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INSIGHT

Slower Population Growth, Economic Growth, and U.S. Fiscal Prospects

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In November 2023, the U.S. Census Bureau released its first post-pandemic U.S. population projections. Newly projected population growth is slower than in earlier projections (**Figure 1**). Although the COVID-19 pandemic had a noticeable effect on U.S. population trends, the longer trajectory reflects other long-term factors, such as rising longevity and falling birth rates. Those trends will affect economic growth, health care and retirement costs, labor markets, housing demand, and debt service costs, which in turn will shape the fiscal challenges facing governments at all levels.

U.S. Population Growth Slowed and Is Projected to Peak in 2080

From 1977 through 2008, the U.S. population grew 1% per year on average. From 2009 through 2022, average population growth fell to 0.5% per year. According to the recent Census projections, population growth will fall from 0.49% in 2023 to 0.25% in 2038, before falling to 0.002% in 2080 and turning negative in subsequent years. Greater longevity and falling birth rates together result in the aging of the population.

Yet, long-term population projections are subject to considerable uncertainty. Some demographic components, such as the aging of current cohorts, are more predictable, while others, such as future fertility rates and net immigration, are less so. Sorting out persistent effects of the COVID-19 pandemic from transitory effects also complicates such projections.

Aging of the U.S. population has been long expected, as Baby Boom cohorts born after World War II have mostly reached their retirement years. The projected rise in the share of over-65 cohorts is shown in **Figure 2** and **Table 1**. The share of young people is projected to fall, while the expected share of older Americans, especially those over 85 years of age, will rise. The population share of under-18s is projected to fall from 22% in 2022 to 16% in 2100, while the proportion of over-65s is expected to rise from 17% to 29% over the same period.

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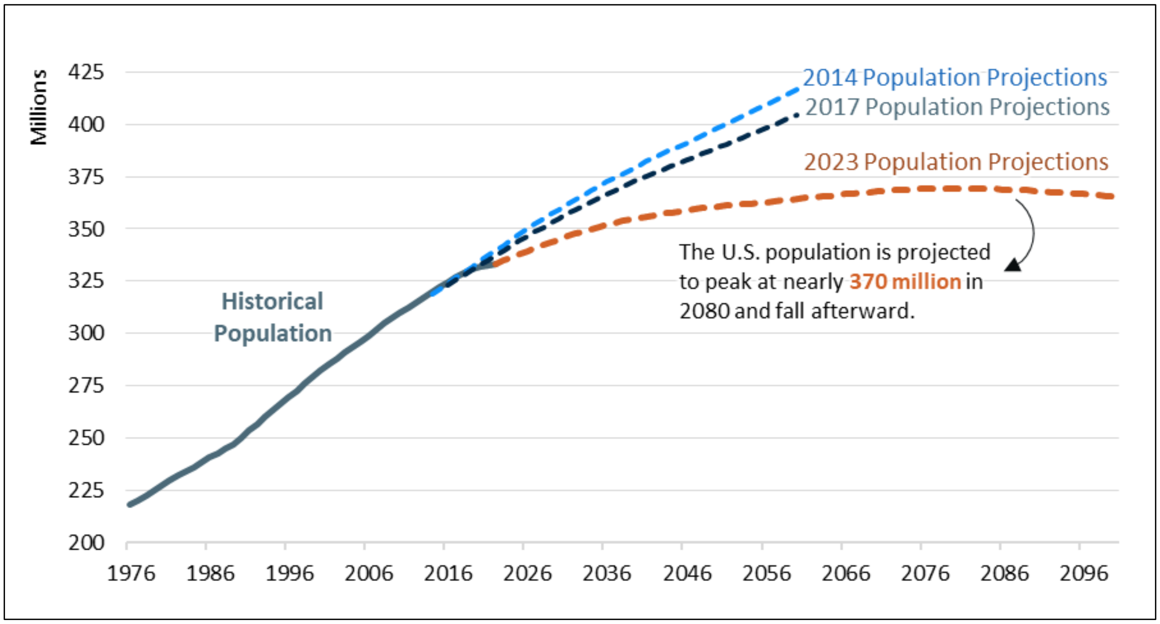
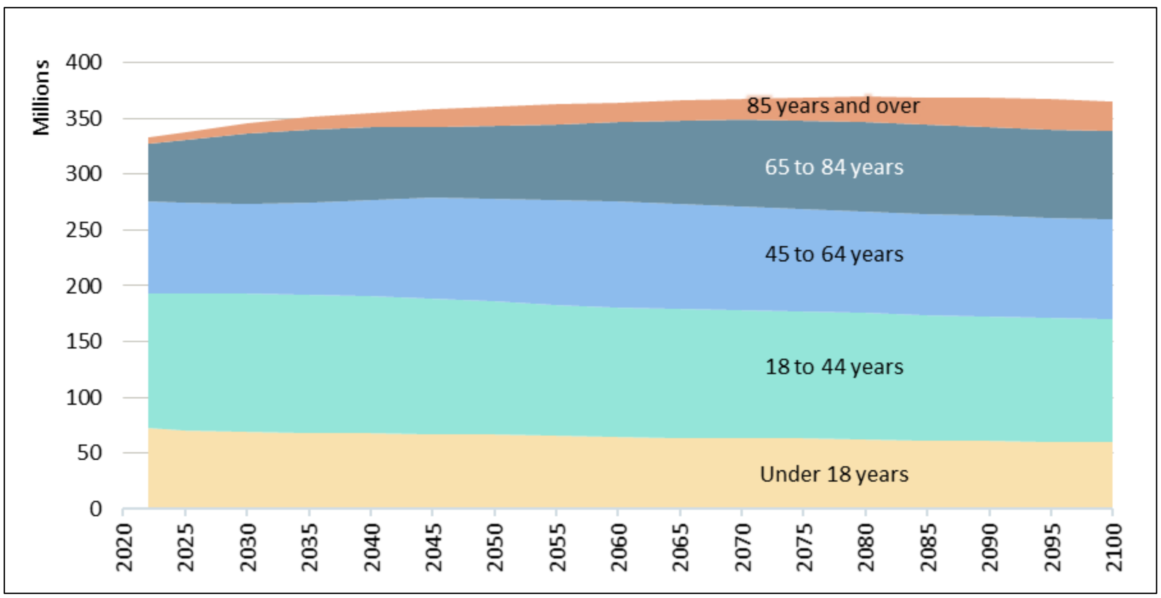
Figure 1. U.S. Population: Past Levels and Projections, 1977-2100



Source: CRS calculations based on Census Bureau data, including 2014, 2017, and 2023 national population projections and historical population data.

Notes: 2010-2019 data from 2023 *Economic Report of the President*. The Census Bureau has not yet released intercensal estimates for that period that incorporate results of the 2020 enumeration.

Figure 2. Composition of Projected U.S. Population by Age Bracket, 2022-2100



Source: CRS calculations based on Census Bureau 2023 national population projections.

By 2100, the projected number of centenarians will top 1 million. Those within the peak productivity age bracket—45 to 64 years—will remain about a quarter of the projected population. Changes in the projected population structure, however, will be gradual. The unevenness of longevity gains in recent decades, however, may affect the future population structure. That trend is an active area of research.

Table 1. Share of Projected U.S. Population by Age Bracket, 2022-2100

Age Bracket	2022	2025	2030	2040	2050	2060	2070	2080	2090	2100
Under 18 years	22%	21%	20%	19%	18%	18%	17%	17%	17%	16%
18 to 44 years	36%	36%	36%	34%	33%	32%	31%	31%	30%	30%
45 to 64 years	25%	24%	23%	24%	26%	26%	25%	24%	25%	24%
65 to 84 years	15%	17%	18%	18%	18%	20%	21%	22%	22%	22%
85 years and over	2%	2%	2%	4%	5%	5%	5%	6%	7%	7%

Source: CRS calculations based on Census Bureau population projections.

Policy Issues

The effects of slower population growth will interact with federal fiscal challenges in coming decades. Federal social insurance programs mainly designed for the elderly—such as Social Security and Medicare—as well as Medicaid, which supports most long-term care costs of indigent elderly, account for a large share of federal outlays. Growing numbers of older Americans, as well as rising health care prices, are two major reasons federal health care costs are expected to rise. How demand for health care changes with an aging population will also affect future costs. A falling share of children may also reshape priorities of federal, as well as of state and local, governments.

The aging of the U.S. population is projected to reduce labor force participation rates—that is, the proportion of adults employed or looking for work—because just less than a quarter of nondisabled people aged 65 and older are in the labor force, compared to about 73% of women and 83% of men aged 16 to 64. Within older age brackets, labor participation rates are expected to rise slightly. Thus, older Americans of a specific age will probably be more likely to work, but more Americans will be in older age brackets that are less likely to work.

Lower labor force participation rates, other things equal, translate into lower potential economic growth, which heightens the difficulty of maintaining or reducing the ratio of public debt to gross domestic product (GDP), a measure of the economy's size. On the other hand, slower economic growth is linked to lower real interest rates, which lowers debt service costs. Productivity gains, capital investments, and efficient international trade also affect economic growth rates.

Middle-aged Americans expecting a longer retirement have incentives to accumulate financial assets, which will be spent down slowly over decades. This increased saving creates demand for stocks and bonds, including federal government debt. The resulting supply of invested funds pushes interest rates down. Market power leading to higher pricing markups and rising inequality also may push interest rates downward. If rising public debt levels persuade investors that government debt no longer offers a safe haven, however, then bond markets will demand higher interest rates to reflect the perceived heightening of sustainability risks.

As natural population increase—the number of births minus deaths—falls, turning negative in 2038 according to projections, population growth then depends on immigration. The Census Bureau extrapolates recent immigration rates from six world regions. It also issued alternative projections with lower and higher immigration rates. Future immigration rates will likely depend on federal immigration policies and U.S. labor market conditions, as well as political and economic conditions in countries around the world. How immigration affects economic growth and public finances is complex, tied to factors such as the skills and capabilities that immigrants bring with them and how well they are assimilated into labor markets.

Author Information

D. Andrew Austin
Analyst in Economic Policy

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