



Insight

The United States' Growth Problem

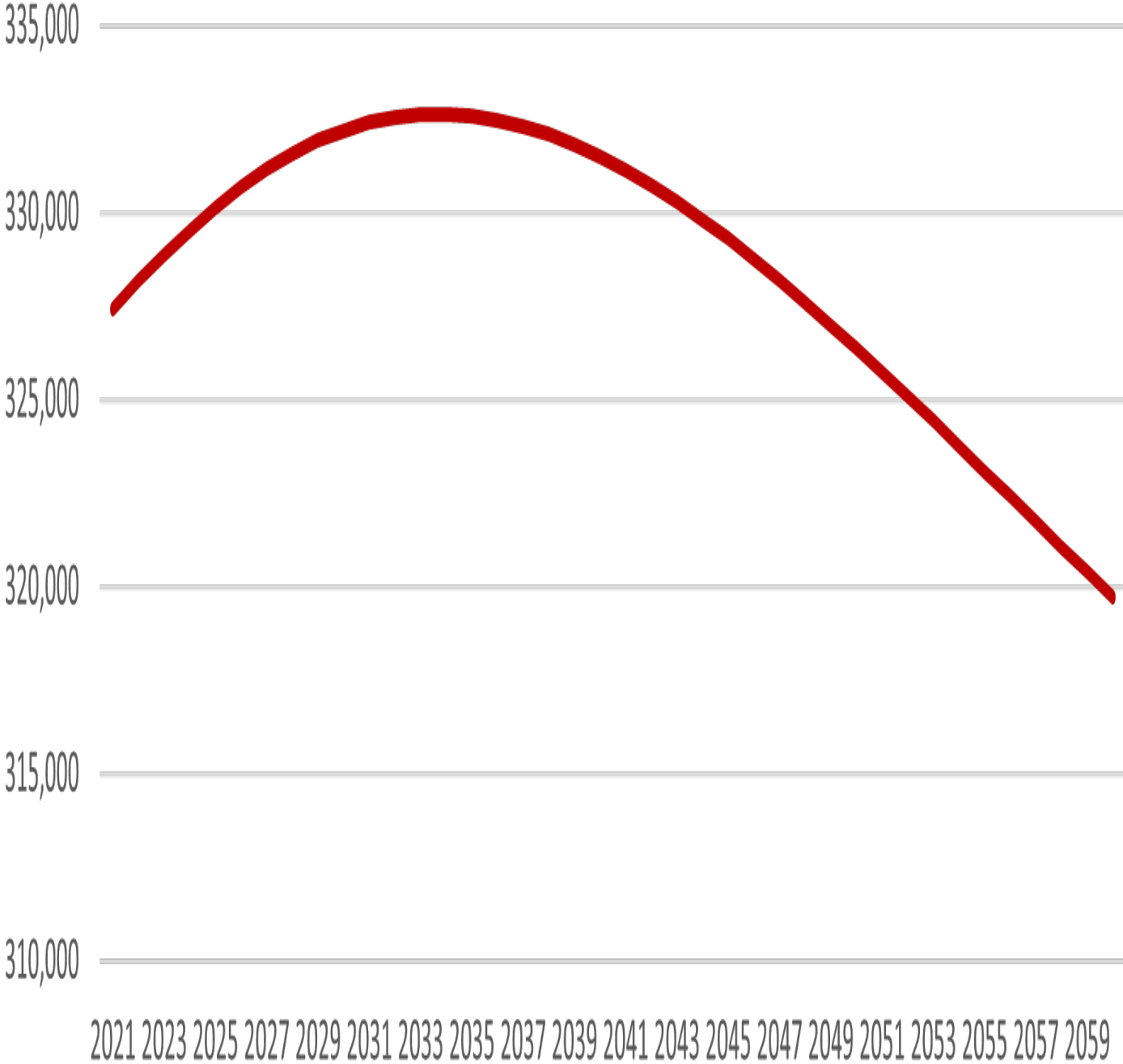
MAY 10, 2021

- Economic growth in the United States is slowing: It will take twice as long for the standard of living to double in the future as it did over the last 70 years.
- The native-born U.S. population is shrinking, reducing the size of the labor force and, all else equal, shrinking the size of the economy.
- Any pro-growth economic agenda must include legal immigration reform to ensure a growing labor force and to encourage greater innovation and productivity.

The United States' Growth Challenge

The United States has a growth problem. Since World War II, the economy has grown quickly enough that the standard of living would double in 30 to 35 years. But the forecasted long-term real economic growth rate, accounting for population growth, is about half that, and as a result it will take 65 years to double income per person. Achieving the American Dream is becoming far more difficult.

The Native-Born Population is Shrinking



— Population Without Immigration

The United States' Growth Challenge

A large part of this slowdown in economic growth is due to slowing population growth. The birth rate of the native U.S. population is below the replacement rate, meaning the native-born U.S. population is shrinking. A shrinking population means fewer workers, and fewer workers means a shrinking economy, all else equal. Faster growth is essential to the well-being of American families and prosperity that is broadly shared.

Legal Immigration: Part of the Solution

The growth rate of the economy consists of two important pieces: (1) the growth rate of labor supply, and (2) the growth rate of output per worker, or productivity. Legal immigration can have powerful impacts on both.

Immigration raises the overall pace of population growth, ensuring the labor force continues to expand. Immigrants also tend to have higher rates of labor-force participation than native-born workers.

Immigration boosts productivity, as well. Immigrants have traditionally displayed an entrepreneurial bent, offering the potential for productivity-enhancing innovations. Greater productivity and more workers together mean faster economic growth. Legal immigration reform is therefore a critical part of any pro-growth economic strategy.

This brief is adapted from “[Building a Pro-Growth Legal Immigration System](#),” AAF’s immigration-reform proposal.