What It Means to Hit 300 Million

As the U.S. population reaches the benchmark set by China and India, large numbers of immigrants and young people keep the economy vital

Sometime in October the U.S. will join China and India in the very small club of countries with at least 300 million residents. This really is a big deal, like hitting 700 home runs in baseball. No other country is expected to reach the 300 million mark for at least 30 more years (if you are keeping score at home, Indonesia and Nigeria are the best bets).

But here are a couple of questions for you to ponder as the U.S. gets closer to the big 300: Is it coincidence that the three countries with the largest populations also have the most dynamic economies in the world? And is it coincidence that the most innovative major industrialized country, the U.S., also has the fastest growing population and the most young people?

No coincidence at all, as it turns out. Surprisingly, a nation with a large population may have an advantage when it comes to innovation and the adoption of new technologies. Why is that? For one thing, innovation is risky. Most new products and new technologies fail. But a big home market offers a very attractive prize for success: Lots and lots of potential customers. And that tends to encourage innovation.

THE SIZE OF IDEAS. "In modern knowledge-based economies, on balance population growth helps rather than hurts income growth and general welfare," wrote Nobel Prize-winning economist Gary Becker on his blog. "Larger populations stimulate greater investments in knowledge that tend to raise per capita welfare."

According to this view, the large size of the U.S. home market is one of the important reasons U.S. companies have been more innovative. In fact, one of the justifications for the European common market was to obtain some of the advantages of the big U.S. market.
But it's not simply the number of people that matters for innovation. It's also how old they are. Because the U.S. has a growing population—unlike most other industrialized countries—its people are younger than most of its rivals' populations. For example, almost 28% of the U.S. population is under the age of 20. By comparison, the percentage of under 20-year-olds is 25% in France, 20% in Germany, and around 19% in Japan and Italy.

**YOUNG AND RESTLESS.** Young people tend to be more open to innovation and risk-taking. As entrepreneurs, they have fewer preconceived notions about what is possible and what isn't. They have endless supplies of energy. And without families to support, they are more willing to throw themselves into a new venture that has a high probability of failing. It should be no surprise that Yahoo! (YHOO), Google (GOOG), Microsoft (MSFT), Dell (DELL), and many other great tech companies were all founded by people under the age of 30.

As customers, the young are also more receptive to trying out new things, whether it's the latest music or a new gadget, or a social networking Web site. In a recent survey of Europeans, 73% of 15- to 24-year-olds were "attracted toward innovative products or services." Among the 55-and-older set, the percentage that looked favorably on innovation fell to 40%.

Going forward, the U.S. "youth advantage" in terms of innovation only grows stronger. By 2015, according to current projections, the U.S. actually will have a higher youth percentage than China.

**INFLUX OF TALENT.** The final link between innovation and population runs through immigration. Without a steady influx of the foreign-born, the U.S. would be nowhere close to the 300 million mark. Between 2000 and 2005, immigrants accounted for more than 40% of population growth, not even counting the children born in this country to immigrant parents.

What's more, immigrants seem to have an impact on innovation out of proportion to their numbers. Andy Grove of Intel (INTC) originally came from Hungary and Jerry Yang of Yahoo! was born in Taiwan, while Sergey Brin of Google came from Russia at the age of 6.

The conventional explanation is that immigrants, by nature, are greater risk-takers and more energetic—or else they would have stayed in their home countries. And because they are not integrated into the existing social networks, it's easier for them to try something new.

Demographics may not be destiny, but reaching 300 million living and breathing souls is a good sign for the future of the U.S. economy.

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