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## America's Baby Bust

*The nation's falling fertility rate is the root cause of many of our problems. And it's only getting worse.*

By JONATHAN V. LAST



Americans are not reproducing enough, and the long-term consequences are dire, says Jonathan V. Last, author of "What To Expect When No One's Expecting," in a discussion with WSJ Weekend Review editor Gary Rosen.

For more than three decades, Chinese women have been subjected to their country's brutal one-child policy. Those who try to have more children have been subjected to fines and forced abortions. Their houses have been razed and their husbands fired from their jobs. As a result, Chinese women have a fertility rate of 1.54. Here in America, white, college-educated women—a good proxy for the middle class—have a fertility rate of 1.6. America has its very own one-child policy. And we have chosen it for ourselves.

Forget the debt ceiling. Forget the fiscal cliff, the sequestration cliff and the entitlement cliff. Those are all just symptoms. What America really faces is a demographic cliff: The root cause of most of our problems is our declining fertility rate.

The fertility rate is the number of children an average woman bears over the course of her life. The replacement rate is 2.1. If the average woman has more children than that, population grows. Fewer, and it contracts. Today, America's total fertility rate is 1.93, according to the latest figures from the Centers for Disease Control and Prevention; it hasn't been above the replacement rate in a sustained way since the early 1970s.

The nation's falling fertility rate underlies many of our most difficult problems. Once a country's fertility rate falls consistently below replacement, its age profile begins to shift. You get more old people than young people. And eventually, as the bloated cohort of old people dies off, population begins to contract. This dual problem—a population that is disproportionately old and shrinking overall—has enormous economic, political and cultural consequences.



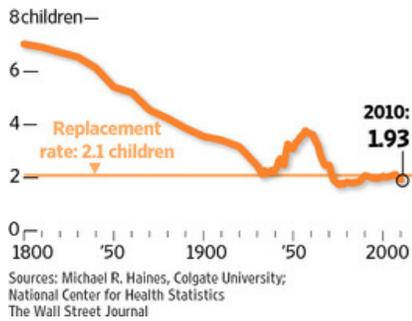
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97% of the world's population now lives in countries where the fertility rate is falling.

For two generations we've been lectured about the dangers of overpopulation. But the conventional wisdom on this issue is wrong, twice. First, global population growth is slowing to a halt and will begin to shrink within 60 years. Second, as the work of economists Esther Boserups and Julian Simon demonstrated, growing populations lead to increased innovation and conservation. Think about it: Since 1970, commodity prices have continued to fall and America's environment has become much cleaner and more sustainable—even though our population has increased by more than 50%. Human ingenuity, it turns out, is the most precious resource.

Low-fertility societies don't innovate because their incentives for consumption tilt overwhelmingly toward health care. They don't invest aggressively because, with the average age skewing higher, capital shifts to preserving and extending life and then begins drawing down. They cannot sustain social-security programs because

## Average number of children per woman in the U.S.



they don't have enough workers to pay for the retirees. They cannot project power because they lack the money to pay for defense and the military-age manpower to serve in their armed forces.

There has been a great deal of political talk in recent years about whether America, once regarded as the shining city on a hill, is in decline. But decline isn't about whether Democrats or Republicans hold power; it isn't about political ideology at all. At its most basic, it's about the sustainability of human capital. Whether [Barack Obama](#) or Mitt Romney took the oath of office last month, we would still be declining in the most important sense—demographically. It is what drives everything else.

If our fertility rate were higher—say 2.5, or even 2.2—many of our problems would be a lot more manageable. But our fertility rate isn't going up any time soon. In fact, it's probably heading lower. Much lower.

America's fertility rate began falling almost as soon as the nation was founded. In 1800, the average white American woman had seven children. (The first reliable data on black fertility begin in the 1850s.) Since then, our fertility rate has floated consistently downward, with only one major moment of increase—the baby boom. In 1940, America's fertility rate was already skirting the replacement level, but after the war it jumped and remained elevated for a generation. Then, beginning in 1970, it began to sink like a stone.

There's a constellation of reasons for this decline: Middle-class wages began a long period of stagnation. College became a universal experience for most Americans, which not only pushed people into marrying later but made having children more expensive. Women began attending college in equal (and then greater) numbers than men. More important, women began branching out into careers beyond teaching and nursing. And the combination of the birth-control pill and the rise of cohabitation broke the iron triangle linking sex, marriage and childbearing.

This is only a partial list, and many of these developments are clearly positive. But even a social development that represents a net good can carry a serious cost.

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By 1973, the U.S. was below the replacement rate, as was nearly every other Western country. Since then, the phenomenon of fertility collapse has spread around the globe: 97% of the world's population now lives in countries where the fertility rate is falling.

If you want to see what happens to a country once it hurls itself off the demographic cliff, look at Japan, with a fertility rate of 1.3. In the 1980s, everyone assumed the Japanese were on a path to owning the world. But the country's robust economic facade concealed a crumbling demographic structure.

The Japanese fertility rate began dipping beneath the replacement rate in 1960 for a number of complicated reasons (including a postwar push by the West to lower Japan's fertility rate, the soaring cost of having children and an overall decline in the marriage rate). By the 1980s, it was already clear that the country would eventually undergo a population contraction. In 1984, demographer Naohiro Ogawa warned that, "Owing to a decrease in the growth rate of the labor force...Japan's economy is likely to slow down." He predicted annual growth rates of 1% or even 0% in the first quarter of the 2000s.



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Today, America's total fertility rate is 1.93, below the replacement rate of 2.1.

From 1950 to 1973, Japan's total-factor productivity—a good measure of economic dynamism—increased by an average of 5.4% per year. From 1990 to 2006, it increased by just 0.63% per year. Since 1991, Japan's rate of GDP growth has exceeded 2.5% in only four years; its annual rate of growth has averaged 1.03%.

Because of its dismal fertility rate, Japan's population peaked in 2008; it has already shrunk by a million since then. Last year, for the first time, the Japanese bought more adult diapers than diapers for babies, and more than half the country was categorized as "depopulated marginal land." At the current fertility rate, by 2100 Japan's population will be less than half what it is now.

Can we keep the U.S. from becoming Japan? We have some advantages that the Japanese lack, beginning with a welcoming attitude toward immigration and robust religious faith, both of which buoy fertility. But in the long run, the answer is, probably not.

Conservatives like to think that if we could just provide the right tax incentives for childbearing, then Americans might go

back to having children the way they did 40 years ago. Liberals like to think that if we would just be more like France—offer state-run day care and other programs so women wouldn't have to choose between working and motherhood—it would solve the problem. But the evidence suggests that neither path offers more than marginal gains. France, for example, hasn't been able to stay at the replacement rate, even with all its day-care spending.

Which leaves us with outsourcing our fertility. We've received a massive influx of immigrants from south of the border since the late 1970s. Immigration has kept America from careening over the demographic cliff. Today, there are roughly 38 million people in the U.S. who were born elsewhere. (Two-thirds of them are here legally.) To put that in perspective, consider that just four million babies are born annually in the U.S.

If you strip these immigrants—and their relatively high fertility rates—from our population profile, America suddenly looks an awful lot like continental Europe, which has a fertility rate of 1.5., if not quite as demographically terminal as Japan.

Relying on immigration to prop up our fertility rate also presents several problems, the most important of which is that it's unlikely to last. Historically, countries with fertility rates below replacement level start to face their own labor shortages, and they send fewer people abroad. In Latin America, the rates of fertility decline are even more extreme than in the U.S. Many countries in South America are already below replacement level, and they send very few immigrants our way. And every other country in Central and South America is on a steep dive toward the replacement line.

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That is what's happened in Mexico. In 1970, the Mexican fertility rate was 6.72. Today, it's just at replacement, a drop of 72% in 40 years. Mexico used to send us several hundred thousand immigrants a year. For the last three years, there has been a net immigration of zero. Some of this decrease is probably related to the recent recession, but much of it is likely the result of a structural shift.

As for the Hispanic immigrants who are already here, we can't count on their demographic help forever. They've been doing the heavy lifting for a long time: While the nation as a whole has a fertility rate of 1.93, the Hispanic-American fertility rate is 2.35. But recent data from the Pew Center suggest that the fertility rate for Hispanic immigrants is falling at an incredible rate. To take just one example, in the three years between 2007 and 2010, the birthrate for Mexican-born Americans dropped by an astonishing 23%.

In the face of this decline, the only thing that will preserve America's place in the world is if all Americans—Democrats, Republicans, Hispanics, blacks, whites, Jews, Christians and atheists—decide to have more babies.

The problem is that, while making babies is fun, raising them isn't. A raft of research shows that if you take two people who are identical in every way except for childbearing status, the parent will be on average about six percentage points less likely to be "very happy" than the nonparent. (That's just for one child. Knock off two more points for each additional bundle of joy.)

But then, parenting has probably never been a barrel of laughs. There have been lots of changes in American life over the last 40 years that have nudged our fertility rate downward. High on the list is the idea that "happiness" is the lodestar of a life well-lived. If we're going to reverse this decline, we'll need to reintroduce into American culture the notion that human flourishing ranges wider and deeper than calculations of mere happiness.

We'll need smart pronatalist policies, too. The government cannot persuade Americans to have children they *do not* want, but it can help them to have the children they *do* want. Here are three starting points:

*Social Security.* In the U.S., the Social Security system has taken on most of the burden for caring for elderly adults, a duty that traditionally fell to grown-up children. A perverse effect of putting government in the business of eldercare has been to reduce the incentives to have children in the first place. One RAND study suggested that Social Security depresses the American fertility rate by as much as 0.5.

Looking to dismantle this roadblock, some analysts have suggested flattening the tax code to just two brackets and significantly raising the child tax credit. Others suggest exempting parents from payroll taxes for Social Security and Medicare while they are raising children—perhaps by a third for their first child, two-thirds for the second, and then completely for a third child. (Once the children turn 18, the parents would go back to paying their full share.)

Regardless of the particulars, the underlying theory is the same: To reduce the tax burden for people who take on the costs of creating new taxpayers (otherwise known as children).



Corbis; Photo Illustration by Keith A. Webb/The Wall Street Journal

Immigration has helped make up for America's dropping birth rate.

*College.* Higher education dampens fertility in all sorts of ways. It delays marriage, incurs debt, increases the opportunity costs of childbearing and significantly increases the expense of raising a child. If you doubt that the economics of the university system are broken, consider this: Since 1960, the real cost of goods in nearly every other sector of American life has dropped. Meanwhile, the real cost of college has increased by more than 1,000%.

If college were another industry, everyone would be campaigning for reform. Instead, politicians are trying to push every kid in America into the current exorbitantly expensive system. How could we get college costs under control? For one, we could begin to eliminate college's role as a credentialing machine by allowing employers to give their own tests to prospective workers. Alternately, we could encourage the university system to be more responsive to market forces by creating a no-frills, federal degree-granting body that awards certificates to students who pass exams in a given subject.

*The Dirt Gap.* A big factor in family formation is the cost of land: It determines not just housing expenses but also the costs of transportation, entertainment, baby sitting, school and pretty much everything else. And while intensely urban areas—Los Angeles, New York, Washington, Chicago—have the highest concentrations of jobs, they come with high land costs. Improving the highway system and boosting opportunities for telecommuting would go a long way in helping families to live in lower-cost areas.

These ideas are just a start; other measures certainly will be needed to avert a demographic disaster in the U.S. If we want to continue leading the world, we simply must figure out a way to have more babies.

—Mr. Last is a senior writer at the Weekly Standard and author of "What to Expect When No One's Expecting: American's Coming Demographic Disaster" (Encounter), from which this essay is adapted.

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