



Is Demography Destiny?

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FRIEDMAN: Good morning. My name is Jim Friedman and I'm the deputy director of the Alliance for Aging Research. This is SAGECrossroads, monthly debates at the intersection of science and public policy.

We are pleased to have you here today. These debates are sponsored by the Alliance for Aging Research and the AAAS, and are made possible through grants from three separate foundations: The Archstone Foundation, the Retirement Research Foundation, and Atlantic Philanthropies.

As always, these debates are moderated by Mr. Mort Kondracke, who is the executive editor of the Hill newspaper *Roll Call* and the host of "The Beltway Boys" on FOX TV. Mort?

KONDRACKE: Welcome. I am Morton Kondracke. Our topic today is the effects of demography on economics and social policy in the United States, especially the aging of the population—the alleged aging of the population. I think it's fair to say that the population is aging. I think we'll have a consensus on that.

Our discussants today are Martha Farnsworth Riche, who is former director of the U.S. Census Bureau. She served in that capacity from 1994 to 1998. We also have Peter Morrison, a senior demographer with the RAND Corporation.

A lot of the predictions about what is going to happen to American retirement programs is shrouded in gloom and doom that Social Security and Medicare are going to drive the country bankrupt because of the burden of the baby boom generation's retirement.

Is this a fact, a dead certain fact? Or is there some escape from this? Why don't each of you say what you think about this for two or three minutes and then we will just go on and I will ask you some more questions.

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MORRISON: Well, there's an underbelly of gloom and doom from an economic standpoint if you look at the situation right now, Mort. But the calculations don't take into account many of the long-term opportunities.

The population is aging, which means that a higher proportion of us will be over age sixty-five in the future. But the opportunity is there for a healthier over-sixty-five population to remain engaged in the workforce and to remain productive.

There are profound generational differences between the kinds of people who will be elderly in the future, pretty much in knowledge industry jobs, and the earlier generations who were steel workers and were engaged in heavy manual labor and whose bodies had worn out by the time they were age sixty-five.

So they're all real opportunities, although at any point in time when you start to look at some of the programs, the calculations come up with a gloomy economic outlook.

RICHE: People make those calculations assuming that nothing else is changing, that this is the only change that's happening. They put them into an old context. Yes, we are having aging population. What that means, simply, is that more people aren't dying young any more. More people are living a full life well beyond sixty-five, so that means there's not only more older people but proportionately more to younger people.

That means that programs like Social Security, or even the way corporations run their employment, that depended on having large numbers of young people, middling numbers of middle-aged people and few older people, really have to change their structure. But it's not that hard to do.

KONDRACKE: Well, the problem with both Social Security and Medicare, as I understand it, is that there were in the—at the inception of the program, something like seven workers supporting each retiree. There are now something like 3.3 workers and there will be, in the middle of the century, only two.

Now, what you are saying is that these retirees will not have to be fully supported by the active workers. Is that basically correct?

RICHE: Actually, not really. What happened was that when we started the system most people died before they retired. The average life expectancy was fifty-nine. Social Security started at age sixty-five.

Now they are living to that age, and so people are saying, "Whoa." But they are not acknowledging the fact that those age thresholds that we had when we started the Social Security system—eighteen was considered the age for being a fully adult worker. Sixty-five was considered the age for being dependent. They both changed.

We don't know very many eighteen-year-olds who are fully independent working full time these days. Twenty-five is probably a better threshold.

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In my own work I use twenty-five and seventy or seventy-five for estimating people's active work life at what I would call prime work life. That's the kind of adjustment we need to make.

There are other adjustments that can be made as well. There is no one silver bullet. But I served on one of the recent technical panels for Social Security and we looked very carefully at what was going on.

There are a number of minor tweaks that can be made and Social Security is viable. Medicare is another issue.

KONDRACKE: OK. Let us address the probable futures of Social Security and Medicare. You have done studies on this. Tell us—the so-called truism that Social Security is going to go bankrupt and the belief on the part of young people nowadays that they will never get Social Security. Deal with that and also then deal with the Medicare problem.

RICHE: Well, that belief among young people has been carefully fostered by people with a political agenda related to Social Security. The fact is that if nothing else changed, they would have benefits one-third lower than they will have if we make the changes that we have plenty of time to make.

Now, Medicare, as I said, is a different problem. It's not a demographic problem.

KONDRACKE: Well, deal with the Social Security problem first. I mean—OK. So at the rate things are going, if nothing changes, the benefits would have to be lowered by one-third—

RICHE: Right.

KONDRACKE: —in order to—

RICHE: —continue to go forward. So in essence, 2040, I think, is what we are talking about.

KONDRACKE: Right. But you said that only minor tweaks were necessary to change that destiny. What other tweaks are you talking about?

RICHE: Well, an easy one would be to continue raising the normal retirement age. We are raising it now to age sixty-seven. If we just continued gradually raising it up a month every year as we are doing, and if we did that up to, say, seventy, that would be a big help.

There are a lot of Web sites, by the way, where you can look at where these different things play out.

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Changing the ceiling on how much people pay in of their salary, into—

KONDRACKE: Raising it.

RICHE: Raising it, would be—to recognize that people are making more money—that would be another way. People are also looking at the way inflation is a counter for benefits—all of these things at the margin, each individual would not recognize them as much as they would recognize that one-third cut in their benefits in 2040.

MORRISON: It's important to recognize as well that when we talk about this one major step that can go most of the way in fixing the system, that raising the retirement age doesn't mean that today's sixty-two-year-old is being delivered a message that, "Oh, by the way, that age that you were planning on in three or four years are going to change."

We are talking about telling people in their thirties and forties that the inter-generational promise is going to be gradually adapted to account for the fact that you will have a longer and prospectively healthier life expectancy, so thirty years from now plan on retiring at maybe age sixty-nine instead of age sixty-seven if you want to collect your full benefits.

If you want to collect fewer benefits, retire earlier but, in general, think in terms of that kind of a planning horizon.

So there is nothing terribly unsettling about this from the standpoint of future generations. It's just not a politically popular thing. But it does provide a pretty effective fix, I think.

KONDRACKE: Well, we have succeeded in changing the retirement age from sixty-five to sixty-seven over—when is it supposed to hit sixty-seven?

RICHE: I can't remember.

KONDRACKE: OK. Well, so would it be that politically difficult to raise it over seventy if you weren't doing it for current or, you know, close-to retirees?

MORRISON: Any judgment on that? I think anything that has to do with changing entitlements like this is politically difficult. If you look at the alternative, which is, "How would you like the system to go bankrupt, perhaps not in your lifetime but later on?" it looks like a better alternative to sort of gradually adjust to the demographic future.

An important point that needs to be made here is that the demographic future is not a certainty in our mind. All demographers will tell you that no long-term forecast that we make—or I should say it is absolutely certain that any long-term forecast we make will prove wrong.

It will not be exactly what we say it is. It will be in the direction we say it is, and what we foresee in the future are some profound uncertainties, one of which is we don't really know how long life expectancy is going to extend in the future.

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Today's sixty-five-year-old stands to live a lot longer than sixty-five-year-olds ten, twenty, thirty years ago. What it will be like for people who turn sixty-five ten, twenty years from now—we can take some guesstimates at and we can look at the best research we have, and we can look also at the prospects for medical breakthroughs that could conceivably intervene at a very basic biological level to enable people to live as long as trees.

KONDRACKE: We've had other shows on that possibility!

MORRISON: And we don't want to go there.

KONDRACKE: And that seems to be way out there.

MORRISON: Right. Right.

KONDRACKE: But let's deal with the Medicare situation. I mean, as I understand it, Social Security is a rather easily fixable thing. Medicare is not.

RICHE: That's right.

KONDRACKE: So, describe the Medicare problem.

RICHE: Well, the Medicare problem isn't really a demographic problem. It's a financing problem. We don't really have a lot to say about that.

The one thing that demographers can say, I think, is that we see that as people are living longer lives, their healthy life expectancy is growing as fast, for a variety of reasons that you have probably already talked about.

So we are still looking at the big expenses being in the last two years of life.

That's just occurring later, so that the issue really is how we help people pay for their health care over that longer period. Retiree health benefits—that's really on the table right now—how we change the financing system for people at all ages up to that heavy drawdown time. So I think that people like to conflate the Medicare and Social Security issues because everybody understands the Social Security, but they are really financing differences.

KONDRACKE: Well, but the basis of Medicare is still the same as the basis of Social Security, though. It is active workers supporting the—paying the medical costs of retirees, right? It's not—

RICHE: Well, we are really seeing that start to vanish in the sense of the employer benefits, and that's putting a lot more pressure on Medicare. And, again, this age—it's the age threshold that's the problem.

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Now, I think whether it's the threshold on...

KONDRACKE: What do you mean by that?

RICHE: I mean saying "sixty-five." Now you are dependent. I am trying to get the General Accounting Office to do a study to actually look at what the effects are on our public policies of sticking to these thresholds, eighteen and sixty-five, that prevailed in the 1930s, but are long past now. As I said, we don't have the young people independent at eighteen and we don't have the people dependent at sixty-five.

One of the issues that the AARP is working on in this area is employment discrimination against older people, because clearly people are living longer, healthier lives and we have to increase the amount of time in which they provide for themselves.

KONDRACKE: Well, what I believe is happening in many corporations is buy-outs. In other words, the corporations decide they would really have their people retire early, pay them a bonus, so that they don't have to pay their health benefits, I guess it is, and so they are presumably healthy if they are retiring at—or forced to retire at fifty-five, fifty-eight, fifty-nine, even less than sixty-five, and sixty-five for sure.

So the question—the big question is—you, know what are those people going to have as job opportunities?

RICHE: That's right.

KONDRACKE: Are they going to have significant declines in their income or what are they going to do? And to what extent are they going to do it? I mean, what percentage of people over sixty-five now are employed?

RICHE: We are seeing an increasing percentage. It's interesting if you look back to when Social Security went in in 1935, because we had a large percentage of people employed before Social Security came in. People did work longer when they needed to.

What I'm seeing in my work is that we're seeing the ages between say twenty-five and fifty-five as sort of what we might call prime working time. That would be when you are in the corporation. That's when you are on the career ladder. We are seeing a lot more people working after fifty-five, but they are voluntarily getting off that career ladder.

We are seeing—remember they've paid for their house by now—or they might have, could have. Kids' education—kids have moved on. We are seeing them take the time to have that second career, or to step back to part time, to be a consultant, to be their own boss, which is a prime thing they are looking for.

So I think that we have to get away from the one-size-fits-all model and think about what happens at different stages of our life.

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I am basically calling that, say, forty-five-to-sixty-five or fifty-five-to-seventy-five life stage the twenty new years, because in focus groups we see that people really are taking that as an opportunity to do something new.

What they need, then, is a way to pay for their health insurance.

MORRISON: Yes. Medicare is really part of a much broader problem of how you deliver health care in this country. It just happens that we are talking about one particular age bracket where health care costs go up and employers want to pin the tail on somebody else's donkey. It's a perverse outcome of how we deliver health care in this country.

You can look at other countries for models of how to do that. None of them look, you know, superb. But the fact is we have limited resources and that there is some—there has to be some mechanism that makes for equitable health care delivery, and also effective health care delivery, and places some limits on how much health care can be delivered because, you know, really, as a society we are faced with all the medical breakthroughs, almost unlimited possibilities.

I mean, everybody wants to cap the cost of health care until it's a member of their family, in which case they want the very best regardless of whether it is \$500,000 or \$1 million worth of something that will extend their lives for a few years.

And we just haven't laid this—

KONDRACKE: Do you have a favorite solution to the health care—?

MORRISON: No, I don't. That's not my area of expertise. But I am just analyzing the problem as it's part of a much broader one. You know, we have a problem of delivering health care to all sorts of segments of our society. The elderly is just one of them. And that happens to balloon in one particular budget area.

KONDRACKE: Right. Now, a third aspect of this problem beyond Social Security and Medicare is long-term care, which Americans do not seem to be inclined to save for.

I mean, their nursing home care at the later stages of their lives, and the situation that we've got now is that people, many workers have to pay themselves into bankruptcy in order to go on Medicaid to have nursing home care.

Now, is there some way that we can induce Americans to save instead of consume? In other words, save for their old age instead of—and be responsible for themselves, instead of having to depend either on their families or the government, and is that a solution to the problem?

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MORRISON: Well, I don't find it terribly—personally don't find it terribly attractive to have inducements for me to save so that I'll be sure that at age ninety-five there will be someone around to wheel me into the bathroom so that I can take care of myself.

The premise there is that we are going to commercialize what has traditionally been done in families in the same way that we have tried to commercialize child care. The problem is not on the demand side, so much, but on the supply side. Who is it that is going to provide the services that all these old people will need? The nursing homes regulate them—and are old people really going to want to go there at that age?

One of the interesting, I think profoundly important, demographic aspects of this (since we are talking about demography here), is that because of some major demographic changes in the last century, we are seeing the traditional family support structures that dealt with this problem in the past narrowing considerably.

We have the baby boom followed by the baby bust, which means that now, as people reach old age, they have fewer adult children to care for them. One-point-nine on average, or 2.0 instead of three or four. Those children, those adult children are pretty much going to be in the work force, especially the traditional female adult child traditional care giver who now is working full time and is not going to find it feasible to provide long-term care for an aging parent without pay.

Another aspect of this that you have is the fact that many people who, when they turn sixty-five or reach age seventy, are going to have themselves aging parents who are in their nineties. So you have got what we call the two-generation geriatric family.

All of these situations arise out of the demography of the previous century and folding into this century. My own point of view on this is that what we need to do is recognize that, first of all, the kinds of things that elderly people need in old age are best provided by families. While the support structures are narrowing, public policy and public programs can try to reinforce what families do best by making available the kinds of services that family members might want to make use of.

Most of the care that elderly people—

KONDRACKE: Such as?

MORRISON: Well, support for Meals on Wheels, things that enable elderly people to live independently. There is a whole technological frontier now that derives from information technology which basically allows one to move in directions that we have actually seen evolve in the area of child care, where working parents can log on to a home page in which they will get every twenty seconds another shot of what their child is doing playing around in the room there, so they can be at work and they can have some instant connection with what's going on.

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If you extend that idea into the broader concept of monitoring the well-being of elderly—in other words, enabling elderly people to live independently as long as they can, so that there is a way of providing the support electronically through cyber space that might enable far-flung families to deal with this, other than having to say, “Well, it’s time to put someone in a nursing home, and how do we go about doing that?”

RICHE: Well, Mort, the bottom line is people don’t want to go into nursing homes. If we look at the demand side, that’s not what they want. They want to stay in their homes. A lot of communities are very creative about services that help people stay in their homes. That’s a sort of thing that—helping people have what they want and what they’d be happy with is a way to go.

KONDRACKE: But what do you think about the whole idea of (1) privatization of Social Security? And/or (2) the creation of lifetime savings accounts of some sort to encourage people to be—I mean, we have a disastrously low savings rate in this country. I mean, doesn’t it make sense to somehow encourage people to save and be responsible for their own retirement years to the point where they—if they have to go to a nursing home, they can get into a better one than they can get in using Medicaid.

RICHE: Well, you have raised two issues here. Privatization of Social Security is just silly. It’s actually going to increase the costs once you put in—allow for the risk premium, once you allow for the kind of training that you would have to do for the fifty percent of people that don’t already invest, once you have the administrative fees, and that’s before you even look at the costs of changing from a pay-as-you-go to an investment scheme.

But the savings issue is obviously at the heart of this. I know the Aspen Institute has a program now for trying to educate people about savings. They are looking at something the British government has just done recently where—the Blair government—where they are giving each child born, paying into a savings account for them and showing people—just the idea being to instill in young people the idea of savings and building assets.

So any kind of creative ways that would both educate people on the need for saving and educate them on how to save productively. Right now it seems the most people’s major form of saving in this country has been in their house and their real estate.

You look at the data and that’s the way people are building wealth here.

MORRISON: Yes, I’m certainly in favor of any kind of saving incentives that are set up. I’m not sure that I would necessarily participate, and I’m doubtful that it would go most of the way in terms of solving the problems. But it doesn’t hurt to have people save for that particular aspect of their old age.

But the important thing to recognize is that we—you know, we really don’t know what it’s going to take in terms of this panoply of services that need to be available as we have more and more elderly. We are going to have to find our way.

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The way we are going to find our way, I think, is in two kinds of arenas at the local level. There are places like Pittsburgh, Buffalo, and Cleveland where demographers recognize a process that we call aging in place. This comes about when younger people leave and older people accumulate in neighborhoods.

The elderly stay there over decades. They typically are homeowners. They have home equity, and things like reverse mortgages begin to make sense as ways of providing a flow of cash.

KONDRACKE: You are given a stipend based on—and lower—it's like a home equity loan, exact that it comes in terms of like—

MORRISON: Exactly. It's a guarantee, "You'll get this many dollars per month until you die. When you die the home will vanish. It won't go to your heirs."

So it's a way of providing that kind of insurance policy, and it's annuitizing the equity in the home.

That would seem to work—that would seem to be one idea that would be worth extending to provide the kinds of services that could be provided locally in places like this where you have enclaves of the elderly that have accumulated in places—been there for a long time.

A lot of Long Island is that way. You know, it was settled sort of in one period of time after the Second World War. Large swaths of Long Island are populated by people who have been there for a long time, who have grown old and they have homes, and somebody has to take care of them in their old age.

Well, putting in the infrastructure of service that could provide that for the dollars that could be provided from home equity is one way to think about this.

The other type of area where the elderly are cropping up are at the destinations of elderly migration, the typical retirement areas that we think of in Florida, Arizona, the southwest, where you have a lot of people moving there typically in better health because they are seeking kind of active old-age lifestyles in these retirement communities. But you then find them in situations where their family members are somewhere else in the United States, and you have to start to look at that from a different perspective and say, "Well, what happens when the married couple who moved to Arizona at age seventy ends up at age seventy-five as one widower?" And you have a person who you would like to enable to live independently as long as he can, but he's going to need a little bit of help and somebody to sort of keep an eye on him through cyberspace, so that we know at least that things are going well.

My point here is that we are going to have to find our way. There are locales where we can find our way, now, that are emerging.

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The Pittsburghs, the Buffalos, the Clevelands, where we can start to figure out how to do this, as we are going to have to do it in other parts of the nation. And, at the same time, we have these enclaves of the elderly in retirement communities, where we can start to look at the economies of scale that would make sense in these sorts of places.

But it's going to take some innovation.

KONDRACKE: Some people have posited that there is going to be generational conflict. In other words, you are going to have this enormous, relatively speaking, aged population, and it is going to make a claim on the resources of the government and the country at the expense of children. Some people say that that's happening right now, that it's very easy to pass a Medicare prescription drug bill, but we can't agree on financing No Child Left Behind fully. And so on.

Do you—I mean, does demography suggest that there is going to be this conflict?

RICHE: Well, I think that you've put your finger on the area where we are already seeing it, and that's in educating financing.

Many of us are thinking that as the work world requires us to have more lifelong learning, we have to shift our idea from education for the children to education for everybody at every stage of their life.

You know, it's easier to pass a funding bill if everybody's going to get something back from it.

That's particularly important in education because people do have smaller families. They have their two kids, and a lot of people—we actually have doubled our share of a childless population over the last decade, or so.

So not everybody is involved if you are looking at the bond issue for the kindergarten or the grade school. I think that reframing education as something we all tap into throughout is probably going to be one way we do this.

In my own experience I think the area where I see generational conflict is in the anxiety that I hear when I talk about these issues in public meetings over, “Doesn't this mean that if more older people—if more people do keep on working, do keep on being responsible for themselves”—what I hear, what I push, the anxiety being it's, “They're going to take my job! There won't be enough jobs to go around.”

Now, this is an irrational fear, because if we only had a fixed number of jobs we would have a fraction of what we have now if you look at our population—our number of jobs increase as our population increases.

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But that's the fear that people are worried about, and they are afraid specifically that people won't get out of the way. If we still have the idea of the career ladder being you go up and you don't get off, except at the top, I think people are going to be taking this into their own hands. I do see people after fifty-five wanting to step off to the side, or step back a bit. But it's really numbers of jobs. People are afraid there won't be jobs.

MORRISON: Yes. I was just discussing this issue of generational warfare with my adult daughter the other day, telling her that it was important for her to stay in the work force as long as possible because I would be needing that kind of support for my Social Security and old age, and there wasn't an immediate sort of adversarial relationship.

There are some interesting and, to some extent scary, aspects of this, though, which we might want to at least talk about briefly because other people are going to talk about it.

The fact of the matter is that there is an underlying racial-ethnic dimension to this. The Anglo population, as we refer to it in California, the non-Hispanic white population, is far more advanced in aging—that is, a higher proportion of us are approaching retirement age.

If you look at it purely demographically, the fact of the matter is that in the future, the Hispanic immigrant and general minority population with a heavy concentration of the population in the prime working ages, is going to be paying into Social Security as the dollars are flowing out to the Anglo population.

Now, one can look at that and say, "Well, that's a scary situation." And that sets the stage for something more than intergenerational conflict.

My own perspective as a non-Hispanic white approaching retirement age is that I've got a powerful stake in seeing that that Hispanic adolescent gets a lot of education because I want that person to be earning a lot of money to be supporting me.

So I'm a constituent that's in favor of more education. I'm in favor of addressing the complexities that arise in California, for example, when you have these bi-national families. An immigrant father and a U.S.-born infant to that immigrant father and mother who is a citizen by birth, and then the immigrant gets thrown out of the country—what happens to the child? Who sees that he gets fed, schooled and taken care of?

I am concerned about that because I have not only a humanitarian stake in it, but if it's explained properly to the population, I can think you can see you have an economic stake in it in the long term.

I don't want to live in a third world country in my old age. I want to live in a country that has—

KONDRACKE: But you do see a realistic danger of your living in a third world country?

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MORRISON: Not a third world country, but a country that has a significant presence of people who are—who cannot be economically productive in the twenty-first century economy that we are going to have in the United States.

It's not really a third world country that I am talking about. I'm really talking about realizing the full potential of the human capital that we have in our country. That really gets you to the point of investing in education. I mean, that to me is the bottom line. That's more important than anything.

RICHE: Right.

KONDRACKE: Not only investing in education, but making sure that the quality of the education is good and presumably increasing the pay advantages for teachers who go into science and math and stuff like that.

MORRISON: Yes. When I say investing in education, I don't mean just throwing dollars at it. I mean seeing that we get effective outcomes in terms of the product.

KONDRACKE: Right. Now, Philip Longman of the New America Foundation has written an article and a book, in fact, on the falling birth rates around the world. Basically, his claim is that falling birth rates are going to lead to disastrous consequences, including in the United States, because we are not going to be even able to get the immigrants that we have traditionally been absorbing to make up for the deficits in various aspects of our lives.

I know that you've got lots of quarrels with Philip Longman's analysis. Why don't I just give you the floor here?

RICHE: Well, first of all, the United States is in a totally different situation from all the other countries that are having—that Longman is talking about. He's—I would say he does a highly selective analysis to make his points. I wouldn't call it analysis.

What we do see is that there are countries in Europe and some in Asia—Japan, notably—where birth rates have fallen, where fertility rates have fallen, and we, as demographers don't think they are probably sustainable. They are at such low levels compared to what people actually want for children that they are probably not going to be sustained.

That said—

KONDRACKE: Is there any evidence that in Europe they are going to start producing babies to replace the population? I mean, the birth rate keeps falling, doesn't it?

RICHE: No, it doesn't really. The fertility rate is what we look at.

KONDRACKE: Fertility rate, sorry.

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RICHE: The rate for women having children. I mean, birth rates always fall as you have more older people. By definition they are past their childbearing ages.

But yes, you look at a country like France, say, where they have child benefits. Some have child benefits. They have public child care. They have a higher proportion of women in the work force and they have a relatively high fertility rate.

But we are really looking at a replacement level rate. We are not looking at anything beyond that.

What happened during the 1990s, and most people are not aware of it, is that the ratio between women getting education and working, and fertility rates reversed. It used to be that women who got an education and had a career had lower fertility rates than other women. Now, it is the other way around.

Women who have an education and are having careers or working have higher fertility rates. In fact, what it looks like now is the parents' economic security that makes the difference between having one child or having two.

Having two earners in a family makes a difference—they are more likely to have kids. Having the mother working and having a career—more likely to have kids. More educated parents—more likely to have more kids. Most people have their one child. The question is, are they going to have the second one or the third one?

What Longman has done—the United Nations has put out a set of population projections looking to 2300. As Peter said earlier, you can take all of these with a grain of salt. All they really do is set bounds or boundaries which are, “Here is what is likely to happen. If this keeps on happening we are going to go here. If this keeps on happening we are going to go there.” And so on and so forth.

The Longman one just looks at the bottom bound.

To pick up Peter's point again, all these projections don't recognize that other things happened. In the 1930s, you remember, we had a depression here. In 1941, one of our noted predecessors predicted, projected that the U.S. population would peak at 190 million.

Well, we are at 290 now, and looking at 450 in the next forty to fifty years. So carrying these things out very far beyond the next ten or twenty years really doesn't make sense.

What you can do it look at policies and say, “Well, our—from a policy perspective we don't want to make people have kids they don't want. But are they not having as many kids as they would like?”

You can look at what we could do to make sure they are having all those kids. There are

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things you can do. But really, we are talking about just bringing the fertility rate back to replacement level. In this country we are so far away—the developing world—from getting fertility rate down to a level where, given there are 2 billion people under age fifteen yet to become parents in the developing world.

Before we run out of the possibility, if anything, we are going to see more pressure from people wanting to come to this country.

MORRISON: If we run out of children being born in a couple hundred years, we probably will have robots who will be able to do the productive work. So we won't need them.

KONDRACKE: Well, but forgetting about 200 years, looking to the next fifty years or something like that. Is it a fact, as he seems to describe, that falling fertility rates in the developed world are going to produce lower GDP and make us all poorer because the population growth is one of the engines of economic growth because there are more consumers etc., etc. Although productivity is the other key factor.

But that there is going to be a decline—he says that there is going to be a decline, both in economic growth and also in innovation, because aging populations tend to be less innovative than populations with a lot of younger people. What do you—respond?

RICHE: Well, I just think this is nonsense across the board. But I will say one thing—this argument hinges on the idea that say, the Italian fertility rate is going down, and in 200 years there will be no people in Italy. I'd like to have one of those pieces of properties over there. I'll take one of those Tuscan villas!

What they mean, really, is that the people who will be there will not be the kind of Italians that are there today. People are going to live in these countries.

KONDRACKE: But there are going to be fewer of them, that's the point.

RICHE: Fewer of the Italians—

KONDRACKE: Fewer of the Italians. Fewer of the Germans.

RICHE: —descended from the Roman Empire. But there are going to be plenty of people. We are having—

KONDRACKE: Oh, I see. They are coming from Libya or—

RICHE: Well, or they come from places where there are all these water disputes, or in our case, buying those Tuscan villas. They will come from the United States. And Britain, as they already do.

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But what we are really seeing in these countries is a great national, natural laboratory for how these things work out, because it is different in every one of the countries. What you see in Japan, for instance, is young women not getting married. What you see in Spain, for instance, is women getting married, having a child, and then deciding, “I’m going to have a second child and stay home, or I’m not going to have that second child.” In Italy, you see women not having the second child, but who aren’t working. So the answer is different in every country. One of our colleagues has just looked at how many people in productive work life are not working in these countries. They have a tremendous underemployment of women in Japan. Ditto in Italy. If the female labor force participation rate were the same in Italy as the male participation rate, you’d pretty much solve your Social Security problem, and again, as I say, you would be getting—you’d be probably increasing the fertility because there would be more economic resources in the family.

So there are a lot of adjustments that people aren’t making yet, because they are cultural. This is a way overblown issue.

MORRISON: Yes. People will adjust within the context of their culture to the standard of living to which they aspire. If you look at some of the Middle Eastern countries, and I can’t cite a particular one, you know, there is a huge waste of female productive power for purely cultural reasons.

I have no dispute with that but as a society—

KONDRACKE: Jobs?

MORRISON: Not personally, but as a society, it’s for them to figure out what sort of standard of living they would like to have, given the fact that they could probably double their standard of living if women were treated more or less equitably in the work place as men are.

I’m not proposing to liberate their culture. But these are adjustments that cultures make over long periods of time over generations. They are adjustments that individuals make behaving as economists portray them as making decisions in their own interests.

To go back to this question of, you know, is the world going to fall apart because of not enough children, you know, the economy—are the economies all sort of going down a rat hole?

I think it is a sweeping generalization, but—again, you have to ask an economist who really understands how national economies work to get the answer to this, I think.

RICHE: I have done that, and we don’t—I would challenge, Mort, that we need to have population growth to have economic growth.

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We don't know yet that that is not true. But we can actually think about it, and think about how we could make—how you could have a stable population without having ever increasing populations. That's one of the issues in Europe. They feel they are as densely populated as they want to be.

A large part of their investment, including where people work, is in other countries. You mentioned we could improve productivity, and I mentioned a few ways that you could—and Peter did—that you could improve the productivity of your labor force. But there are many ways that adjustments could be made.

The question needs to be “Economic growth or growth in economic well-being?” Those are two different questions, and that's what economists are looking at now.

KONDRACKE: I don't understand the—

RICHE: Well, because economic growth is more transactions, more dollars change hands, more widgets are made.

KONDRACKE: Well, it's a standard of living question. It's a—

RICHE: But economic—that's where you go to the economic well-being, the standard of living. Economic growth does not measure standard of living. It just simply measures transactions. Many of us are involved in trying to redefine progress to actually include those transactions, the negative transactions, things that cause more pollution, for instance, or that require spending money on clean-ups, which does not improve standard of living. It decreases it. That's what we are looking at—trying to have a better understanding of it. We aren't anywhere near getting there yet.

KONDRACKE: Now, these various European countries, which have already begun to experience the graying, aging phenomenon, have had traditionally rich pension plans and they are now being forced to cut them back.

RICHE: That's right.

KONDRACKE: At great political—

RICHE: Political—

KONDRACKE: —cost and angst.

RICHE: That's right.

KONDRACKE: Now, is that America's future?

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RICHE: All of us who have plans that are based on an age threshold that was fixed—I've often felt we should have an inflator for age, like we do for—or a deflator like we do for the dollar.

I know Allan Greenspan has said the same thing. Sixty-five now isn't what sixty-five used to be. It's what eighty used to be, or eighty-two or eighty-five. And they, of course, went in the opposite direction. They have people retiring with full benefits at fifty, even. Those are unsustainable. People have taken age as the indicator—an age in the 1930s, as an indicator of when you were dependent, and they have just held it constant. And it's all changed around—yeah, but it's politically difficult.

KONDRACKE: But should there not be, and I don't know how you would ever do this, but a differential for people who have to do manual labor their whole lives, and really deserve to retire, say, at the age of sixty-five, and those people who are knowledge workers or you know, white collar workers or whatever you call them, and aren't physically worn out?

RICHE: Well, that would be a physical, not an age, but a physical measure. Let me just again put into this a changing context. When we started Social Security, there were a lot of people like that that had those physically wearing jobs, and they didn't even have the education to do a sit-down job like, say, be a check-out cashier, if they couldn't work any more.

The Bureau of Labor Statistics has estimated only 7 percent of our jobs these days are the kind of those physically wearing jobs. The baby boom is the first generation to go into retirement with almost everybody having at least a high school diploma. That was a big revelation of the 2000 Census—people without a high school diploma, where that was common, are over sixty-five now. So they have the education to do this. They can recycle.

Friends of mine used to build log homes. When those logs started getting heavy around age fifty—one of them is now a nurse practitioner and the other one sells demographic data. You know, there are options.

MORRISON: It's a treacherous path to follow to start to make these exceptions to differentiate the population. I'll give you an illustration of where you wouldn't want to go.

Demographers and actuaries will calculate life expectancies, and they will show you readily and persuasively that the life expectancy of an African American is considerably lower than that of a non-African American. That is true at birth; that is true at age fifty-five; that is true at age sixty-five. But when you get up to around age eighty-five it reverses. In fact, if you are looking at eighty-five-year-olds, African Americans, by our calculations, have a longer life expectancy—not by a lot, but by a small amount.

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So if you are an African American you can look at the world and say, “Well, you know, because so many of us get shot in our youth, the chances that we will be around to collect Social Security are distinctly less.”

KONDRACKE: Therefore we should pay lower taxes.

MORRISON: Therefore we should pay lower...or we should have a lower retirement age.

KONDRACKE: I see.

MORRISON: So when you go there, it’s—the world of actuaries will take you endlessly down paths that you don’t want to follow.

KONDRACKE: Let’s end here on the subject that is the usual subject of these proceedings, and that is aging research and the possibility of extending the human life span, or at least making old age a much healthier proposition.

Now, what do you see as the trends in healthy lifestyles, healthy seniority and the opportunities there that would change these demographic gloom and doom pictures?

RICHE: I think that one of the things that is making a difference, as I said earlier, the baby boom is our best generation in history in terms of education. Half of them went to college.

We see that from the research we are looking at now, that aging research is only responsible for about a third of this increase in our healthy life expectancy. Another third of it is from medical personnel knowing more about what to do. The final third is from more educated people taking better care of themselves.

So there is a tremendous opportunity outside the fancy research to just educate people and encourage them to take responsibility for their health. That will make a big difference.

KONDRACKE: There you agree with Phil Longman, by the way, who seems to think that encouraging healthy lifestyles is a much more productive way than spending it in medical research on—

RICHE: It is equally productive.

KONDRACKE: It is? OK.

MORRISON: Yes, I agree. You know, the bottom line is that the outlook is really quite positive for the future for the elderly in the sense that people smoke less, they exercise more, these yield lasting benefits—

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KONDRACKE: Now wait, now wait, now wait. We have a horribly obese population. How can you be saying that that's—

RICHE: That is—

MORRISON: That's a good counter to what I just said.

RICHE: But—

MORRISON: But the fact is that there are generations who are moving into old age who are in good health, and at the same time we have this McDonald's generation, who are obese. And we are creating a new generation of people who will be at risk.

So it may well be that what we want to do is recognize that we need to address the obesity issue, which has really cropped up in the last few years, I mean, become more visible.

RICHE: But—could I just put one thing in here on the obesity issue? This actually applies to the other topics we have raised.

When you look at an average, you are looking at a whole lot of different people in it. On the obesity issue, my understanding with the current research is that most people are not more obese. It's that obese people are more obese.

So when you fold that in, it looks like it'd be the increases on average.

KONDRACKE: I thought I have seen statistics where more kids are obese.

RICHE: Well, the research I am referring to just came out a week ago.

KONDRACKE: OK.

MORRISON: No, I think you are right, Mort. More kids are obese, and we are, therefore, looking at the beginning of a generation that, you know, sixty-five years from now, is going to pose a new problem that we have not looked at. I'm talking about the generation that is replacing the elderly today—that is to say, people who are turning sixty-five, turning seventy. We are seeing cohorts that really have taken better care of themselves over the life span. We will have a period of time during which we will benefit from this.

At the same time, we are creating the seeds of another problem with this obesity concern, which I think is a very important one.

And Marty is right that, you know, the profoundly obese people are posing a problem. But it is the case that a higher percentage of kids now, have passed that threshold of obesity. It's becoming a chronic problem. It's a nutritional problem, and in a sense, it ties

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back to family situations where people don't have time to see that kids are well fed or given a properly balanced diet.

But there—to go back to my point, the outlook is very positive in the sense that we have all sorts of things that can make people live longer and be healthier in old age. It's just we haven't diffused them to everybody in the population. There is a big equity issue there.

We've invented enough good things that all we need to do is provide the resources to get those good things to most or all the people. At the same time, I think there is the inexorable press for new breakthroughs that we are not going to stop funding NIH to do that.

There are some possibilities on the horizon, which are truly profound. I won't go into the details, but we are seeing medical—you know, people talking about—

KONDRACKE: Life extension.

MORRISON: Yes, life extension. Almost to the point where you say, “Are you sure we want to enable people to live that long?” Maybe we don't want to make that step and make it the case that all of us can become centenarians.

KONDRACKE: Right. Well, that is a challenge that we will have to discuss on another show.

Thank you very much to Martha Farnsworth Riche and Peter Morrison. I am Morton Kondracke, and thank you very much for joining us.