ago, Thomas Malthus might have looked at stalling populations and cheered on behalf of limited wheat supply and other precious crops. Today we know better. The precious stuff that matters is people, especially smart people. That's the resource we need to replenish.

Demography isn't destiny. It's more like gravity, a relentless force that demands counter-action. Policy makers shouldn't use aging societies as a get-out-of-jail-free card for letting bad policy rot an economy. They should recognize that, if people are the precious resource of the next phase of the industrial revolution, we should have industrial policies to replenish our workforce and import the best ones. You need only look at Japan and Europe to see that a society that wins the battle to keep out immigrants winds up losing a much bigger war.

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